

Effects of Covid-19 on the Labour Market in the United States and Turkey

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Abstract: *The Covid-19 pandemic that occurred in China in 2019 has affected the whole world. The epidemic affects countries not only in the field of health, but also in many areas. Especially in the economic field, the impact on countries varies according to the development structure of the countries and the economic system implemented in the country. Economically, the epidemic disrupts the supply chains of countries, complicates the supply of raw materials, and with the measures taken, unemployment rates increase as a result of the businesses that close. The labor market is defined as the market where labor supplier and labor demanders meet. However, as a result of the negative developments experienced during the pandemic period, labor supply and labor demand decrease, resulting in increased unemployment rates in the countries. Examples include a decrease in the demand amounts of goods and services and the closure of businesses as the reason for the increase in the unemployment rates of the countries. However, as a result of the aid and measures taken in some countries, the effects of the epidemic are not reflected in the unemployment rates. Study will be examined the impact of Covid-19 on labor markets in the United States and Turkey. As a result; It was concluded that the United States was more affected by the epidemic than Turkey, especially Latin Americans and African Americans people in the United States were more unemployed than others, and that unemployment rates were unchanged as a result of measures such as a ban on layoffs in Turkey.*

Keywords: *Covid-19, Labour Market, Unemployment*

1. Introduction

Covid-19 is the name given by the World Health Organization to the new coronavirus disease on February 11, 2020 that appeared in Wuhan in China in 2019. On March 12, 2020, the World Health Organization declared Covid-19 a pandemic disease. When it was declared a pandemic disease, there were 18000 cases in 114 countries. In Turkey, the first case was seen on March 11, 2020. In addition to affecting social areas and health areas, the Covid-19 pandemic is thought to negatively affect key macroeconomic variables such as growth, Gross National Product and employment [1].

The concept of labor force is a concept used to refer to all employed individuals and unemployed individuals. In other words, the labor force refers to the entire working or willing population between the ages of 15 and 64. Employment is narrow and widely defined. In a narrow sense, employment refers only to the use of the labor factor in production, while in a broad sense employment refers to the involvement of all production factors in the production process [2]. The concept of unemployment is defined as all working-age persons who are not covered by employment, who are not involved in employment, who are engaged in activities to look for work within a certain period of time, and who are currently eligible to take a job when given a job opportunity [3]. Labor markets are multifaceted and therefore affect not only employees and employers, but also all social layers, from consumers to government officials. When wages rise in the labor market, workers work harder and employers employ fewer workers; When wages fall, workers prefer to work less and employers prefer to employ more workers. There may be short-term imbalances in the labor supply and demand market. However, labor supply

and labor demand are balanced in determining the level of employment and wages. The structure of the labor market is important in achieving balance [4].

2. Effects Of Covid-19 On The Labor Market

Coronavirus has transformed the recession into an economic crisis, increasing the likelihood of financial crises. In this context, countries have had to deal not only with the health problems and deaths caused by the epidemic, but also with the high level of damages, unemployment, rising poverty, starvation problems and deteriorating financial systems that have been imposed on the economies of the country [5]. The Covid-19 pandemic poses the greatest threat to economies since the financial crises [6]. Although male employment was more affected by the recessions in the past years than women's employment, women's employment was more deeply affected in the Covid-19 pandemic, as men generally work in the construction and manufacturing sectors and women work in the health and education sectors. In addition, homeworking measures taken due to pandemic affect women the most as a result of working in sectors where face-to-face communication is often intense [7]. Looking at Eurostat's monthly labor statistics, it is seen that unemployment rates have increased in some countries (Germany, United States) and decreased in some countries (Italy) as of 31.12.2019, the start date of the pandemic [8].

Figure 1 shows that Covid-19 affects supply and demand shocks and indirectly the labor market. The Covid-19 pandemic affects the economy in terms of both supply and demand. Interactions in supply and demand also directly affect the labor market. Supply and demand shocks have negative effects in the labor market, in the scope of reduced working hours, decrease in wages and incomes, layoffs and bankruptcies. In the labor market, tourism, retail and informal enterprises were the sectors most affected, while women, children and migrant workers were the most affected by gender and age.

