

POLICY BRIEF

INSTITUTIONAL RESPONSE TO COVID-19 PANDEMIC EFFECTS ON THE LABOUR MARKET – LESSONS LEARNED AND FUTURE PERSPECTIVES

This policy brief presents the main challenges in solving the labour market imbalances resulting from COVID-19 crisis, contemporary views on the main features that need to be developed in order to deal with similar crisis in the future and recommendations for the policy makers in Serbia in case similar future events take place. This brief represents the main findings, while full reports can be found here: [General Report](#) and [Report for Serbia](#).

COVID-19 PANDEMIC – MAIN ISSUES AND POLICY RESPONSE CHALLENGES

Unlike in the majority of the neighboring economies including the EU members, Serbia did not face decrease in employment or wages as a consequence of COVID-19 crisis in 2020, partly due to economic structure of the economy being less dependent on tourism and other sectors highly dependent on physical interactions. However, the crisis had significant [consequences to the labour market](#), particularly on the position of the most vulnerable groups and vulnerable types of employment. The number of informal and formal temporary workers decreased, with the decline in working hours for those who continued to work. There was a significant decrease in the accommodation and food services sector and number of jobs in agricultural sector reduced by 14%, mainly in informal employment. Employment of the low-educated was significantly reduced in the second half of 2020, indicating a long-term trend of lower employment, while youth and less developed regions also faced decreases in employment.

EXPERIENCES FROM OTHER COUNTRIES

Measures applied in other countries varied depending on the available fiscal space, national labour market context, structure of the economy, and perceptions of the policy makers on the degree and nature of desirable intervention. We can divide these measures into those implemented during initial stages of the pandemic (pandemic period) and later stages (post-pandemic period).

Pandemic period

The most widely used measures during the pandemic period were **job retention schemes** and **measures for strengthening employability**. In general, all countries provided support for the enterprises to prevent massive layoffs through job retention schemes. While some countries introduced universal measures, more frequent was selective approach.

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Netherlands introduced temporary measures, the amount of which corresponds to the drop in sales comparing to the pre-crisis period. The Ireland introduced a compensation scheme for 'lost' working hours due to virus containment measures, while Slovenia and Denmark subsidized wages for jobs that were completely suspended due to the pandemic. Among the **most successful measures were selective measures targeting the most heavily affected sectors**.

Alternative measures included **support to seasonal workers** which were provided by Latvian and Croatian PES. In Latvia, the focus was on the agriculture workers. Croatian PES temporarily suspended other active labour market policy measures prioritizing ones related to seasonal workers which are important for tourism that accounts for considerable share of the Croatian GDP. Policy makers in Croatia targeted employers who recorded a decrease in income providing subsidies of approximately 500 EUR per worker. Priority support sectors included tourism and administrative and auxiliary service activities.

Measures for strengthening employability were applied aiming to encourage education (Belgium), improve position of self-employed and facilitate transition to more propulsive activities (Lithuania) and ensure quick reintegration of the population who lost job due to pandemic (Belgium). Measures for strengthening were increasingly using advantages of digitalization and remote working/job search patterns. In order to improve profiling process and provide more efficient matching between job seekers and employers Estonian Government introduced new portal for online job search (“Share Force One”), while Sweden initiated online trainings for employers.

Post-pandemic period

Active labour market policy measures gained particular importance in a post-pandemic context. The overall characteristics of the applied measures **include greater focus on vulnerable groups**, with several priorities:

- For some governments, the main focus was on **population employed in sectors "in decline"** due to the pandemic, and **provision of opportunities to acquire skills for the needs of employers in "growing" sectors**. These programmes were applied in Greece where policy makers envisaged support to jobseekers in sectors that suffered the most during the COVID-19 crisis such as culture and tourism. **Lithuanian Government introduced online model of support for self-employed aiming to switch sector being negatively affected by the crisis**.
- In Netherlands, **additional support for the self-employed** started since January 2021. The aim was to assess their needs and provide them with additional support in the form of mentoring, advice, retraining and other activities following the initial support programmes.
- Focus on **people with a greater number of barriers** to entering the labor market in cooperation with social service providers in Slovenia. Individual Placement and Support (IPS) model applied in Belgium, was introduced to provide employment support to clients with disabilities.

