



# ShowCASE

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## Editorial

In this issue of showCASE, we analyse the effects of the COVID-19 pandemic on the Polish labour market and discuss first results of *Diagnoza.plus* study conducted jointly by CASE, Group for Research in Applied Economics (GRAPE), Wydział Zarządzania Uniwersytet Warszawski, Instytut Badań Strukturalnych (IBS), Centre for Economic Analysis (CenEA), and Wydział Nauk Ekonomicznych Uniwersytetu Warszawskiego.

The results of the available *Diagnoza.plus* surveys confirm that Polish workers have been significantly affected since the outbreak of COVID-19 in terms of jobs availability, work conditions, financial stability, and mental wellbeing. At the same time, government support programmes proved to be effective in cushioning negative effects and restoring Polish labour market after the lockdown.

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# CASE Analysis

## COVID-19 Pandemic and Jobs – New Evidence From the Polish Labour Market

Izabela Styczyńska | President of CASE Management Board

The unprecedented COVID-19 pandemic disrupted rapidly and significantly the world economies. The lockdown measures implemented to limit the spread of the virus have, in turn, affected the world labour markets. As a result, millions of people were left with no jobs, reduced or lost income, and insecurity about future job prospects, salaries, and working conditions.

» Almost 40% of Europeans report that their financial situation has already worsened since pre-pandemic times.

Preliminary estimates of the International Labour Organization (ILO) suggest that the global workforce loss is around 200 million workers. The European Commission (EC) Spring 2020 Economic Forecasts estimate the shift in the EU-wide unemployment rate up to 9% in 2020, when compared to the 6.7% in 2019. Similarly, the Eurofound e-survey performed at the EU level in April 2020 has also revealed a rapid growth in unemployment, with 5% of the European respondents reporting losing their jobs permanently and 23% indicating a temporal job loss. Half of Europeans experienced a reduction in the working hours, especially in countries such as Romania, Italy, France, Cyprus, and Greece. The growing uncertainty around additional job losses is observed, whereas almost 40% of Europeans report that their financial situation has already

worsened since pre-pandemic times. As a result, economic disruption, self-isolation, and loneliness experienced during the lockdown as well as uncertainty about the future have already negatively affected the mental well-being of the Europeans.

The question arises whether the Polish labour market has performed better or worse than other European economies. While data needed to answer this question remains scarce, an innovative study – *Diagnoza.plus* – initiated by researchers of several Polish prominent institutions<sup>1</sup> provides an almost real-time measure of the situation on the Polish labour market. Until now, two rounds of an e-survey have been performed with a next one already scheduled for the upcoming months. To ensure comparability of the results, the survey was based on the National Labour Force Survey (NLFS) performed by the Polish National Statistical Office (GUS). The first round of the information was gathered when the most severe restrictions imposed on the Polish economy were in place (i.e. in April 2020), while

» According to the *Diagnoza.plus* e-survey the lockdown-related restrictions caused the unemployment rate in Poland to rapidly increase from 3% in the last quarter of 2019 up to 5.7% in April 2020.

<sup>1</sup> including CASE, GRAPE, Wydział Zarządzania Uniwersytet Warszawski, IBS, CenEA, and Wydział Nauk Ekonomicznych Uniwersytetu Warszawskiego.

the second round of the e-survey took place in June 2020.

The results of the study allow to capture the most instant changes in the Polish labour market during the pandemic in order to support the immediate governmental responses to the crisis. Thus, the overall results of the survey show that the situation on the Polish labour market, albeit dramatic in April, has stabilised in June in parallel to the eased lockdown and fully active governmental support to the economy. Nevertheless, estimates show that thousands of working places are still at risk of being affected by the crisis in the nearest future.

### Unemployment Rate with Rapid Growth in June and Stabilisation in July

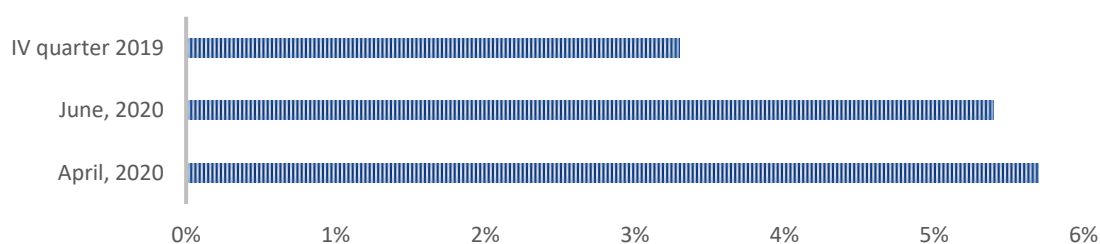
According to the Diagnoza.plus e-survey the lockdown-related restrictions caused the unemployment rate in Poland to rapidly increase from 3% in the last quarter of 2019 up to 5.7% in April 2020. The actual share of people who lost their jobs was higher and ranged around 9.8%. The reason for such a significant gap between unemployed and those not working lays in the definition of unemployment itself. While many people lost their jobs in March, they were unable to register as unemployed with public employment services (PUP).