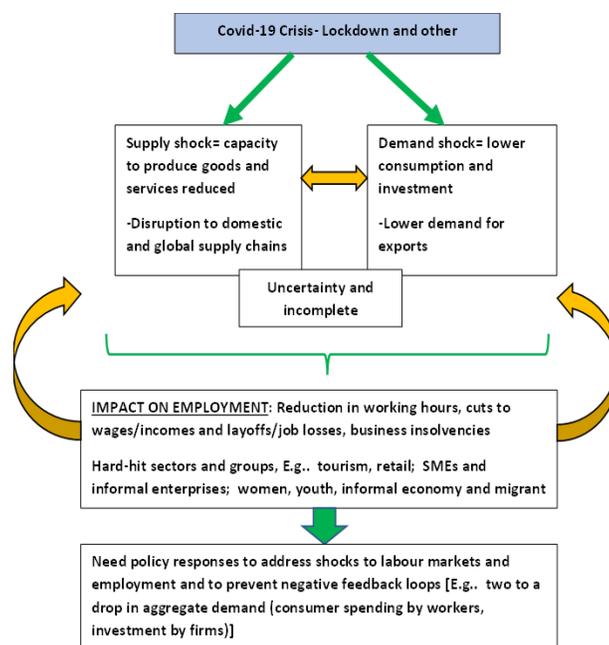


Fig. 1 Effects of The Covid-19 Health Crisis [9]

According to the fourth monitoring report of the International Labor Organization published in 2020, labor force participation rates for young people have changed significantly. Youth labor force participation rates fell by 7.1 points in Australia, 11.7 points in Canada, 1.9 points in the Republic of Korea and 7.5 points in the United States between February and April 2020. The decrease in labor force participation rates for adults 25

years and older was 0.04% in the Republic of Korea and 4.2% in Canada. The latest data indicates a large increase in youth unemployment rates since February 2020, especially for young women. In Canada, the unemployment rate between February and April 2020 was just over 6 points for adults, but increased by 14.3 points for young men and 20.4 points for young women. The unemployment rate for young men (16-24 years old) increased from 8.5% to 24% between February and April 2020. The same scenario applies to the U.S. economy. The increase in young women (ages 16-24) in the U.S. was even greater than in men. The same scenario applies in Austria, China, Ireland, Korea, the Netherlands and Switzerland [10].

Figure 2 shows the change in working hours, employment and labor income in selected countries between the first and second quarters of 2020. This period is the most common pandemic in selected countries. According to the chart, the largest reduction in all three variables occurred in Peru. When evaluated in general context, the most decrease in selected countries was in variable working hours. The least declining variable is employment, excluding the United States.

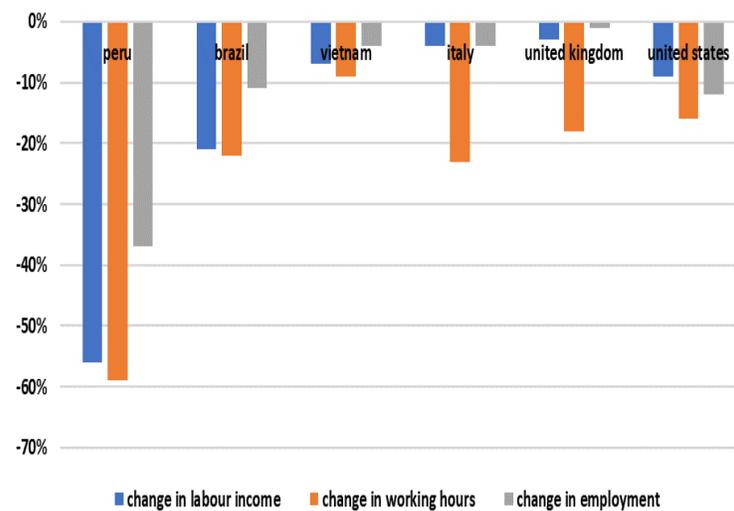


Fig. 2 Changes in Post-Support Labour Income, Working Hours and Employment, Selected Countries (percentage) (2020/Q1- 2020/Q2) [11]

