The Effects of COVID-19 on Unemployment: A Comparative Case Study: the Netherlands and Bulgaria

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MASTER THESIS

The Effects of COVID-19 on Unemployment

A Comparative Case Study: the Netherlands and Bulgaria

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List of abbreviations

BGN – Bulgarian lev

BLS – Bureau of Labor Statistics of the U.S. Department of Labor

CBS – Centraal Bureau voor de Statistiek, Statistics Netherlands

CFP – Consolidated Fiscal Programme

EC – European Commission

ECDC – European Centre for Disease Prevention and Control

EU – European Union

ECB – European Central Bank

GFC – Great Financial Crisis of 2008-2009

IMF – International Monetary Fund

ILO – International Labour Organization

JTF – Just Transition Fund

LFS – Labour Force Survey

MF – Ministry of Finance of the Republic of Bulgaria

NEA – National Employment Agency

NGEU – Next Generation EU

NSI – National Statistical Institute of Bulgaria

NSSI – National Social Security Institute of Bulgaria

OECD – Organisation for Economic Co-operation and Development

PCR – Polymerase chain reaction test

SMEs – Small and medium-sized enterprises

STW – Short-time work

SURE – Support to mitigate Unemployment Risks in an Emergency

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I. INTRODUCTION

1.1. Relevance and context of the topic

International emergencies like economic depression, war, environmental catastrophes and others often shift the socio-political direction of welfare states. These events are sometimes predicted or expected and governments have certain a rule book, which allows them to counteract and relieve the severity of the situation. These measures aim to protect individuals, shielding their income, health and security from external dangers. Some emergencies, however, happen suddenly and present circumstances which cannot be predicted. An example for this perfect storm is the ongoing pandemic of COVID-19, which first started in China in late 2019, progressively expanding to the rest of the world.

Although not the first epidemic, COVID-19 is unique due to the circumstances surrounding it. Namely, the increased globalization, which helped its rapid transmission across the globe. Due to this, most developed countries and emerging markets were under the same exposure to the negative effects of the virus, affecting their healthcare system, economy and unemployment policies. In this context, this master thesis would argue that COVID-19 dramatically shifted both short and long-term unemployment strategy, as the severity of the danger pushed states to treat it as their highest priority. The actions that states had taken, however, are greatly dependent on the capacity of each one of them to counteract unemployment. The IMF (2020) even entitled the coronavirus crisis *"The Great Lockdown"*.

The motivation behind this research is based on the real-life implications of this global emergency. As of the 31st of May 2021, there are above 170 million reported cases of COVID-19, 3.54 million reported COVID-19 related deaths worldwide and above 1.893 billion administered vaccine doses, according to Johns Hopkins Coronavirus Resource Center (2021) data. Multiple lockdowns have been introduced across Europe since March 2020 when the crisis started to unfold, closing down businesses temporarily. As a result, Eurostat (2021a) reports a sharp spike of unemployment rate in both adult and youth population. As of the end of March 2021, the number of unemployed men and women is 15.520 million (7.3%), 2.019 million higher than the reported unemployment

in March 2020 (6.4%). Youth unemployment rate is reported to be 17.1%, or 2.951 million, which marks an increase of 319 thousand people compared to March 2020 (14.9%).

Another negative impact of COVID-19 is the economic recession in which Europe entered in March 2020 and with slight recovery by the fourth quarter of 2020, but with a double-dip recession in the beginning of 2021 as more social-distancing measures were introduced at the end of 2020 and at the start of 2021 (Paul & Webber, 2021 Bloomberg). Furthermore, this recession put industries who have adopted riskier business models prior to the crisis at jeopardy, which in turn may trickle down to the rest of the economy (Tooze, 2020).

When looking at the global situation at this angle, a clear trend can be easily spotted. Namely, that at the starting point of the crisis, European states have slowly recovered from the 2008 economic crisis. Due to this, the risk appetite of states and enterprises was higher and the pace of development was steady. However, COVID-19 is an example for a low-probability and high-stakes event, which challenged this growth path by unveiling major weak-points.

Now, the challenge to counteract this crisis fast and preserve as many lives and jobs as possible, requires bold institutional and government decisions. Blofield, Hoffmann and Llanos (2020) emphasize on the critical importance of firm governance and decision-making for introducing large-scale lockdowns and committing to support the public. By the second half of 2021, the EU's unprecedented €1.8 trillion recovery fund Next Generation EU (NGEU) and multi-year budget (EC, 2021a) should be supporting the economic growth on the continent through public investments which will be essential for businesses to rebuild their financial state, weakened by the crisis.

