

Leeds University Business School – Research and Innovation Podcast

Episode 52 – How the Covid-19 pandemic has affected global inequalities in work and employment

Speakers – Danat Valizade and Manhal Ali

[00:00:00] **Danat:** Hello, and welcome to the research and innovation podcast. My name is Dr Danat Valizade and I'm an associate professor at Leeds University Business School. I'm joined today by my colleague, Dr Manhal Ali, to discuss the consequences of the COVID 19 pandemic for global inequalities in work and employment. The talk will be based on our recently published paper.

Hello Manhal. Great to speak to you today.

[00:00:29] **Manhal:** Hi Danat. How are you? Great to be here.

[00:00:31] **Danat:** Good. Good. Thank you. I will begin with a quick introduction to the problem that we're going to discuss today. COVID 19 came as a shock to nation states around the globe resulting in unprecedented, at least in recent history, economic and public health measures. The impact on workers was particularly significant. Large proportion of people switched to remote working while many were furloughed or lost their jobs.

A common phrase at the beginning of the pandemic was “we're all in this together”. However, it very quickly transpired that we're not. Within countries, we have seen deep inequalities between professional occupations, most of whom were able to work remotely with no loss of income, and so-called essential workers who were at the frontline.

We have seen huge disparities in wage distribution between these groups of workers. And it came as a shock to many how poorly paid some of the essential workers are. Apart from inequalities within countries, perhaps the most significant challenges were between countries. Where, as we know now, the poorest countries in the world suffer disproportionately, including their workers.

So in our study, we sort to estimate and explain such inequalities between countries when it comes to people's jobs. We focus specifically at the beginning of the pandemic, because at that time it wasn't obvious that the poorest countries will suffer more because they were not as significantly affected by the virus itself. So we found some very interesting trends and dynamics. Manhal - what were the key findings in terms of differences between richer countries and poorer countries in how workers suffered from the pandemic?

[00:02:25] **Manhal:** Yes, that's right, Danat. So what happened was that the COVID 19 was something which was completely unprecedented. And it had huge impact on the labour market as far as people's employment were concerned. And, around the globe we saw a huge increase of unemployment at the onset of the pandemic. A lot of the peoples were left out. Businesses were shut. People were furloughed, et cetera, cetera. However, the key finding in our paper is that the effect was not evenly distributed. There was talk about global inequality before the pandemic, and after the pandemic the inequality has further exacerbated.

What we see is that although every country suffered in terms of high unemployment after the pandemic, but it was not evenly distributed. What we saw in the data was that certain countries, they suffered more relative to other countries. And we explained that uneven impact using the

World Systems Theory. The World Systems Theory, it categorizes countries, whether they are core countries, periphery or semi-periphery countries.

Core countries are countries that have industries that are highly capital intensive. They have high skilled labour workforce. And as a consequence, they were much more able to withstand the impact of COVID 19 pandemic on the labour market. In contrast, periphery and semi-periphery countries as per the world systems theory, these countries are countries that are characterized by industries that are highly labour intensive, low skilled, subservient states characterized by high stringent labour regulations, which we'll come back to later. Also large share of shadow and informal economy. Because of these characteristics that categorize countries depending on whether they're core, periphery and semi-periphery. The periphery and semi-periphery countries, they were affected a lot more. Their labour market was further exposed to pandemic. And that's the core result that we see that is the globally, every country they were not immune from this crisis on the labour market, but some countries were afraid much more worse off compared to other countries.

[00:04:32] **Danat:** Yeah, I think that was kind of really the core, the key finding. And the importance of it is that the actions taken in richer core countries at the beginning of the pandemic resonated through the world. I think that's a particularly significant finding Manhal. Namely that the actions taken by core states at the beginning of the pandemic to shut the economy down, to spend a significant amount of money to support the population, those same actions they resonated through the world economy resulting in a much more significant income and job loss in periphery and semi periphery states who, again, didn't have the same financial economic means to support the population because they were in a, in a subordinate position.

And we found that the scale of that is really quite significant. We're talking about two, three times higher impact on periphery and semi periphery countries, where again, the virus was not as widespread as it was at the beginning of the pandemic in the Western world.