The International Labor Organization (ILO) may impose a number of sanctions against employment-related shocks caused by the Covid-19 crisis. As an example of sanctions; Analyzing which countries and sectors are primarily adversely affected by job losses resulting from the decline in exports, including gender and skill biases, helping to identify potentially promising sectors for structural transformation and job growth in the face of economic crises and as a broader means of risk reduction for economic development, providing guidance to countries seeking economic diversification, conduct research on macroeconomic and labor market policies for sustainable and flexible economic diversification and transition to higher value-added activities, provide guidance on skills development policies for economic diversification and structural transformation, provide guidance on public employment programs both as a means of providing livelihoods in crisis and as a means of contributing to structural transformation through investments in infrastructure [10].

3. Effects of Covid-19 on the Labor Market in the U.S. Economy

Within seven weeks, the number of individuals unemployed in the United States economy reached 33.5 million. Due to the outbreak, 3 out of 5 employees are affected by full or partial closure measures. Manufacturing, hospitality, retail and food sectors were the sectors most affected in the U.S. economy. There are 1.250 billion people working in these sectors globally and are the most affected by the measures taken within the scope of the epidemic [5]. In April 2020, the unemployment rate for American families increased by 10.3%, to

the highest level in history and to 14.7%, the largest increase during the month. In addition, to mitigate the spread of Covid 19, most states issued stay-at-home orders and ordered the temporary closure of businesses deemed unspun yearly, which disproportionately affected individuals working low-wage jobs [12].

The 2008 global crisis, which began in the United States and spread all over the world, began in December 2007 and ended in June 2009. The Covid-19 pandemic started in the United States in February 2020. In this context, the impact of the 2008 global crisis and the Covid-19 pandemic crisis on unemployment rates in the United States is shown in the 2005-January 2022 unemployment data. According to the Figure 3, the highest level of unemployment in the United States as a result of the 2008 global crisis was 10.0% in October 2009. During Covid-19, the highest unemployment level was 14.7% in April 2020. As a result, United States unemployment rates reached higher levels during Covid-19 compared to the 2008 global crisis.

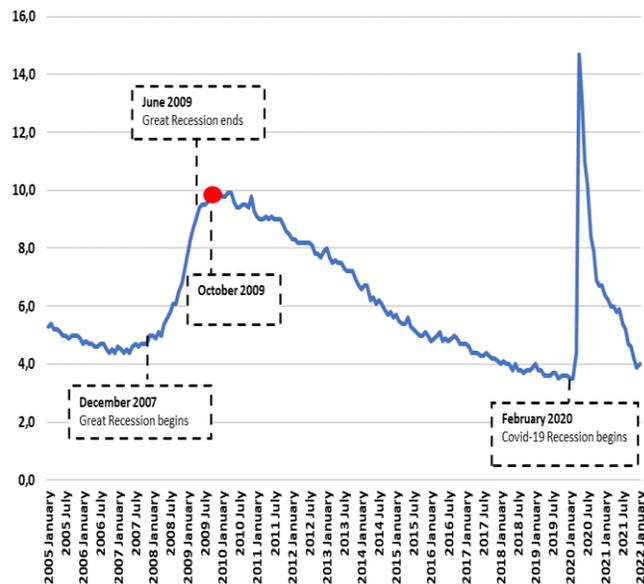


Fig. 3 United States Unemployment Rate as of Years (%) [13]

In Figure 4, United States unemployment data for the period January 2014- January 2022 are shown within the scope of gender. According to the graph, unemployment rates in the United States are rising sharply as of February 2020. Especially in April 2020, unemployment rates reached their highest level in the reference period. In addition, it is seen that women in the United States are more affected by the Covid-19 pandemic than men.

