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## COVID 19 AND JOB LOSS

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### Abstract

The coronavirus, which erupted in March 2020, caused a decline in economic activity and disrupted established work practices. This virus has affected the economic, social and cultural life of the population around the world. As social interaction has changed, working conditions have also changed. These changes mostly affected small and medium enterprises, that is the entrepreneurship sector, and especially the sectors of tourism, catering, international traffic and transport. For these reasons, the assistance of the state and international institutions was mostly directed to this sector. In addition to preserving life, it is necessary to preserve assets and liquidity, and these issues have become the biggest concern of entrepreneurs. Then, there were changes in consumer behavior and supply chains. There is a significant lower demand for goods, especially in the textile industry. In addition to the economic crisis, the coronavirus

also caused a social crisis. The increase in poverty and social inequalities is expected to be even more pronounced in the coming years. This virus also caused a psychological crisis, because the need for psychological services in a contactless way has increased. The promotion of telework in general has become a trend in strengthening the social dimension of most of Europe.

Job losses in 2020 amounted to 144 million compared to 2019. The shortening of working hours was also expressed. However, a disproportionate impact of coronavirus by sectors has been observed, and a disproportionate recovery of economic activity is expected. The sector that will recover the fastest is certainly the information technology sector.

**Key words:** employment, entrepreneurship, coronavirus, lost working hours, decline in economic activity

### 1. Job loss caused by Corona virus

The corona virus has contributed to the changed behavior of people in the world, as employees, but also as consumers. Namely,

Covid 19 brought changes in the way of working, because it disrupted the established work practice. He led to the fact that the work

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must take place from home. Technological innovations have declined and employment has become flexible, based on business needs. However, many companies take the opportunity to develop work and knowledge options, and ways in which knowledge can lead to changes in the way we work and provide services, because knowledge is an important source of innovation and competitiveness. (Ratten, 2020). Health workers have been hit hardest by this crisis. They risked their lives, and still risk them by treating others. Then there are workers in the informal economy, as well as the self-employed and casual workers due to the lack of opportunities to protect their income, and those workers who are even excluded from support measures. Small and medium enterprises experienced a decrease in demand and income. The worst were those who had to stop doing business. In addition to health workers and those mentioned above, the next groups most affected are women, young workers, migrant workers and refugees, as well as workers with disabilities. Primarily due to informal and insecure incomes, poor working conditions, exposure to violence and marginalization, lack of protection and support from responsible services. (ILO, A Policy Brief, 2020: 3-4).

The services most affected by the pandemic are tourism, road and maritime transport, aviation and construction, manufacturing, trade and catering as well as the entertainment sector. The luxury goods industry was also significantly affected, and the listed sectors experienced a temporary suspension of work and all economic activities. This has led to negative consequences for employment. For these reasons, tripartite and bipartite social dialogue has been conducted in most countries in the early stages of crisis response. With their

help, targeted measures have been taken to protect workers and enterprises, especially for poor workers. According to the International Labor Organization, during the first three quarters of 2020, the loss of labor amounted to 3.5 billion dollars. To prevent the collapse of the entire economy of one country, many governments have used international assistance from the World Bank, the Asian Development Bank and the International Monetary Fund in the form of emergency financing. According to the International Labor Organization - ILO, in 2020, more than two billion workers worked in the informal economy. For these reasons, the prolongation of the crisis for these workers could be more dramatic than for some other groups of workers. They work in micro, small and medium enterprises, which are very vulnerable to economic fluctuations in local markets. The reason for this is the limited access to resources and funds, which indicates the fact that such companies during the crisis, can hardly resist the sudden cessation of economic activity. (ILO Monitor, 2021). The "locking" measures have taken their toll. In addition to job destruction, reduced prospects for new employment, the pandemic has denied access to learning. Because, schooling via the Internet, allows classes to run and the school year not to be lost, but it hinders training and education in the classic way. Furthermore, people with disabilities make up 15% of the world's population, and face social, economic and health constraints. The aviation sector was also affected. According to the International Civil Aviation Organization, losses from January to August 2020 amounted to between 340 and 380 billion dollars at airlines. (ILO Monitor, 2021).

