

# ANALYSIS OF THE DIFFERENT MEASURES TAKEN BY THE EUROPEAN UNION AND ROMANIA TO CONTRACT THE EFFECTS OF COVID ON THE LABOR MARKET

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**Abstract:** *The spread of COVID-19 and the drastic blockages that followed led to the placement of economies and labor markets around the world in a state of emergency. Governments are fighting to protect jobs and businesses. Some of the measures identified and implemented are short-term telework and support for companies and the self-employed. The epidemic caused by coronavirus poses a threat to the European economy and to the living standards of its citizens. In the short term, this means an extreme disruption of citizens and labor markets, as countries impose travel restrictions and blockages at the national level to slow the spread of the virus and prevent overwhelming health services. Governments need to find great ways to protect workers and their economies from financial hardship and potential collapse (Sohrabi et al., 2020). The recession seems inevitable. Citizens themselves also face exceptional limitations on their movements, which could have overwhelming effects on their health and well-being. But the full effects of the crisis are still unknown and could last for many years.*

**Keywords:** *Labor market, COVID-19, measures;*

**JEL Classification:** *J20, J28, J29*

## 1. Principles of policies undertaken by states

Governments around the world are fighting to protect jobs and businesses. Decision makers use all possible means to resolve what already exists. Labor market macroeconomic research has shown that short-term labor can be an effective measure to prevent job losses, especially in severe recessions (Buck et al., 2020).

On 2 April, the European Commission launched a new temporary initiative to protect jobs and workers affected by the coronavirus epidemic. This is the Support for Mitigating Unemployment Risks in Emergency (SURE) tool. The SURE initiative will provide Member States with financial assistance of up to EUR 100 billion in the form of soft loans. These loans will help Member States cover the costs of national technical unemployment schemes - state programs that allow companies to reduce their work schedule while providing income support. Technical unemployment schemes provide families with an income, maintain the production capacity and human capital of enterprises and keep the economy afloat.

However, even if these measures keep the pace in the economy steady (which is unlikely), labor markets will be under substantial stress. Blockade measures decided around the globe to combat the spread of the COVID-19 pandemic have “devastating” consequences for labor markets, which affect about 81% of the world’s workforce (ILO, 2020): “This is the largest test for international cooperation of 75 years ago,” ILO Director-General Guy Ryder said in a statement.

The ILO (International Labor Organization) has been monitoring the impact of the coronavirus outbreak on global labor markets in recent weeks. Since its first report on March 18, blockade measures taken to contain the spread of the disease have already affected about 2.7 billion workers, the organization estimates. “In the last two weeks, the COVID-19 pandemic has intensified and expanded in terms of global coverage, with huge impacts on public health and unprecedented shocks to economies and labor markets,” the report said. “It is the worst global crisis since World War II,” he added.

The crisis threatens operations and therefore solvency, especially for small and medium-sized enterprises, making millions of workers vulnerable. Employment has been affected “to a greater extent than initially anticipated at the beginning of the pandemic”, ILO warned, noting that the extent of the crisis will depend on the evolution of the pandemic and the actions taken to contain it. Workforce adjustment plans, temporary redundancies or reductions in working hours are on the rise. “The contraction of jobs has already begun on a large scale, often without precedent, in many countries,” the report said.

The European Trade Union Confederation (ETUC) has estimated that the number of unemployed has risen by at least 4 million across the EU since the crisis broke out, while more than 7 million workers are in short-term employment schemes. The impact is expected to be harsher in developing countries, where unprotected workers and those in the informal economy account for a significant share of the workforce (Rediff Realtime News, 2020).

The extent of job destruction will depend “substantially on how quickly the economy recovers in the second half of the year and how effectively policy measures will stimulate labor demand,” says ILO. Among the sectors most exposed to the economic downturn of the COVID-19 crisis, ILO identifies:

- arts and entertainment;
- transport;
- tourism;
- hotels and restaurants;
- wholesale and retail trade (USA Today, 2020).