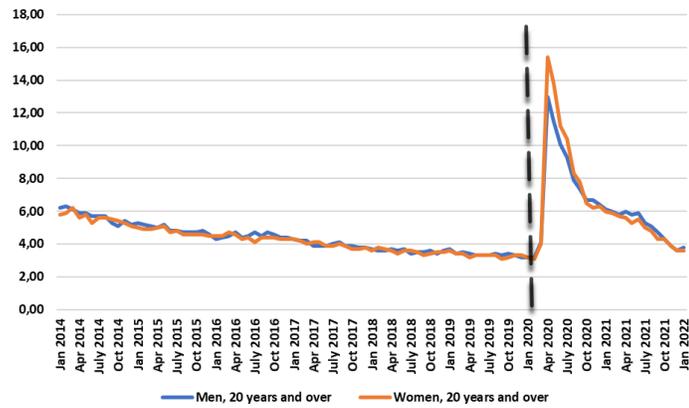


Fig. 4 United States Unemployment Rates by Gender (%)

As a result of Covid-19, women are more affected in the United States than men. According to official statistics, in April 2020, United States monthly unemployment rates increased from 3.4% to 13% for adult men and from 3.1% to 15.5% for adult women [7].

Figure 5 shows the unemployment rates of the United States people for the period January 2014-January 2022. According to the graph, the most affected segment during the pandemic period is the Latin American segment. Whites were the least affected during the pandemic. In general, as of February 2020, the unemployment rates of all populations have increased sharply.

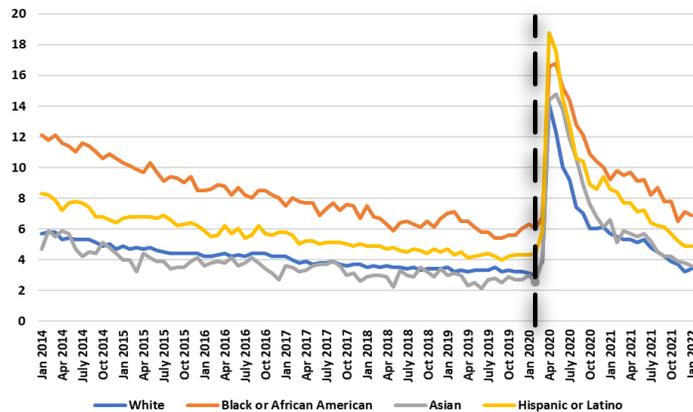


Fig. 5 United States People Unemployment Rates (%)

African Americans (blacks) also rose to 16.6% in unemployment, which was lower than expected due to the previous recession. In contrast, Latin Americans with 18.2% unemployment increased sharply due to Covid-19. In April 2020, the upper limit was unemployment was 31.8% for blacks and 31.4% for Latinos. Blacks are more affected by Covid-19. African Americans also experienced an increase in unemployment in April, but the previous recession did not keep the black-to-white unemployment rate at 2:1. Unemployment rates rose much faster for Latinos than for Blacks or whites in April, the first month beyond housing restrictions. Latino occupations, industries and skill levels have put them in a particularly vulnerable position to emergency layoffs as a result of the coronavirus [14].

4. Effects of Covid-19 on the Labour Market in Turkey

As a result of the Covid-19 pandemic, the economy is shrinking and unemployment rates are increasing as a result of the contraction of the economy. According to TURKSTAT data, the unemployment rate was 13.2% in August 2020 and the unemployment rate was 12.8% in April, when the epidemic was most prevalent. Since the emergence and progress of the pandemic crisis differs from the classical crises, it is not possible to prevent the crisis with expansionary policies or narrowing policies. The policies implemented without controlling the epidemic only emerge as policies aimed at saving the day. In particular, incentives for employment (such as short work allowances and layoffs) and recruitment of public sector staff are tried to prevent the increase of unemployment. Between April and August 2020, unemployment increased by 0.4 percentage points. As a result of Covid-19, individuals with little work experience and low level of education are more affected by the pandemic [15].

Figure 6 shows Turkey's unemployment rates between January 2014 and January 2022. Although unemployment rates decreased between 2017 and 2018, unemployment rates in general tend to increase in Turkey. When we look at the unemployment rates since March 2020, when Covid-19 started, there has been no significant increase in unemployment rates except for July 2020. With the measures taken during Covid-19, it was tried to prevent an increase in unemployment rates in Turkey.