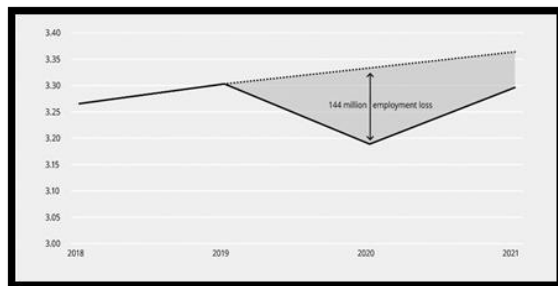
There is a justified fear that the COVID 19 crisis will not turn into a social crisis, that

poverty will not increase en masse and that inequalities will not spread in the coming years. For these reasons, labor market reconstruction is needed in all countries to prevent a collapse in activity and a drastic increase in unemployment. However, the situation is such that millions of people have switched to part-time work, and millions have lost their jobs. While unemployment in OECD countries in 2019 was 5.3%, it was projected to rise to 10% to 12% in 2020. Recovery is expected only after 2021, when workers are expected to return to new or old jobs when economies reopen and intensify their activities<sup>53</sup>.

Covid 19 led to a decline, almost a collapse of economic activity and an increase in unemployment as early as the first months of 2020. In some countries, there were up to 10 times fewer working hours compared to the first months of the 2008 financial crisis. (OECD, Employment-outlook, 2020: 2).

On the other hand, the IT sector has had the opportunity to expand digital commerce, expanding existing offerings, creating new services and "contactless" delivery. This has led to disruptions in the workforce, for example the need for virtual contacts of psychological support, but also visits related to human health.

UNCTAD initially estimated global economic losses in 2020 at one trillion dollars. In May 2020, the UN forecast a reduction of the global economy by almost 3.2%, which is a loss of 8.5 billion dollars. At the same time, the International Labor Organization (ILO) warned that almost half of the global workforce could lose their jobs. COVID 19 caused the biggest recession since World War II. Wage growth began to slow, and UNDP even proposed a "universal basic income" as part of a fiscal stimulus package for the world's poorest people. (UN News, 2020).



**Graph 1.**  
**Job loss in 2020.**

Source: ILO Monitor, p. 9. (25 Jan 2021).

<sup>53</sup><http://www.oecd.org/employment-outlook/2020/>  
(accessed 4 Feb 2021)

## 2. Changes in consumer behavior during the Covid 19 pandemic

There have been major changes in consumer behavior, supply chains and delivery routes that have hampered the work of companies. As the Covid 19 pandemic is unpredictable, occasional "locking" measures have been taken to control the spread of the disease. A large number of elements of the economy are related to public health measures, including this one, which is why consumers as drivers of competitiveness have been exposed to major changes. Their behavior has undergone a transformation. They buy only what they need, although companies are very much thinking about how to ensure the sustainability of their business models after the crisis. The lack of global preparedness for such pandemics has increased their detrimental impact on the economy and trade due to changes in consumption behavior. A consumer is a person who turns his desire into a purchase and uses the purchased product. At the macro level, consumer behavior is determined through social status, and in order to achieve micro behavior, researchers focus on individual factors. These are the ways in which consumers maximize their usefulness, satisfaction or joy when buying some goods.

There are three approaches on the basis of which consumers choose, and they are: psychological approach, sociological approach and economic approach. Manufacturers are the ones who need to meet the needs of the customer, not infrequently they create a collective identity through the culture of the brand. In times of crisis, established consumer behaviors change, although not every country has the same level of awareness about consumption in times of crisis. However, each country expects its

consumers and to be aware of the risks. Simpler and necessary goods are always recommended (Mehta et al., S., et al., 2020: 291-293).