So that was kind of one very significant finding. The other thing we looked at is, well, okay - what can actually explain that? Apart from the obvious economic disparity between the countries. What are the other factors that can help us understand why at the very beginning of the pandemic some countries made decisions that protected their workers better from the downfall related to COVID 19, and one such factor was political, political ideology or political orientation.

Now why political orientation or political leaders are important, because at the beginning of the pandemic, our knowledge of the potential consequences of the virus or severity of the virus was very limited.

In fact, there was very little credible scientific evidence about what will happen if we say, let the virus flow through the society. At this point in time, decisions as to when and how to react, and to what extent the workers need protection, were largely political. We have seen to some degree by anecdotal evidence that some political leaders kept denying the existence of COVID, the importance of COVID for quite a long time, for several months at the beginning of the pandemic. While others acted more decisively. But look specifically at the extent to which political leaders across core periphery and semi periphery states, broadly speaking right wing populist, or they profess their right wing populist ideology, that is based on the juxtaposition of the people against the elite, and it's a constant struggle and they position themselves as the voice and representatives of the ordinary people.

Now, the key problem with that type of ideology is that it is naturally averse to scientific evidence in that it is seen as very elitist. We have seen how, for example, Donald Trump, who is a classic example of a writing populist leader, at the onset of the pandemic in multiple interviews and speeches consistently denied the severity of the pandemic and refused to act upon it for a significant period of time, but that's not obviously just Donald Trump.

There are other populist leaders around the world, including populist leaders in Brazil, India, and some African countries too. So what we have done, we've pulled the data to see how exactly those countries reacted to the pandemic and then tried to link it to the extent to which it hit the workers and somewhat unsurprisingly we found that countries with strong right-wing, populist leadership significantly delayed the intervention in the labour markets.

They first delayed their public health interventions. And secondly, they delayed support measures to workers quite significantly, compared to similar countries that didn't have right-wing populist leaders. We have then been able to link that to the likelihood of workers losing their paid work. And the results there were quite significant too.

So we have been able to show that the type of political leadership and the extent to which a given political leader supports writing populist beliefs actually affected workers at the beginning of the pandemic quite significantly, but that was not the only finding. We also looked at the institutional foundations of the labour market, the extent to which labour market policies and collective bargaining were strong before the global crisis - what have we found there Manhal?

[00:09:17] **Manhal:** Yeah, that's right. So there were several mitigating factors. One of them you've touched, already Danat, on the extent of political populism. The other two factors that you've alluded to were labour market democracy, which be proxy by collective bargaining, the ideas that greater the degree of collective bargaining, more the voice that the employees or the trade unions have, and as a consequence, greater they're able to enact measures and quickly to protect their workers or to insulate the workers from the adverse consequence of pandemic.

The idea is that in lay terms that it, the idea is quite simple, so the higher the bargaining power that you have amongst the employees, more they are able to, you know, enact policies such as labour, such as job protection schemes, or income support policies to protect their workers.

And that's one of the mechanisms or mitigating factors that could ameliorate the adverse consequence of the COVID 19 pandemic on the labour market.

Additionally, we also looked at the role of labour policies which proxies the regulation or the efficiency of the labour markets. And we found that countries that have efficient labour market policies that ensures fluidity or efficient working in the labour market were in a much better position to withstand or negate the negative consequence of the COVID pandemic on the workers.

So labour market policies here basically means to what extent the regulations are less stringent in terms of hiring employees, matching employees with the potential employers. So greater the efficiency of the labour market, the lower the adverse consequences of the pandemic on the workers.

[00:10:56] **Danat:** Yeah, thanks. I think that is again, another very interesting finding and particularly the one that concerns labour market policies, because the way the poorest countries, periphery and semi-periphery, responded to the pandemic was primarily by means of cash flows to the population. Whereas in richer core countries people were essentially insulated, protected from job losses by various types of furlough or protection schemes where companies are compensated significant part of labour cost, and then people just, you know, continue to receive substantial means of support while still formally being in employment.

Many of those options were not available at the beginning to periphery and semi-periphery states, primarily because the share of informal self-employed workers is very high in some countries like India, South Africa can be up to 80/90% of people will be employed either informally or they will be self-employed. So the same means of support, even if we assume those countries had enough money in their pocket, were not available technically.

