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CONSEQUENCES OF THE PANDEMIC ON THE LABOR MARKET

Abstract

According to the World Bank, the decline in the global economy in 2020 amounted to 3.5%, the IMF – to 3.2%. Over 93% of working people in the world have faced restrictions. In 2020, the unemployment rate rose to 6.5% in the world, and in Kazakhstan – to 4.9%. The coronacrisis turned out to be the second largest crisis in the history of the Republic of Kazakhstan. For 20 years it was the first time when Kazakhstan's GDP growth rate turned negative, amounting to –2.6% by the end of 2020, as a result of which the country ranked 2nd in terms of economic decline among Central Asian countries. The government also faced a crisis in the world oil market, which is the main export commodity and the main source of income. Therefore, the identification of the consequences of the COVID-19 pandemic determines the topic of this study. In the article, the authors analyse the negative impact of the coronacrisis on all aspects of economic and social activity globally and locally in Kazakhstan. The aim of the study is to assess the situation in the labor markets under the influence of the pandemic. The result of the study was the conclusion that a properly structured state policy will contribute to the speedy restoration and return of the world to normal life. Therefore, regular monitoring and control of all anti-crisis measures at the highest level, as well as constant adaptation and diversification of policy measures taking into account the ongoing changes in the world, is of great importance.

Key words: labor market, unemployment, world economy, coronavirus, COVID-19, «lockdown generations», anticrisis measurements.

Introduction

Crisis in the economy and labor market caused by coronavirus infection COVID-19, according to forecasts of the International Labor Organization (ILO), may lead to an increase in global unemployment by almost 25 million people. The COVID-19 pandemic has also weakened the domestic economic activity of the countries of the world. The consequences of the coronacrisis affected the economy of Kazakhstan more strongly than the crises of 2008 and 2015. The spread of the COVID-19 pandemic has suspended global activity and led to a decrease in global demand and prices for oil, which is the main export commodity of Kazakhstan.

The world was not ready for a pandemic – neither institutionally, nor legislatively, nor resourcefully. Some industries have suffered more due to the need for social distancing and border closures. So, globally, the entire service sector, including the trade, decreased by an average of 8.1%. International passenger traffic decreased by 60%, and air transportation lost about 370 billion US dollars [1].

International tourism in comparison with 2019 lost 1.3 trillion US dollars, putting at risk from 100–120 million jobs in the industry.

According to international experts, the pandemic and efforts to contain it have caused an unprecedented collapse in demand and a drop in oil prices. Thus, the average annual price of Brent crude oil decreased by 35% in 2020 compared to the previous year. In addition, demand for metals and transport-related goods used to make vehicle parts, also fell. Despite the fact that agriculture provides food security, there have been restrictions and disruptions in food supply chains around the world.

As per the World Bank's latest Global Economic Prospects report, COVID-19 types, inflation increase, debt, and income inequality are expected to slow down the global economy after a revival

in 2021. That might affect the recovery mostly in emerging and developing economies. There is a forecast in global growth decline by 1.4% (2021–2022) and 0.9% (2022–2023) due to fiscal and monetary support minimization and unmet demand dissipation [2].

It could be predicted that economic activity will continue to decline in the future due to effect from Omicron.

Fundamental rules. The purpose of this research is to analyze and evaluate the effect of the pandemic on the labor market.

Literature review

The works of Kazakhstani scientists as Tussupova L.A., Yeralina E.M. [3], Madiyarova E.S., Pestunova G.B., Suieubayeva S.N. [4], Zakirova D.I. [5], as well as of foreign economists as Odegov Y.G., Razinov A.E. [6] and others are devoted to modern trends in the development of the world labor market under influence of new global challenges.

Materials and methods

Methods of structural and problem analysis and synthesis are applied in this work, the main global trends in the labor market. The materials of publications of the World Bank, International Labor Organization, OECD are used, which have enabled to assess the ongoing processes in economy and the labor market.

Results

To increase labor productivity in Kazakhstan, the state needs to carry out structural transformations, develop effective support measures to stimulate the entire economy. It is important that the authorities demonstrate their commitment to solving long-standing problems hindering productivity growth and creating a solid foundation for economic recovery.