Firstly, some of them, despite being made redundant, were still on the (un)paid notice

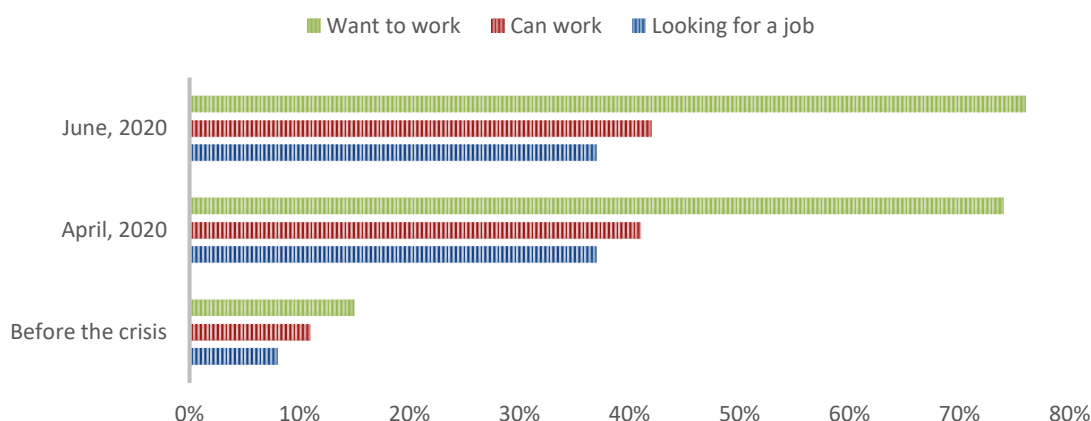
period, hence could not be registered as unemployed yet. The second group of non-workers were unable to register in PUPs due to the rigid lockdown measures being in place – labour offices were closed or working remotely with no clear guidance on how to proceed. Thirdly, due to the loss of all types of public and private childcare, some parents were unable to actively start looking for a new job. Therefore, those non-workers who were not ready to undertake employment or were not actively looking for a job could not be registered as unemployed despite being the victims of the COVID-19 pandemic. At that point in time in Poland, the government supporting measures have still not been implemented.

The following round of the Diagnoza.plus e-survey revealed that the increase in the unemployment rate slowed down in June and the figure settled at the 5.4% level. The share of non-employed has also stabilised at the 8.7% level. This is partly due to the introduction and implementation of the governmental financial scheme to help businesses and maintain their employees via co-financing of salaries and wages, as well as financially supporting the self-employed. In addition, the ease of the lockdown allowed several sectors to return to a (new) business routine and some people to return to their workplaces. The reopening of the childcare services was also a crucial milestone, allowing parents to come back to the labour market.

**Figure 1. Unemployment rate in Poland (in %)**



Source: Diagnoza.plus e-survey

**Figure 2. Share of unemployed able to work**

Source: Diagnoza.plus e-survey

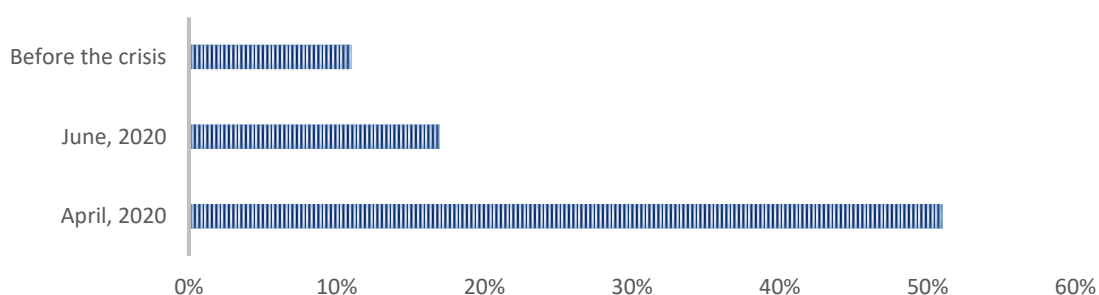
### Individuals are Ready to Work

During the pandemic, people appeared more active in seeking employment compared to the before-pandemic period. Thus, **over 80% of the non-working declared their willingness to undertake employment**, compared to around 15% before the crisis. Further, the **share of people able to undertake employment remained relatively high at around 40%**, while the figure for the before-pandemic period was only around 12%. Similarly, the share of those actively looking for employment remained over three times higher than in normal times.