As consumers adapt to the new situation, there is an evident change in their behavior from country to country. First, in almost all European countries and Japan, optimism has declined regarding economic conditions for doing business. Slightly more optimism was shown by consumers in China, India and Indonesia. Secondly, this crisis has tempted consumer loyalty, and it has been shown that in Germany and Japan, this type of change was less pronounced. Third, in some countries, more activities are performed outside the home than in others, and China can be cited as an example. Locking measures are stricter, for example in Mexico and Brazil. Fourth, in countries where there are fewer "normal" activities, shopping is done online. And fifth, the overall consumption of consumers has decreased, as well as the consumption (purchase) of tourist arrangements in terms of vacations. (Charm, et al., T., & dr, 2020), however, the question is whether these changes in consumer behavior are permanent or temporary? Will consumers return to old habits after the crisis, or will some disappear forever? Experience so far shows that all consumer behaviors depend on location (geographical conditions, cultures) and time. Research has shown that the formation of a new habit takes between 18 and 254 days, or an average of 66 days. This time is very suitable for creating new habits. In any case, it is necessary that there is a significant value of the product in the perception of the customer, in order for the new change to become permanent. For example, the demand for telehealth increased during the pandemic, which may remain after



Covid 19. Experience shows that phenomena such as the Internet, artificial intelligence and the transition to clean energy sources, change human life.

During Covid 19, five changes were observed consumer behavior, namely increased use of digital platforms, reduced mobility, work from home, online shopping and increased health awareness. Changes in interpersonal behavior suggest that pets are more adopted during a crisis<sup>54</sup>.

This required economic leaders to emphasize the need for transformation in order to overcome market uncertainty. The strict and rigid hierarchical structure became a little more flexible, and the intelligent company had to adapt, be agile, elastic and through that plan its growth. Companies need "urgent" action to address short-term liquidity and profitability challenges, as many companies face declining sales and revenues, as well as increased costs. Adapting to a new situation may require new investments in technologies, processes and people. Some companies have declared liquidity an element of survival, then an element of recovery and the impact on the company's financial sustainability<sup>55</sup>.

A recent McKinsey study from August 2020 in France, Germany, Italy, Spain and the UK shows how hard businesses in these countries are affected. Namely, 70% of the respondents stated that their incomes had dropped, causing more severe economic effects as a result of the pandemic. Half of the respondents expressed fear that they might not

be able to survive for more than a year. The decline in income was recorded in all countries, but Italian and Spanish small and medium enterprises were most affected. 30% or 33% of them said that their income was reduced, while in Germany, their income was reduced to about 23% in 2020. (Internal Market, Industry, Entrepreneurship and SMEs. 2021).

## Conclusion

Since Covid 19 appeared abruptly and unpredictably, it has led to disruptions in the labor and manufacturing markets. It shook the economic behavior of economic entities. It changed the social and private life of the population. During 2020, people around the world stayed at home, avoiding personal contacts. This partially continued in 2021. Accordingly, cultural life has completely died out. In the second half of 2020 and the very beginning of 2021, virtual exhibitions and music concerts appeared with the help of various platforms. The sectors most affected by the crisis are transport, tourism, catering, micro, small and medium enterprises. In terms of the structure of employees, Covid is most affected by the poor, informally employed, women, young people and hard-to-employ groups. In 2020, there were layoffs. Economic recovery is expected only after 2021, as well as a gradual increase in employment and job creation. It is also important to emphasize that Covid 19 has accelerated the use of digital platforms and similar forms of communication, as well as the digital transformation itself.

A large number of new unemployed appeared, which triggered economic initiatives, breaks in loan repayment with the addition of social benefits. Fear of a major

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<sup>54</sup><https://www.swissre.com/institute/research/topics-and-risk-dialogues/health-and-longevity/covid-19-and-consumer-behaviour.html> (accessed 10 February 2021).

<sup>55</sup>[https://www.accenture.com/mu-\(\(en/about/company/coronavirus-business-economic-impact](https://www.accenture.com/mu-((en/about/company/coronavirus-business-economic-impact), (accessed 04 Feb 2021)..

recession emerged, with Spain, Italy and the United Kingdom being the most affected. Businesses, schools and universities have

closed. The tourism and catering sectors were particularly affected, and due to the closure of borders, international travel was halted.

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