Discussion

The pandemic has a lasting negative impact on global economic activity, thereby constraining growth prospects in countries with emerging and developing economies (Table 1). The last two years have once again confirmed that this crisis and the ongoing economic recovery are unprecedented. Policy makers need to carefully monitor a wide range of incoming economic data, take measures to prepare for unforeseen situations and be ready to promptly inform about policy changes and implement them quickly so that the world breaks out of the clutches of the pandemic.

Table 1 – Latest World Economic Outlook Growth Projections

real GDP, annual percent change	estimate	projections	
	2021	2022	2023
World Output	5,9	4,4	3,8
Advanced Economies	5,0	3,9	2,6
USA	5,6	4,0	2,6
Eurozone	5,2	3,9	2,5
Japan	1,6	3,3	1,8
Emerging Market and Developing Economies	6,5	4,8	4,7
China	8,1	4,8	5,2
Russia	4,5	2,8	2,1
Middle East and Central Asia	4,2	4,3	3,6
Note – Source [7].			

The crisis caused by COVID-19 has accelerated the transformation of the global economy, dramatically intensified several megatrends: digitalization, transition to a green economy, the growth of

digital and social inequality. The IMF predicts global economic growth, noting a decline in production potential due to restrictive measures and a slowdown in labor force growth due to an aging population. The organization's forecasts look much more optimistic than it is in the World Bank, according to IMF experts, COVID-19 will leave fewer traces than the global financial crisis of 2008. So, in 2022, global GDP growth will be at the level of 4.4%. According to the IMF, the growth of Kazakhstan's economy in 2022 will be 4% [7].

The Asian Development Bank (ADB) gives even more positive forecasts of recovery – in developing Asian countries, the growth is projected at 4.8% in 2022. In Kazakhstan, the economic growth rate in 2021 amounted to 4.0%, and in 2022 it will be already at 3.2% [8]. Economic growth will remain above the pre-pandemic pace, which was 2.3% in 2019. This will be facilitated by state measures to support investments, the realization of the potential for restoring activity in the service sector, as well as increasing oil production.

It should be noted that China's GDP growth is projected at 5.0% in 2022. India, Bangladesh and Vietnam will be among the engines of economic recovery in the region in addition to China. The growth of the economies in the Central Asian countries will largely depend on the growth of world prices for raw materials.

The coronacrisis in 2020 dealt a crushing blow not only to the economy and healthcare of countries, but also did not bypass the labor market, jeopardizing the employment of citizens and, accordingly, their only source of income.

The general “lockdown” led to the complete or partial restriction of the activities of many enterprises around the world, as a result of which the employees of these enterprises were forced to switch to part-time work, go on unpaid and indefinite leave, or lost their jobs altogether. Another part of the workers was sent to the “remote” mode of work for epidemiological reasons. About 94% of all working people on the planet somehow faced restrictive measures caused by the need to resist the spread of the coronavirus [9].

As a result, in 2020, total employment decreased by 114 million people compared to the previous year [10]. In developed countries, significant employment losses were in “contact” areas – trade, transport, accommodation and catering services, culture and entertainment. And in other industries related to IT, finance and insurance, on the contrary, there was an increase in employment. Analysts believe that if it were not for the pandemic, an additional 30 million jobs would have been created in the world.

In 2022, the number of unemployed in the world will grow to 207 million, which is 21 million more than in pre-crisis 2019. The ILO notes that earlier more optimistic forecasts for the recovery of the labor market were not justified due to the consequences of the spread of COVID-19 types, such as delta and omicron. Global unemployment is expected to remain above pre-crisis levels at least until the end of 2023. The effects of the pandemic on labor markets are felt all over the world, although the pace of recovery is different everywhere. The most encouraging signs of revival are observed in Europe and North America, and the least promising — in Southeast Asia, Latin America and the Caribbean [11].

Considering individual countries, it should be noted that the coronacrisis affected their unemployment rate in different ways. For example, in Spain, where unemployment is traditionally at a high level of approximately 14%, under the influence of the pandemic, the unemployment rate rose to 16.4% in the third quarter of 2020 (Figure 1, p. 257).