Nowadays people see the risks related to the crisis and the economic disruption induced by the

COVID-19 pandemic and clearly express their concerns about the economy in the future. Hence, they report greater flexibility in terms of the ability to change the occupation or acquire new skills. Indeed, the majority of the respondents believed that a change of industry or sector and, as a resulting adjustment of their aspirations and skills, will be needed to find a new job.

On top of that, the salary expectations of individuals decreased along with their beliefs in the successful performance of their companies and increased loss of trust in PUPs.

**Figure 3. Share of teleworkers (in %)**

Source: Diagnoza.plus e-survey

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### Telework Significantly Decreased After the Lockdown

Teleworking, which took off in all EU countries with over a third of those in employment shifting towards remote work, has also been widely implemented on the Polish labour market. As a result of the pandemic, in April over 50% of Polish employees were teleworking.

This situation changed drastically already in June when over two-thirds of April teleworkers returned to offices either in a regular or mixed format. In addition, the irregular working hours have been reported by over half of respondents during the lockdown, due to the lack of childcare

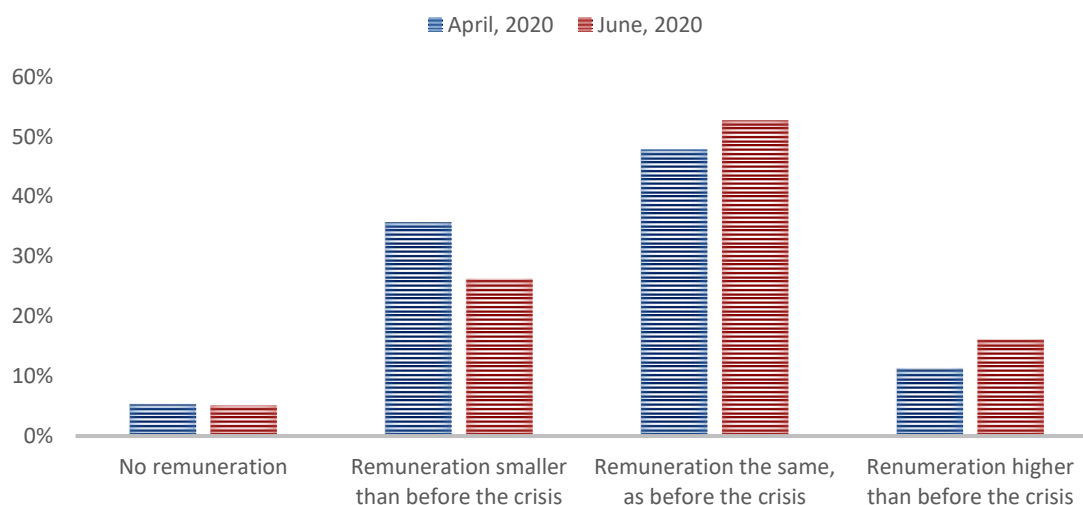
services. Many of them were working during evenings or weekends. The reduction of telework has led to the reduction in the number of people working during the irregular working hours, which was likely also due to the fact that the childcare services became available and allowed to normalise parents' working schedules.

### Remunerations Still Lower for Many People

Over 40% of working individuals experienced a reduction in their remunerations since the outbreak of COVID-19. The income reduction was caused mainly by the reduction of (1) a number of working hours, (2) bonus system, which constituted part of the regular monthly salary, or (3) part of unregistered payments. In addition to that, some people who were employed by more than one employer lost the second employment, remaining, therefore, with one income only.

The situation has slightly improved towards June with the share of workers with a lower income than before the COVID-19 crisis decreasing to a 30% level. Thus, the financial supporting measures introduced by the government and the

Figure 4. Remuneration level



Source: Diagnoza.plus e-survey

ease of the lockdown proved to have a positive effect on wages.

### What next?

To measure the potential impact of the COVID-19 pandemic on the labour market in the future, the researchers of Diagnoza.plus used the input-output tables for further changes examination. The results show that the number of working places at risk of disruption due to the post-pandemic crisis remains high and ranges from 40-50 thousand in the Opolskie or Świętokrzyskie Voivodship up to 200 thousand in Mazowieckie or Śląskie Voivodship.