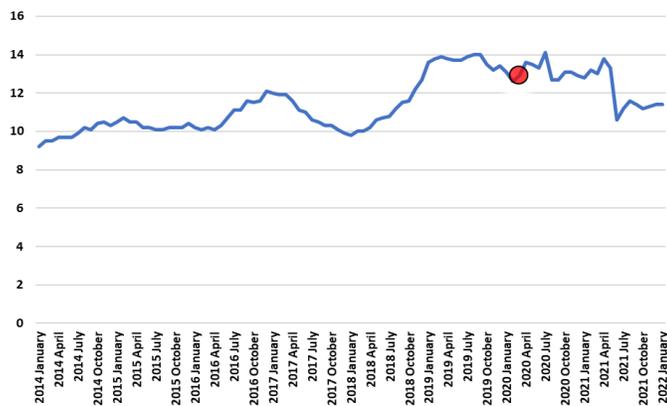


Fig. 6 Unemployment Rates in Turkey (%) [16]

Figure 7 shows Turkey's gender unemployment rates for the period January 2014-January 2022. According to the graph, female unemployment rates are above male unemployment rates. When evaluated as of the date of the pandemic in Turkey, it can be said that men are more affected than women.

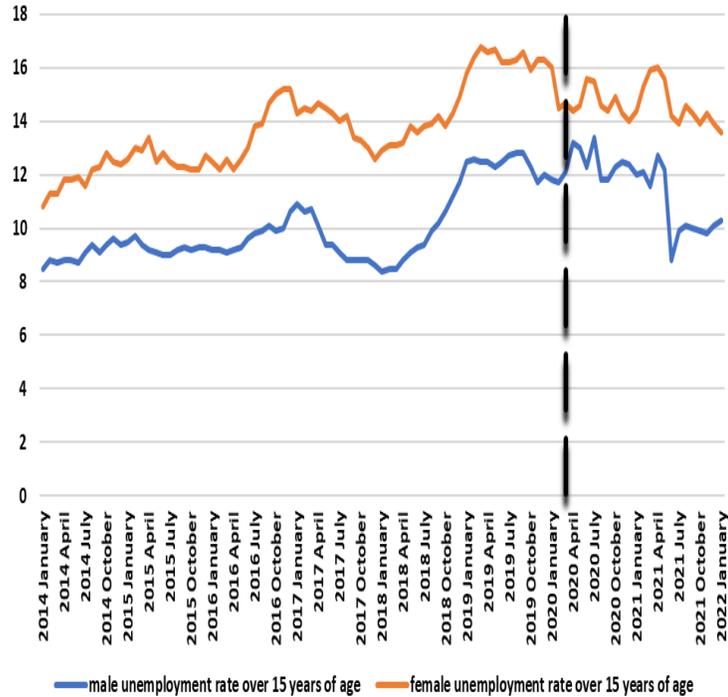


Fig. 7 Unemployment Rates by Gender in Turkey (%) [16]

5. Conclusion

Due to the epidemic, unemployment levels are increasing, growth rates are decreasing and the country's prosperity is being damaged by the curfews imposed in the world, the closure of the country's borders and businesses. Within the scope of the study, unemployment rates in the United States and Turkey during the epidemic period were examined. United States unemployment rates have increased, and Latin Americans were the most affected by the increase in unemployment rates. In addition, Blacks and Asians were more affected by the epidemic than Whites. The reason they are affected is that these segments usually work in workplaces that are closed during the epidemic period. Compared to the 2008 global crisis and the Covid-19 period, the unemployment data increased to a higher level during the Covid-19 period compared to the 2008 global crisis. In Turkey, unemployment rates increased in general during the period examined from 2014 to January 2022. However, there is no sharp increase or decrease in unemployment rates due to the epidemic. The reason for the lack of sharp changes in unemployment rates during the epidemic period in Turkey can be cited as state support practices such as a ban on hiring and employer support payments. As a result of the study, the number of people working in day-to-day jobs with low incomes in the United States was more affected by the increase in unemployment rates during the epidemic period, while the effects of the epidemic were not reflected in the unemployment rates as a result of the measures taken in Turkey. While the United States unemployment data increased sharply during the Covid-19 period, Turkey has not seen a sharp change.

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