Additionally, applying active labour market measures **included increase in the budget**. In Portugal budget for active labour market measures grew by 30% compared to 2018, while in Hungary increased by 21%. Budget increase has been often followed by additional employment in most of the PES in response to growing needs and challenges. In Netherlands, Switzerland and Denmark budget for labour market services and active labour market measures automatically increases following increase in unemployment and rising needs.

Another novelty in ALMPs is the formation of “transition teams” combining resources of different institutions to facilitate greater mobility of the workforce across sectors (eg. Netherlands). The transition teams would include **social support centers, PES, local administration, private and civil sector**. In order to provide support to vulnerable youth, Finish Government implements one-stop-shop model policy facilitating multisector support including health workers, outreach officers, and education counsellors.

Measures applied in Serbia and Policy recommendations in the Serbian context

Support measures to mitigate the economic consequences of COVID-19 in Serbia were the most generous among the Western Balkans countries. Fiscal and employment support provided by the Serbian Government, **which was allocated universally across the entire private sector** successfully stabilized economic activity mitigating greater pandemic effects on the unemployment through direct subsidies to companies and other support measures such as tax deferrals, and moratoriums on debt repayments. However, the amount and length of the assistance to firms should have been differentiated according to the estimated risks each sector faced and initial estimates of their performances. **Although sector-specific support was applied in the late 2020, differentiation could have been done earlier, and therefore the assistance would be better targeted and less costly.**

- **Experiences from other countries show that employment retention schemes, the main instrument applied to deal with COVID-19 impact on the labour market, were most successful measures when targeting the most heavily affected sectors.**

On the other hand, jobs of **workers employed under non-standard employment forms (eg. formal temporary workers)** were not directly targeted with employment retention measures, and they suffered a decrease in employment. Similarly, the employment of **informal workers** was negatively affected by the pandemic. **Income stability of these workers should have been targeted by income support and employability measures.**

- **Employment support measures from Croatia and Latvia which targeted seasonal workers could be the model on which vulnerable workers could be protected with future measures**
- **Additionally, for workers from the sectors in decline or being under greater risk to lose job programmes that encourage them to acquire skills for the needs of employers in "growing" sectors as the ones from Greece or Netherlands.**

Pandemic has also increased in the inequalities of employment opportunities of low-educated and youth, as well as regional inequalities. After lower activities in 2020 caused by the pandemic and lower budget allocated to ALMPs, in 2021, PES continued to provide to hard-to-employ population with standard set of services.

- **“Youth Guarantee” programme piloting, is a good example of the “one-stop-shop interventions” aimed at activation and strengthening employability of the youth in NEET status already provided by Serbian PES. Similar measures based on collaboration of different stakeholders – private sector, civil society, local development institutions (regional development agencies, regional chambers of commerce, business associations, etc.) should be implemented**
- **In the light of the COVID-19 economic crisis further measures should be introduced to address the needs of low-educated**

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- **Decentralisation and flexibility including mandate for developing custom-based interventions “in the field” could decrease the differences in regional employability**

In the following period, PES approach should include continuation of the existing policies with a particular focus on active labour market measures dealing with vulnerable groups. With regards to future shocks, Serbian PES could invest more efforts in developing active labour market policy system that would to a greater extent rely on:

- Higher level of digitalisation
- Greater preparedness for crisis situation (pre-existing contingency plan, pre-existing policies for economic crisis and pre-existing policies for teleworking)
- Development of the custom-based measures to support employment of the hard-to-employ population such as long-term unemployed and older population
- Further development of the PES capacities at the regional level in order to provide greater support to unemployed in rural South-Eastern and other underdeveloped parts of the country
- Increase overall spending on ALMPs, as in Serbia they represented 0.08% of the GDP in 2020, significantly lower than in the EU (0.6%). The increase would enable higher coverage of the registered unemployed with unemployment benefits (particularly important in the times of crisis) and switch to more effective measures from the one-off assistance such as job fairs and job search trainings.