In the report, the labor organization stressed the need to maintain labor rights and strengthen health protection, but also the need for fiscal and monetary responses to support the most affected sectors and vulnerable people, including financial assistance for businesses (BBC News, 2020). The right, urgent measures could make the difference between survival and collapse, “Guy Ryder insisted.

In Europe, unions are worried. “Millions of European workers are unemployed and worried about tomorrow through no fault of their own, for the second time in less than a decade,” said Luca Visentini, secretary general of the Confederation of European Trade Unions (CEC). “European leaders must learn the lessons of 2008, doing everything necessary to prevent long-term mass unemployment and another devastating economic crisis,” Visentini warned. The ILO report was published ahead of an extraordinary Eurogroup meeting on Tuesday (April 7th) in Brussels, where finance ministers tried to draft an economic response to the COVID crisis<sup>19</sup> without reaching a common agreement.

The EU has already suspended the bloc’s fiscal rules, allowing Member States to exceed the spending ceiling of 3% of GDP and adopted the Stability and Growth Pact to fight the outbreak. The European Commission has also temporarily relaxed state aid rules so that countries can support companies affected by the crisis and have helped channel the remaining structural funds to support investment in strategic areas.

To mitigate the effects on employment, last week the EU executive proposed a new instrument called SURE - Support for Mitigating Unemployment Risks in an Emergency. The initiative aims to use € 100 billion on the basis of guarantees provided by Member States to provide loans on favourable terms. Its purpose is to partially finance the additional expenditure on temporary unemployment benefits that countries are implementing, in particular Italy and Spain, in order to reduce the risk of redundancies or loss of income.

On the monetary side, the European Central Bank has adopted a € 750 billion bond purchase program to buy public and private debt from troubled companies. EU finance ministers should also explore other options, such as using the European Stability Mechanism - the euro area rescue fund - an investment package through the European Investment Bank.

In the initial phase of the COVID-19 epidemic, several countries implemented vigorous measures to control the spread of the disease, while reducing the harmful effect on the economy and the labor market around three axes (ILO, 2020):

- Axis 1: Stimulating the economy and employment,
- Axis 2: Supporting enterprises, jobs and income
- Axis 3: Protecting workers at work.

## **2. Measures taken by Romania on the 3 axes**

### *Axis 1: Stimulating the economy and employment*

#### Monetary policy

- The Ministry of Public Finance (MPF) has taken steps to optimize the use of available funds and is exploring fundraising for post-crisis recovery. The PMP and the Ministry of Economy (ME) announced that they have jointly addressed the EBRD for this purpose. The PMP has announced that the quarterly allocation of budget and commitment appropriations will be approved within 5 working days of the request.
- the suspension or, as the case may be, the non-beginning of the forced execution of the budgetary receivables. Thus, for this purpose, no more summonses, seizures will be issued on cash and traceable incomes and no seizures will be instituted on the goods. Exceptions are amounts from court rulings in criminal matters
- VAT refund, during March, for all settled returns and for which up-to-date refund decisions have been issued
- implementation of a new VAT refund mechanism, which aims to speed up the settlement of returns, starting with April 1, 2020
- suspension of tax control actions (tax inspections, anti-fraud controls) except for checks that can be performed remotely, as well as cases of tax evasion, where there are indications in this regard
- As long as a state of emergency is declared in Romania, as well as in the next 30 days from the end of this state, tax inspections and anti-fraud controls are suspended, "except for remote checks that can be

performed, as well as cases of tax evasion, where there are indications in this regard ”, a new VAT reimbursement mechanism will be implemented starting with April 1, 2020, for the quick settlement of the returns.

- The deadline for submitting tax returns is postponed from March 25, 2020 to April 25, 2020.

### *Axis 2: Supporting enterprises, jobs and income*

#### Social protection

- Government announces waivers of social contributions and potential restructuring of these contributions
- The deadline for paying taxes (31.3.2020) for properties, buildings, vehicles will be postponed by 3 months to come to the aid of those who have no income or diminished income during this period;
- in collaboration with commercial banks will be accepted to individuals who are unable to delay the payment of instalments that can be up to 9 months;
- by order of the Minister of Labor and Social Protection, social protection measures are established for employees and their families in the economic sectors whose activity is affected or stopped totally or partially by decisions of public authorities, during the state of emergency.