It should be noted that the sharpest increase in the unemployment rate occurred in the states of North America. Such a significant jump in the unemployment rate is associated with the peculiarities of statistical accounting of the unemployed and social security systems. For example, in the United States, any citizen who is actually unemployed for at least one day can already be recognized as unemployed and receive appropriate payments, which are also at a fairly high level and are sufficient motivation to seek state assistance in the field of employment. In countries, such as Germany, Great Britain, as well as in Kazakhstan, the unemployment rate did not exceed 5%, despite the degree of impact of the coronacrisis and significant differences in social security or employment promotion policies.

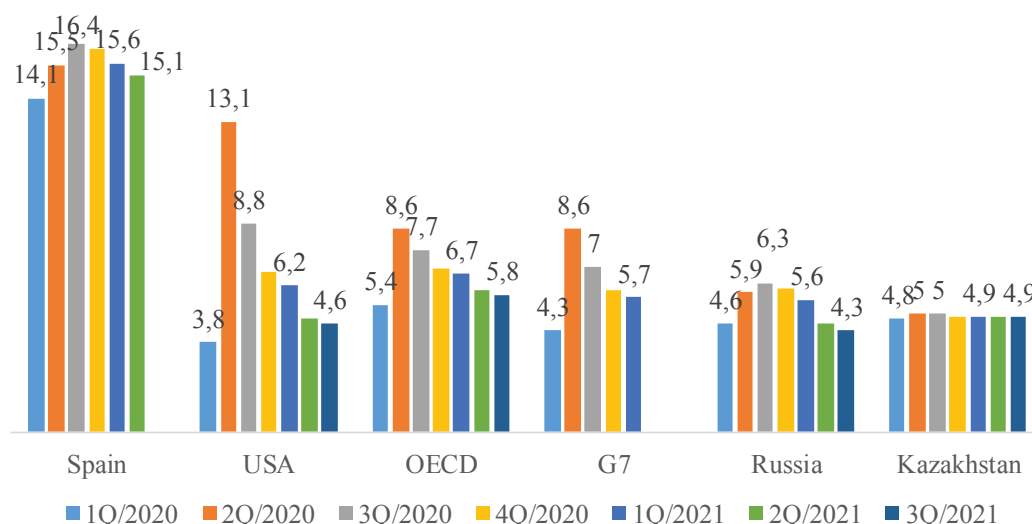


Figure 1 – Dynamics of unemployment in Kazakhstan, Russia, OECD countries, %

Note – Source [12].

Since the projected number of jobs cannot fully provide jobs for all those who remained unemployed or economically inactive during the pandemic, the unemployment rate will remain high at 5.7% (205 million people) in 2022.

It should be noted that the pandemic has had a stronger impact on the loss of working time. According to the ILO, in 2020, the amount of time worked in the world decreased by 8.8%, which is equivalent to the loss of 303 million jobs, which is 4 times more than during the global financial crisis in 2009. At the same time, in the structure of working time losses, only about half accounted for a decrease in total employment, including unemployment and the withdrawal of the population from the workforce, while the other half of the losses are associated with temporary unemployment or a reduction in working hours, when people did not formally lose their jobs, keeping their workplace, but were forced to go on vacation.

The most affected people were in Peru, where working hours decreased by 27.5%, Honduras (24.3%), Panama (23.5%), Argentina (21.0%). G20 countries lost 195 million full-time jobs in 2020 (8.5% of working hours worked). In the USA, losses amounted to 9.2%, in the EU – 8.3%, in the UK – 12.8%. Losses in Germany, France and Italy amounted to 6.3%, 8.4% and 13.5%, respectively. In China, the amount of time worked decreased by 4.1%, Japan – by 5.4%, India – by 13.7%.

In Kazakhstan, in 2020, the time worked in the economy decreased by 11.5% compared to 2019, and the loss of working time amounted to 939.2 thousand full-time jobs. In Russia, the reduction in working time losses amounted to 8.5%, in Kyrgyzstan to 11.7%.

According to the ILO, the total amount of working time in 2021 fell below the «pre-covid» level by 3.5%, which is equivalent to the loss of 105 million full-time jobs.