Furthermore, two types of shocks can be identified, when assessing the impact of the COVID-19 pandemic. The first one is temporary and mainly related to the risk of being infected and the introduction of the preventive measures that impose some administrative obstacles to economic activity. Such measures are assumed to be reduced when the immunity level in the society reaches the safe levels or the preventive measures (e.g. tests) become more available and accessible. The second type of shock is more permanent and might have a higher impact on the jobs' disruption. The decrease of the economic activity within the Polish and global economy is much

more persistent and long-lasting, hence more likely to negatively affect business activity and individuals in the long run.

### Conclusions

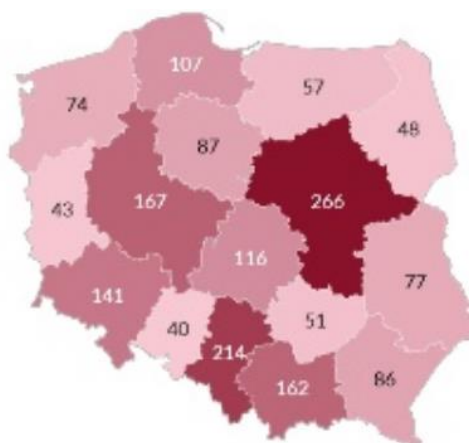
The immediate analysis of the COVID-19 pandemic impact on the Polish labour market helped to establish certain facts, which could help the policymakers to make evidence-based decisions on short- and medium-term supporting measures.

Without a doubt, the governmental financial schemes that support employment and wages were necessary measures that helped to slow

» The support measures have to be cut at some point and only then we will be able to assess the scale of the damage caused by the pandemic.

down the rapid increase in the unemployment rate. The ease of the lockdown allowed people to return to work. Nevertheless, the uncertainty regarding the speed and scale of economic recovery creates a lot of tension among business and individuals. The support measures have to be cut at some point and only then we will be able to assess the scale

**Figure 5. COVID-19 exposure at work**



Source: Jak duży szok dla rynku pracy? Diagnoza.plus (25 July 2020)

of the damage caused by the pandemic. While the risk of disruption is still unknown, the estimates suggest that it might be substantial.

Interestingly, teleworking seems to be treated as a temporary measure with no incentives in place to keep this form of employment as a more routine one. Although some big companies declare that teleworking has reduced their costs of functioning, have not affected people's productivity and allowed to increase profits, the market situation suggests that this solution is not considered as permanent. More research is needed to examine the real reasons behind this.

People's readiness to gather additional competences, reskill, and be more flexible creates momentum for public authorities as well as PUPs to introduce more lifelong-learning programmes and involve more individuals in informal educational activities. This might be beneficial for the whole economy in the long run due to the individuals' involvement in upskilling in line with market requirements, and hence minimisation of the skills gap and limitation of structural disruptions on the labour market.



# Highlights

## Trade, Innovation, and Productivity

Trade and investment topics were traditionally at the centre of discussion during the **22nd EU-China Summit**. Specifically, President von der Leyen underlined the importance of addressing market access and regulatory issues and raised concerns on unbalanced relations between the partners. The statement builds upon the broader EU objectives as defined in the mid-June White Paper on levelling-up the competition and limiting distortive effects of foreign subsidies. Further, the Summit touched upon the need to progress on the **EU-China Comprehensive Investment Agreement (CAI) negotiations**. In line with it, the Summit was followed by two regular rounds of the EU-China investment agreement negotiations. These were dedicated to a further discussion of subsidies transparency and market access, as well as forced technology transfers regulations and investment liberalisation. In parallel, the avenues and mechanisms for addressing the differences in sustainable development were considered. Although significant progress has been achieved since the launch of negotiations in 2014, a full consensus over market access for investments, state-owned enterprises behaviour, dispute resolution and transparency regulations is yet to come. The outbreak of COVID-19 is likely to postpone the conclusion of CAI negotiations even further as both parts are likely to prioritise addressing internal challenges rather than focus on strategic international agreements in the nearest future.