#### Keeping jobs

- Wage subsidy for workers with temporary (technical) unemployment. MPF announced that the Government will cover up to 75% of salaries, but will not exceed 75% of the national average gross salary of employed workers, but who cannot work in companies that have had to suspend activities due to government restrictions and in companies whose turnover has been reduced by at least 25% due to the pandemic (as evidenced by a government certificate.
- employees can work from home, in accordance with the provisions of the individual employment contract,
- the guarantee ceiling for SMEs was increased by 5 billion lei. These guarantees will be granted by the National Credit Guarantee Fund for SMEs (FNGCIMM). Depending on the needs, the Government can increase the ceiling by another 5 billion lei and can go up to 15 billion. Guarantees will be granted for investment loans and working capital

and can cover up to 90% of the loan amount. Interest on both products is one hundred percent subsidized. The guarantee also works for 90% of loans for loans up to one million and the guarantee will be 80% for loans over one million.

- VAT reimbursement up to the limit of 9 billion lei is ensured to ensure capital flow, capital injections to companies
- The Ministry of Economy, Energy and Business Environment issues, upon request, to economic operators whose activity is affected in the context of COVID-19, emergency situation certificates based on supporting documents.

### Business and business continuity support

- Loan guarantees for SMEs. The government has issued an emergency ordinance that increases the total value of loan guarantees for working capital and SMEs. In the case of micro and small enterprises, the guarantee will cover 90% of the principal amount of the loans (for loans up to RON 500,000 (USD 111,615) for micro-enterprises and RON 1 million (USD 232,347.92) for small enterprises). It will cover up to 80% for loans from larger SMEs.
- Interest subsidy on loans for SMEs. MPF subsidizes 100% of interest on loans / credit lines guaranteed to finance working capital and investments for SMEs, as a percentage of 50% of the MFP budget, under a state / de minimis aid system associated with this program . The grant will be maintained until March 31, 2021.
- One or more loans for investments and / or one or more loans / lines of credit for working capital, guaranteed by the state, through the Ministry of Public Finance in a maximum of 80% of the financing amount, excluding interest, commissions and bank charges related to the secured loan.
- One or more loans / lines of credit for financing working capital, excluding interest, commissions and bank charges related to the guaranteed loan in a maximum of 90% granted to a micro or small enterprise, with a maximum value of 500,000 lei for micro-enterprises, respectively maximum 1,000,000 lei for small enterprises, within the limits and conditions provided by this ordinance.

### *Axis 3: Protecting workers at work*

#### Access to paid leave

- Paid parental leave. One of the parents who takes care of children

under 12 years of age (whose schools were closed) received paid leave at 75% of the salary per working day, but not more than 75% of the average gross national salary (RON 5,163), approximately \$ 1,152).

- central and local public institutions and authorities, autonomous administrative authorities, autonomous utilities, national companies and corporations and companies in which the state or an administrative-territorial unit is the sole or majority shareholder, private companies introduce, where possible, during state of emergency, work at home or telework, by unilateral act of the employer.
- during the state of emergency, the inspections of employers are suspended by the territorial labor inspectorates, except for the controls ordered by the Minister of Labor and Social Protection, those ordered by the Labor Inspectorate for the implementation of the decisions of the National Committee for Special Situations. Urgency, of those necessary to deal with notifications demanding the commission of acts with a high degree of social danger and for the investigation of work accidents.
- by exception from the provisions of the Government Emergency Ordinance no. 111/2010 on leave and monthly allowance for raising children, the entitled person retains the incentive to enter the situation of job loss due to the effects of the COVID-19 epidemic.
- A law has already been approved which provides for the remuneration of parents who remain at home for the care of children during the suspension of schooling. The allowance they will receive for each day they stay at home with the child represents 75% of the salary corresponding to a working day. However, there is a limit: the parent cannot receive more than the daily correspondent of 75% of the average gross salary used to substantiate the state social insurance budget. However, the amount collected cannot exceed 850 Euro.