In turn, another issue was occurred due to the loss of working time – the income of the population from labor activity significantly decreased. Over the year, their decline reached more than 8.3% or 7 trillion US dollars or 4.4% of global GDP. At the same time, in European and Central Asian countries, which includes Kazakhstan, such a drop was greater (8.7%) than the global average. The situation was worse only in Africa (9.4%) and continental America (10.3%) [13]. According to ILO estimates, almost 108 million workers are in extreme poverty today, or in other words, they live on less than \$3.2 PPP per day. On the other hand, labor productivity in 2020 increased in countries where the activities of enterprises in traditionally low-productive industries ceased, thereby increasing global indicators as was specified by ILO. In this regard, it is possible to predict a decrease in labor productivity in 2022 to – 1.1%.

The crisis had the greatest impact on those groups of enterprises and the population that had previously faced the greatest difficulties – small businesses, women, youth, migrant workers, unskilled and informal workers.

In particular, small enterprises, especially in the informal sector, are experiencing significant financial difficulties and informal workers do not have access to the benefits of social protection systems. According to international experts, at the midst of the crisis, every third person who lost his job was an informal worker [7].

Along with this, the situation with social inequality between skilled and unskilled workers is becoming increasingly complicated due to the inability of the latter to work at home. Often highly qualified employees can take advantage of any available form of remote work. In addition, it is also affected by how much the industry is subject to automation or whether routine labor can be replaced with machine labor, leading to an even greater burden on employment in the sectors. For example, agriculture, mining and energy supply, manufacturing, construction, trade and other services are among the industries with an increased probability of maximum automation.

In addition, employment among women decreased by 5.0% against 3.5% for men. This is due to the fact that women around the world are most often employed in the workplaces of the service sector most affected by the coronacrisis, where physical interaction between people is traditionally present.

Young people faced a severe shortage of jobs and increased competition with experienced personnel for jobs. The decrease in employment among young employed was greater (by 8.7%) than among the adult population.

Every 6th young worker lost his job. Young people, usually, work in the areas most affected by the crisis, such as technical support, services, sales. This makes them more vulnerable to the economic consequences of the pandemic. Among those who continued to work during this period, 42% experienced the reduced incomes.

International experts have already noted the emergence of the so-called «lost» generation of the workforce or «lockdown generation», which consists mainly of young people who have faced enormous difficulties in terms of studying, adapting to a new format of education and access to educational resources, which in the future may limit their employment prospects in the labor market. It should also be noted that some young people preferred to postpone entering the labor market at such a difficult time and pursue further education. For example, go further along the path of «bachelor's-master's degree» or «college-university».

Labor migrants, in turn, faced a sudden loss of work and the lack of the possibility of receiving at least some compensation from foreign employers.

So, in the conditions of the economic crisis, which caused the mass closure of enterprises, a drop in consumer and investment demand and an increase in unemployment, it is necessary to develop effective measures of state support aimed at stimulating both the entire economy and individual groups of the population.

Since 2020, the governments of most countries have taken unprecedented measures to support the population and business. In general, the measures were aimed at preserving jobs and redistributing labor resources. In some countries, support measures are still being provided, including programs to further restore the economic potential of enterprises and the labor market.

Conclusion

The key priorities of the countries' policies related to the labor market in the near future are to limit the spread of the virus, provide assistance to vulnerable groups of the population, regulate the structural characteristics of the economy and overcome problems. In turn, international organizations recommend to states focus on the following areas:

1. Ensuring the use of all necessary resources for the production and full deployment of vaccination to save lives, preserve working capacity and neutralize the negative impact of restrictive measures on the welfare of the population.

2. In order to ensure the restoration of economic activity and the protection of jobs, the state needs to continue initiatives of fiscal incentives, including support for enterprises and incomes of the population.

In addition, given the current uncertainty, the authorities should give priority to the policy of strengthening the institutions of the social protection system in order to increase the stability of the labor market in the future. This includes expanding the rights to unemployment insurance to cover the self-employed and informally employed, providing adequate resources for education and vocational training programs, developing the infrastructure of employment services and other social costs.

3. State support should be refocused on targeting measures in relation to such priority groups as young people, including the «lockdown generation», women, as well as workers from among the «working poor» and those with low qualifications, since there is a risk of incomplete coverage of these categories when providing general support. Therefore, in order to combat inequality and promote inclusive recovery of both the labor market and the economy as a whole, this recommendation is extremely important.