The possibility to conduct research on a topic, which is undoubtedly relevant, given the current social, health and economic challenges and circumstances portrayed by the COVID-19 pandemic, stand behind the author's motivation to choose the scope of the thesis' topic. Although the situation constantly evolves, which could be pointed out as one of the limitations of the research, the challenge to analyse the changing environment in almost real time also complements the author's motivation.

In literature, the amount of research about the effects of COVID-19 on jobs and reviews of economic policies by countries is continuously growing. This represents an additional evidence for the relevance of the topic. The comparative case study based on process tracing about two European countries – the Netherlands and Bulgaria, will complement the existing research in the field of COVID-19 responses and labour market developments in a pandemic.

1.2. Aim and scope of the research

The **aim** of the master thesis is to present a comprehensive comparative case study, based on process tracing as main research method, focusing on the effects of COVID-19 on the unemployment levels in the Netherlands and Bulgaria, with an accent on the applied economic policies aimed at mitigating the severe effects of the pandemic on the labour market.

The purpose is decomposed to the following **main objectives of the research**:

1. Clarification of the nature of the COVID-19 pandemic on the labour market and of the main characteristics of unemployment;

2. Analysis of the strategy, approaches and tools of the Netherlands and Bulgaria to mitigate the severe effects of COVID-19 on their labour markets;

3. Use of process tracing for conducting the comparative case study regarding the COVID-19 effects on the unemployment levels in the Netherlands and in Bulgaria and on the government job retention schemes.

Regarding the **scope of the research**, the applied measures of two European countries – the Netherlands and Bulgaria – will be analysed, by doing a deep dive into their unemployment policies. These two countries present a variety of background differences, including budget capacity, tax system, healthcare structure, and relationship with the EU: the Netherlands being on the EU contributor's side and Bulgaria being EU funds reliant; the Netherlands being a member of the euro area and Bulgaria, which joined the Exchange Rate Mechanism II in 2019 and aiming to join the euro area possibly in 2024.

The unemployment/furlough policy of each country will be thoroughly analysed, looking at the changes between pre and post COVID-19. The scope is limited to the time of writing, which is May 2021. The economic background of each state will be explored, the mechanisms behind how funds are obtained and distributed will be described. Primary data will include reports by the IMF, EU published documentation, and government issued documentation and analysis of the initiatives by the EU, focused on orchestrating actions and backing up EU states during the pandemic.

In this regard, the following **hypothesis** is formulated: the COVID-19 pandemic affected the unemployment levels in the Netherlands and Bulgaria and the economic policies applied in those two countries aiming to mitigate the severe effects of the pandemic ultimately managed to preserve jobs.

The research in the thesis would seek answers of **three research questions**:

1. Which kind of differences have emerged in the policy-making process to contrast COVID-19-related unemployment in different EU memberships, namely Eurozone member (the Netherlands) and Non-Eurozone member (Bulgaria)?

2. What kind of mechanisms the governments of the Netherlands and Bulgaria put in place to address unemployment caused by the COVID-19 crisis?

3. What is the role of the EU in supporting these states?

The master thesis continues as follows:

Chapter 2 presents a review of the literature. It consists of contextualization of various labour market policies and a breakdown of unemployment definitions. Recent studies about the effects of COVID-19 on the labour market and on the unemployment level in particular are also included.

Chapter 3 covers methodological aspects and main concepts of the thesis. It represents the applied methods, research design, the approach of process tracing, and introduces the gathered data and its sources.

Chapter 4 presents the comparative case study and analysis, for which the data collection from the previous chapter is used, complemented by empirical data and analysis of the findings.

Chapter 5 concludes the thesis by summarizing the findings. A brief discussion about the potential future path of the influence of COVID-19 on the labour market is presented. Also, limitations of the study and implications for future research are addressed in the last chapter.

The list of references is also included at the very end of the master thesis.

II. REVIEW OF THE LITERATURE

The review of the literature is performed on the basis of contextualization of various labour market policies, breaking down unemployment definitions and analysing concrete labour market developments in selected areas and countries. Recent studies about the effects of COVID-19 on the labour market and on the unemployment level in particular are included. Labour market patterns in crisis mode are also discussed.

According to the Journal of Economic Literature (JEL) (American Economic Association, n.d) the classification system of the American Economic Association this study is placed in the field of Public Economics (H) and Labor and Demographic Economics (J). More specifically, the following codes could be outlined as relevant to the research: *"H5 – National Government Expenditures and Related Policies; H50 – General"; "J08 – Labor Economics Policies"; "J21 – Labor Force and Employment, Size, and Structure"*.

2.1. Contextualization of labour policies

2.1.1. Unemployment – definition and concepts

The rate of unemployment as a macroeconomic indicator, with both economic and social dimensions, plays an important role. If the unemployment is increasing, individuals might lose income, the governments might experience a rising pressure as regards to public spending on social benefits and a reduction in tax revenue. From an economic standpoint, unemployment may be seen as *"unused labour capacity"* (Eurostat, 2021c).