And it's interesting that in countries where extensive labour market policies that have aimed at placing the unemployed back into work existed, they found a way to support their population better. For example, to create public sector jobs for many displaced, informal workers. Now, similar periphery, semi-periphery countries that haven't invested as much in labour market policies struggled more, and the impact on workers, particularly informal workers, was more severe.

And, and interestingly, a somewhat similar tendency happens even in richer countries. So countries that invested before the pandemic, in the types of labour market programs that help the unemployed back into work - classic examples will be in continental Europe countries like Denmark. Those countries were able to adjust to the new reality quite quickly and enact policies, furlough schemes that covered the wider population, whereas countries that invested less so in active labour market policies, again in richer countries, the classic examples will be United States, United Kingdom - they did act and they did act reasonably well. Those policies at first left out significant proportions of the populations. And they were then amended and amended and amended throughout the pandemic, thereby allowing more people to suffer and lose their jobs. So the impact of labour market policies was quite, quite significant in that respect.

And so is the worker voice. So these were the main findings that we have arrived at in the paper. What do you think, Manhal, are the key lessons for any future global shocks from our study?

[00:13:41] **Manhal:** Yeah. So coming from the perspective of labour market and policies and labour market democracy, I think the key lesson going forward in the future is how to withstand or negate such adverse consequences of the labour market. We have seen a massive increase in inequality post the COVID 19 pandemic.

The million dollar question is how we can prevent such acts from happening again. Well, I guess one policy could be to improve the labour market democracy - give more voice to the employees to protect or insulate themselves from the negative consequences. The second factor is to improve the quality of the labour market institutions, to remove some of the bureaucracy or the red tape that makes business difficult to hire or fire employees and also to ensure better matching of employees with the potential employers, employers are more quickly be able to hire employees whenever there's a vacancy. So all in all to improve the efficiency of the labour market, to remove some of the regulations or stringencies that make it very difficult for the employers to hire people.

I guess, another important factor is that, that could be taken to mitigate is to adopt a much more data-driven policy. What happened in countries, for example, in India and other developing countries that have a large share of informal sector, hence periphery, semi-periphery countries, is that at the onset of the pandemic, these countries they adopted a blanket policy.

So they introduce lockdown measures or public health intervention measures across all the countries. However, we have seen that certain regions or states, for example, in India, they were hardly touched by the COVID 19 pandemic. Yet the workers, especially the workers working in the poor sectors or migrant workers, they have suffered a lot, which has further exacerbated the labour market employment crisis. So I guess going forward in the future to withstand or better deal with this pandemic, we need a much more data-driven policy to understand which regions are more adversely affected. So that allows us to take a much more surgical option rather than imposing a blanket lockdown that has caused immense suffering to the people or the employer, especially in the poor developing or in the context of world system theories semi-periphery countries.

[00:16:02] **Danat:** Thank you Manhal and I couldn't agree more with you on that. I guess the other thing that we should be mindful of is the extent to which decisions made in the economically most developed countries, to what extent and how much they affect other countries in the world. There is a lot of talk nowadays about some global, more sort of collaborative approach to vaccine rollouts or public health measures.

We think that the same can be applied to socioeconomic measures, particularly labour protection in the sense that a single poorer country, somewhere in the periphery states, doesn't have the necessary means to support itself. Whereas a more coordinated approach to some basic measures in global shocks will definitely help to mitigate the negative effect on the world economy and on the workers, in the poorest part of the world.

I guess that, that that's sort of one lesson we have to learn from that. The other lesson is of course the importance of political decision-making. I mean, we're not for a second trying to tell don't vote for that politician or don't vote for this politician or don't vote for a populace - that is up to the people to decide.

However, countries might think about some legislative means, templates or social policy actions that effectively get enacted almost immediately in case of future comparable shocks, where countries don't have to rely on the political machine or on a political leader to initiate or make such a decision.

Having, again, a more systematic approach here will definitely help to shield us from future pandemics. And as Manhal said being a bit more nuanced in the way we respond to future global shocks. And I think these are preliminary lessons, but we will have to learn a lot more from the pandemic. And we're only now beginning to understand what does it mean to live in a post-COVID world and how changing shifts and patterns of work will affect global inequalities. Thank you for listening to us today.

[00:18:10] **Manhal:** Thank you.