#### Other measures

- In mid-April, the [www.imminvest.ro](http://www.imminvest.ro) platform was launched, which allows over 40,000 small and medium-sized enterprises to enrol in the SME INVEST ROMANIA government program in order to access financing. Potential beneficiaries will be able to secure their liquidity for the current activity or for investments, by accessing guaranteed financing.
- The main advantage of the SME INVEST ROMANIA Program is that it provides fast financing, without financing and guarantee costs, having the advantage of the state guarantee for all categories of loans,

the interest and the guarantee commission being fully borne by the state budget, through the Ministry of Finance. public.

- The total subsidy of interest and commission costs is applied from the date of granting the loan until March 31, 2021, with the possibility of extension.
- Emergency Ordinance for amending and supplementing the Support Program for Small and Medium Enterprises - SME INVEST ROMANIA, as well as the State Aid Scheme for supporting the activity of SMEs in the context of the economic crisis generated by the COVID-19 pandemic.

### 3. Measures taken by EU

The Council of the European Union has adopted a number of measures, focusing on four directions of action to support national policies to counter the effects of the COVID pandemic, as well as actions to stop the spread of this epidemic. These directions are as follows (Deloitte Insights, 2020):

#### 1) EU Investment Initiative

The initiative aims to mobilize all existing resources in the EU budget to financially support Member States in their immediate response to the coronavirus crisis. This includes making advance payments, redirecting cohesion funds and assisting Member States in channelling funds as quickly as possible where money is most needed.

The EU initiative will mobilize € 37 billion from the European Structural and Investment Funds (ESF), initially reserved for programs under the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Fund for Fisheries and Maritime Affairs (EMFF) (U.S. Embassy & Consulates in Mexico, 2020). Thus, € 8 billion comes from unused pre-financing that Member States received in 2019 and should have been reimbursed by the end of June 2020, while € 29 billion is co-financing from the EU budget.

The use of structural funds will allow healthcare costs to be eligible for reimbursement. Thus, Member States will be able to:

- Use the European Regional Development Fund to help companies cope with short-term financial shocks related to the coronavirus crisis. This could include, for example, working capital in SMEs, with increased attention being paid to sectors severely affected by the crisis.
- Use the ESF to temporarily support national schemes to reduce working time or partial unemployment, which help to mitigate the impact of the

shock;

- Allocate money from the ERDF and the ESF to invest in healthcare systems: purchasing health and protection equipment, disease prevention, e-health, medical devices, securing the work environment for healthcare professionals and accessing vulnerable groups to healthcare;
- Use the EMFF to protect the incomes of fishermen and aquaculture farmers affected by the crisis.

As a result, to combat the crisis caused by COVID-19, the European Commission, through the EU Initiative for Investments in Coronavirus Response, will direct to Romania 3, 079 billion euros, if the Romanian authorities manage to mobilize all the money related to European co-financing. Thus, 491 million euros represent unused pre-financing from cohesion funds, an amount that Romania should have reimbursed to the EU budget by the end of June 2020 and 2.588 billion euros - co-financing from the EU budget that will be available in case where - according to the Commission's recommendations - EUR 491 million will be used to fund the coronavirus response.

#### 2) EU Solidarity Fund

This legislative initiative extends the scope of the EU Solidarity Fund, including the public health crisis in its scope, and defines operations specifically eligible for funding so that economic activity can resume in disaster-stricken regions. Additional eligible operations are limited to public emergency operations, including assistance to the population in the event of health crises and measures to prevent the spread of an infectious disease. The amount of 800 million euros will be available for 2020.

#### 3) Temporary suspension of EU rules on slots at Community airports

This measure will prevent air carriers from operating empty flights during the pandemic. With this temporary suspension, airlines are no longer required to use the planned take-off and landing slots to keep them for the next season. Throughout the summer, from March 29 to October 24, 2020, the "use or lose" rule will be dropped.