## Labour Market and Environment

On July 1st, CASE experts participated in the kick-off meeting of the project **“MIGRIGHT: Improving social dialogue for decent work of migrants and refugees in Poland”** organised in Warsaw by the Federation of Polish Entrepreneurs, the project leader. The meeting was also attended by representatives of the Polish National Alliance of Trade Unions (OPZZ) and the Confederation of Norwegian Enterprise (NHO), both institutions being the project partners. The main objective of the MIGRIGHT project – with CASE acting as the main research partner – is to increase the capacity of social partners in Poland to participate in social dialogue through the transfer of best Norwegian practices to the Polish ground and the organisation of expert and consultative meetings and workshop trainings on supporting the rights of migrants and refugees and ensuring decent work conditions for these groups of workers. The main product of the project – the MIGRIGHT Social Dialogue Toolkit – will include a set of guidelines and recommendations regarding the cooperation between the social dialogue participants. The project is supported by Norway through the Norway Grants 2014–2021, in the frame of the Programme “Social Dialogue – Decent Work”.

## Macro and Fiscal

After five days of tough negotiations, the **European Union leaders have agreed to create a EUR 750 billion “recovery fund”** to boost the EU economy after the COVID-19 crisis. The final structure of the fund amended during the negotiation process is divided into EUR 390 billion in grants and EUR 360 billion in

loans. Furthermore, the EU leaders agreed on a new EU budget of EUR 1.1 trillion, which together gives the EU spending power of EUR 1.8 trillion in the 2021-2027 period. According to the agreement, 70% of the grants shall be committed until 2022 and the rest until 2023. After Italy, Spain and France, Poland is the largest beneficiary of the fund and will get nearly EUR 64 billion – EUR 38 billion in grants and EUR 25 billion in loans. It needs to be kept in mind that the cost of the “recovery fund,” which amounts to almost 2% of the yearly EU GDP, will be borne in the future. The repayment will hinge on the revenue from the new digital tax and carbon duties, which have not been implemented yet.

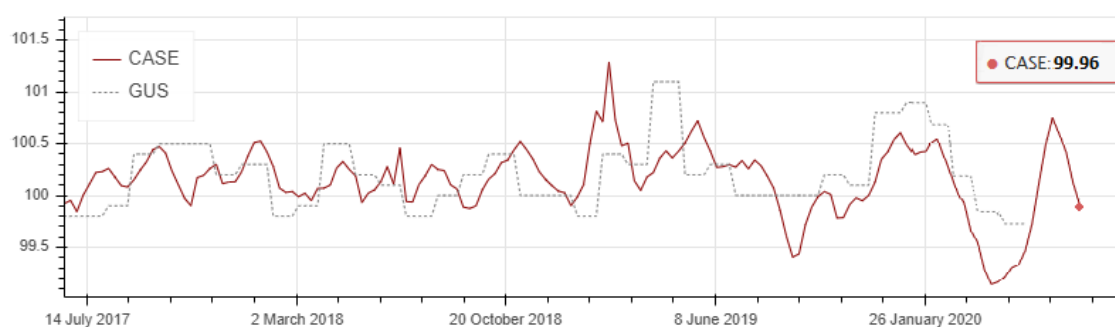
# Other CASE Products

## The Weekly Online CASE CPI

The online CASE CPI is an innovative measurement of price dynamics in the Polish economy, which is entirely based on online data. The index is constructed by averaging prices of commodities from the last four weeks and comparing them to average prices of the same commodities from four weeks prior. The index is updated weekly. For more information on our weekly online CASE CPI, please visit: <http://case-research.eu/en/online-case-cpi>.

**The late July read-out of Online CASE CPI shows that the trend of price increase over the previous month has been reversed with a slight decline by 0.04% m/m in July.** The prices in the “Food” category, which fell on average by almost 1% m/m, are the prime contributors to this reversal. Among those, a most significant change was observed for fresh produce such as vegetables (4.8% m/m decline) and fruits (2.5% m/m decline), which is predictable for this period. **On the other hand, prices in the “Transportation” category went up by 2.2% since June,** while recovering from a sequence of significant discounts throughout March, April and May 2020.

### Our Weekly Online CASE CPI



## Monthly CASE Forecast for the Polish Economy

Every month, CASE experts estimate a range of variables for the Polish economy, including future growth, private consumption, investments, industrial production, growth of nominal wages, and the CPI.

CASE economic forecasts for the Polish economy						
<i>(average % change on previous calendar year, unless otherwise indicated)</i>						
	<b>GDP</b>	<b>Private consumption</b>	<b>Gross fixed investment</b>	<b>Industrial production</b>	<b>Consumer prices</b>	<b>Nominal monthly wages</b>
<b>2020</b>	-4.4	-4.6	-8.1	-5.0	3.0	3.2
<b>2021</b>	3.8	4.0	3.4	2.8	2.6	3.2

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