

## IMPACT OF THE COVID-19 EPIDEMIC ON THE LABOUR MARKET

Summary for the press

on the analysis titled “Impacts of the Economy Protection Action Plan related to the epidemic situation on the labour market”

**With the outbreak of the COVID-19 epidemic, the improving trend experienced in employment indicators over the past years was broken. In sectors that were hardest hit by the epidemic, demand dropped intensively, as a result of which employment significantly decreased, while unemployment increased. With the wage subsidy schemes of the Government, almost 230 thousand jobs have been saved so far. Although employment saw an improvement by the end of July, the number of employed people was almost 80 thousand lower than in last July. With a possible strengthening of the second wave, another wave of dismissals may occur, therefore it may be advantageous to support the transfers of employees among sectors more intensively.**

As incorporated into the law, the State Audit Office is responsible for facilitating well-governed state operations. In order to do so, the SAO produces analyses and studies, too, in addition to reports. In its analyses, the SAO makes no statements, but highlights relations and impacts, draws attention to dilemmas and risks in a given area, and presents the results.

In the analysis that has just been published, the analysts of the SAO describe the labour market impacts of the restrictions introduced because of the COVID-19 epidemic and the related economic recession. The analysis reviews Government measures taken since the outbreak of the COVID-19 epidemic with the aim of protecting and creating jobs, as well as the results of measures financed under the Economy Protection Action Plan.

With the outbreak of the COVID-19 epidemic, the improving trend experienced in employment indicators over the past years was broken. In the spring of 2020, reacting to the economic crisis triggered by the COVID-19 epidemic, the Government announced an Economy Protection Action Plan in the total value of HUF 9200 billion. Economy protection actions focused on 5 key areas: preservation of jobs, creation of jobs, support to certain sectors, financing of companies, protection of families and pensioners. Subsidies related to the measures to protect jobs amounted to HUF 380 billion, while subsidies provided to create jobs amounted to HUF 804 billion.

In sectors hardest hit by the COVID-19 epidemic (e.g. catering, tourism, car industry) an intensive drop in demand was experienced, but employment in other, less affected sectors also felt the consequences of restricted mobility and social distancing. The sudden drop in demand had a major impact on employment, too, as labour market prospects deteriorated a lot: unemployment increased, while employment decreased.

With the wage subsidy schemes, almost 230 thousand jobs have been saved so far. As many as 185 thousand employees received wage subsidies for employment protection, and the employment creating wage subsidies facilitated the employment of 25 thousand people. In addition, in the case of the benefits due on people working in research and development jobs, applications regarding 16 thousand employees were submitted. Following the initial deterioration in the employment situation, an improvement was identified by the end of July, but the number of employed people was almost 80 thousand lower than the level identified last year.

From financing point of view, it should be highlighted that until the end of June 2020, no EU aid arrived in the EU Funds to counter the impacts of the epidemic, therefore the Government provided all the funds for the protection against the virus from the domestic budget.

The repeated breakout of the COVID-19 epidemic, its duration, seriousness and the international and the Hungarian Government's responses have a strong influence on the economic processes and the demand for labour, thus on employment, too, therefore the players on the labour market are exposed to a number of risks.

As to the emerging risk factors, the analysts of the SAO drew attention to the fact that the majority of employers thought that economic recession was temporary, and that is how they handled it, which meant that they kept the employees, even with significant financial sacrifices. State subsidies helped in this process, but with the strengthening of a possible second wave, the economic recession could not be regarded as temporary, therefore further dismissals could happen. The COVID-19 epidemic affected various sectors to different extents, therefore recovery is expected to be of different extent, too. Therefore it may be advantageous to support the transfer of employees from sectors permanently affected by the economic recession to companies that recover faster, and one of the essential conditions of this could be re-training.