4. Governments need to focus on the most affected sectors of the economy. For these industries, it is necessary to develop separate strategies, programs and plans for recovery and further development, taking into account their specifics, as well as job creation and opportunities to interface with fast-growing sectors. Such initiatives also provide for close cooperation and involvement of employers' and employees' organizations. At the same time, state support, first of all, should cover enterprises in the service sector, in particular small and medium-sized businesses.

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ПАНДЕМИЯНЫҢ ЕҢБЕК НАРЫҒЫНА ӘСЕРІ

Андатпа

Дүниежүзілік Банктің деректері бойынша 2020 ж. жаһандық экономиканың құлдырауы 3,5%-ды, ХВҚ - 3,2%-ды құрады. Планетаның барлық жұмыс істейтін адамдарының шамамен 93%-ы қандай да бір жолмен шектеу шараларына тап болды. Әлемдік жұмыссыздық деңгейі 2020 ж. 6,5%-ға дейін, ал Қазақстанда 4,9%-ға дейін өсті. Коронадағдарыс Қазақстан Республикасы тарихындағы екінші ең ауқымды дағдарыс болды. Соңғы 20 жылда алғаш рет Қазақстанның ЖІӨ өсу қарқыны теріс мәнге ие болды, 2020 ж. қорытындысы бойынша 2,6%-ды құрады, нәтижесінде Орталық Азия елдері арасында экономикалық құлдырау деңгейі бойынша 2-ші орынға ие болды. Сонымен бірге, мемлекет басты экспорттық тауар және елдің басты табыс көзі болып табылатын әлемдік мұнай нарығындағы дағдарысқа тап болды. Сондықтан COVID-19 пандемиясының салдарын анықтау осы зерттеу тақырыбын анықтайды. Мақалада авторлар коронадағдарыстың Қазақстан мен әлем елдерінің экономикалық, әлеуметтік белсенділігінің барлық аспектілеріне теріс әсерін талдайды. Зерттеудің мақсаты – пандемия әсерін тигізген еңбек нарықтарындағы жағдайды бағалау. Зерттеудің нәтижесі дұрыс құрылған мемлекеттік саясат әлемді тез қалпына келтіруге және қалыпты өмірге қайтаруға ықпал етеді деген қорытындыға келді. Сондықтан дағдарысқа қарсы барлық шараларды ең жоғары деңгейде тұрақты мониторингтеу мен бақылаудың, сондай-ақ әлемде болып жатқан өзгерістерді ескере отырып, саясат шараларын ұдайы бейімдеудің және әртараптандырудың маңызы зор.

Тірек сөздер: еңбек нарығы, жұмыссыздық, әлемдік экономика, коронадағдарыс, COVID-19, «локдаун ұрпақтары», дағдарысқа қарсы шаралар.

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ПОСЛЕДСТВИЯ ПАНДЕМИИ НА РЫНКЕ ТРУДА

Аннотация

По данным Всемирного банка, спад глобальной экономики в 2020 г. составил 3,5%, МВФ – 3,2%. Свыше 93% работающих людей в мире столкнулись с ограничениями. Мировой уровень безработицы вырос до 6,5% в 2020 г., а в Казахстане – до 4,9%. Коронакризис оказался вторым самым масштабным кризисом в истории Республики Казахстан. Впервые за последние 20 лет темпы роста ВВП Казахстана стали отрицательными, составив -2,6% по итогам 2020 г., в результате чего страна заняла 2-е место по уровню экономического спада среди стран Центральной Азии. Также государство столкнулось с кризисом на мировом рынке нефти, главным экспортным товаром и главным источником дохода страны. В связи с чем выявление последствий пандемии COVID-19 обуславливает тему данного исследования. В статье авторы анализируют негативное влияние коронакризиса на все аспекты экономической, социальной активности стран мира и Казахстана. Цель исследования – оценка ситуации на рынках труда под влиянием пандемии. Результатом исследования стал вывод о том, что правильно выстроенная государственная политика будет способствовать скорому восстановлению и возвращению мира к нормальной жизни. Поэтому большое значение имеет регулярный мониторинг и контроль всех антикризисных мер на самом высшем уровне, а также постоянная адаптация и диверсификация мер политики с учетом происходящих изменений в мире.

Ключевые слова: рынок труда, безработица, мировая экономика, коронакризис, COVID-19, «поколение локдауна», антикризисные меры.