#### 4) Other European approaches adopted in the context of the COVID-19 pandemic

In addition to the measures taken by the European Union to mitigate the effects of this pandemic, the Commission announced that the European Globalization Adjustment Fund (EGF) could be mobilized to support redundant workers and the self-employed. worth 175 million euros.

The European Adjustment Fund could only be used if more than 500 workers are made redundant by a single company or if a large number of workers are made redundant in a given sector.

Thus, the EGF may co-finance projects that include support measures aimed at: (a) finding a job; (b) career guidance; (c) education, training and vocational retraining; (d) guidance and training; (e) entrepreneurship and business start-ups.

EGF support may also be provided in the form of training, mobility / relocation, subsistence allowances, but does not co-finance social protection measures, such as pensions and unemployment benefits.

Also, in order to allow Member States to make full use of the flexibility provided by State aid rules, as well as to support liquidity and access to finance, especially for SMEs, in the context of the COVID-19 pandemic, the European Commission adopted on March 19 this year a temporary framework on state aid.

- The framework provides for five types of aid (The Guardian, 2020):
- Direct grants, selective tax advantages and advance payments: Member States will be able to establish financing schemes of up to EUR 800,000 to an enterprise in the form of direct grants, repayable advances, tax advantages.
- State guarantees for loans taken out by companies from banks: Member States will be able to provide state guarantees to ensure that banks continue to provide loans to customers who need them;
- Subsidized public loans for companies: Member States will be able to provide companies with loans with favorable interest rates for both investment needs and working capital;
- Guarantees for banks targeting state aid to the real economy: some Member States intend to build on banks' existing lending capacity and use them as a channel of support for companies, especially SMEs. Such aid is considered as direct aid to bank customers, not to the banks themselves.
- Securing short-term export credits: the framework introduces additional flexibility in how it presents uninsurable risks in the private market, thus allowing the state to provide, when necessary, short-term export credit insurance.

## **Conclusions**

The COVID-19 pandemic is an unprecedented challenge, with very severe socio-economic consequences. We are committed to doing everything necessary to

meet this challenge in a spirit of solidarity (Crain's Chicago Business, 2020).

A coordinated and comprehensive strategy is needed to address urgent health needs, support economic activity and prepare the ground for recovery. This strategy should combine short, medium and long-term initiatives, taking into account the spreads and links between our economies and the need to maintain confidence and stability. Several measures have already been taken at national and EU level, as set out in the Eurogroup statement, in an inclusive format from 16 March.

Medium-term and longer-term planning is needed for how the economy is rebalanced and revived following this crisis. A comprehensive socio-economic development plan, including sectoral sectoral plans and an ecosystem that encourages entrepreneurship so that those with strong and sustainable business models can flourish. Governments and financial institutions need to constantly reassess the situation and ensure that things do not get out of hand.

For our country and not only, in addition to the harmful and even disastrous effects on the economy, the state budget and more, this crisis also represented an opportunity for certain areas, among which we can list:

- The companies that offer internet and telephony services have developed a lot (teleworking leading to the exponential increase of data traffic), and the modern computing technique with internet access has registered an increase in sales;
- A whole series of companies have been developed that offer online platforms: applications such as ZOOM, GOOGLE CLASSROOM, SKYPE, etc., have registered sudden increases in the number of users overnight;
- Companies selling and distributing products on the internet have also seen significant increases so that they have recently hired additional staff to cope with increasing orders;
- The forced transfer of online activities has forced people to get acquainted "willingly or unwillingly" with new technologies. As a result, I see that in the not too distant future we will be able to solve many more problems at home, in front of the computer, without having to travel to different bodies;
- Among the alarmist news about the coronavirus, articles about the effects of the pandemic on the environment are shyly slipping (Scena9, 2020): the air is cleaner, the canals in Venice are blue again, the sky is clearer than ever. The major restrictions in recent times, which have primarily focused on transport of all kinds, have a visible impact;
- It is time to see the good side and take advantage of this period to

get to know each other better and rediscover new forms of solidarity (not only between individuals, but also between states). And last but not least, isolation can be a good time to reflect, to think about the things that are really important to us, to put our thoughts in order and to outline a meaningful direction for our lives.

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