For the purposes of this thesis, it is essential that the boundaries of the concept of unemployment is mapped out and the various elements of it are broken down. There are two main sections of unemployment that will be explored in this work, namely: general unemployment and furloughed employees. This would allow to measure two critical aspects of the unemployment crisis management – job and income retention, as well as

the measures oriented to those who are unable to benefit from it or such that lost their job or are unable to find one.

In economic literature, there is a broader consensus that the unemployment rate, as a macroeconomic indicator, responses to changes in the underlying economic conditions with a certain lag. In a time of crisis, or a slowdown of economic growth occurs, the unemployment starts to rise after certain period, months or quarters. When the economy begins to recover and the growth is gradually increasing, employers remain cautious regarding new hirings. It might take several months or quarters for the unemployment rate to start decreasing again.

2.1.2. Types of unemployment

a. General Unemployment

At this point, the master thesis will present the most common, well known and widely used definitions of unemployment, by which the subsequent analysis will be performed.

The definition of unemployment rate by the International Labour Organization is: *"unemployed people without a job who have been actively seeking work in the last four weeks and are available to start work within the next two weeks"* (ILO, 2021).

According to the definition of the U.S. Bureau of Labor Statistics (2015), the term *"general unemployment"* incudes individuals who are jobless, actively seeking employment and available to work.

Based on the outlined definition of ILO, Eurostat defines unemployed as: *"persons aged 15 to 74 who are without work, are available to start work within the next two weeks and have actively sought employment at some time during the previous four weeks"* (Eurostat, 2021c). For each EU Member State, as well as averages for the EU and the euro area, Eurostat publishes harmonised unemployment rates by a harmonised data source, namely, the European Union Labour Force Survey (LFS). According to the methodology of Eurostat, the unemployment rate is: *"the number of people unemployed*

as a percentage of the labour force". On the other hand, *"the labour force is the total number of people employed plus the unemployed"* (Eurostat, 2021c).

Due to the wide use of the unemployment rate as a main indicator for the labour market and its relatively timely availability, it allows better international comparability. In general, indicators such as new job openings, recent job vacancies and level of employment, besides the unemployment rate, could also provide useful information about the developments in the labour market in particular countries or economic sectors.

Since labour market statistics and unemployment data is used in Chapter IV, the definition and the measurement of the unemployment level in Bulgaria have to be clarified as well.

As already mentioned, the unemployment could be measured by more than one way. In Bulgaria, there are two main methods, used to determine the unemployment level, which differs in the applied methodology. The National Statistical Institute (NSI) and the National Employment Agency (NEA) of Bulgaria are the two institutions responsible for collecting and disseminating the labour market data.

The NSI uses statistical surveillance and interviews of representative sample of the Bulgarian population to measure the levels of employment and unemployment in the economy on a monthly, quarterly, semi-annual and annual periods. The NSI is responsible for sending the results from the surveys to Eurostat for preparation of the harmonized LFS.

The NEA measures the unemployment by the number of registered unemployed people in the labour offices. One of the disadvantages of the measure is that it may not always be correct. People who left or lost their jobs are being registered as unemployed and they receive unemployment benefits. If the unemployed have not started new job after the legal deadline for receiving the unemployment benefits expired, they no longer count as unemployed and they drop out of the statistics.

Statistics Netherlands (CBS) measures the unemployment rate as a share of the labour force (employed plus unemployed people), who live in the Netherlands and are between 15 and 74 years old (Statistics Netherlands, 2021a).

The described definitions and methods for measurement of unemployment provide an evidence for the possibility of equal data use, thus allowing clear comparability.

b. Furlough Employees

The second category, which the thesis will touch upon, are employees that were unable to perform any work because of local restrictions, imposed due to COVID-19. These employees do not fall under the bracket of unemployment. However, they are under risk of a) reduced income and b) losing their jobs.

For example, the BLS publishes data for people whose availability to work is negatively affected by their employer losing or closing business due to COVID-19. In the form of interviews, since the beginning of May 2020, the BLS (2021a) also gathers data for the number of persons not able to search for work because of the pandemic, thus gauging the pandemic's impact on the US labour market.

This group is greatly dependent on government support as well as the introduction of additional restrictions and shutdowns. What is specific about the dynamics of job-retention policies is the narrative direction as the horizon of the expected resolution of the pandemic extends. This ultimately affects the scope of these policies as well as the available budget to support employers to keep their employees. This will be thoroughly explored in Chapter IV.

2.1.3. Unemployment, crisis and COVID-19

This part of the thesis continues with a review of the literature in terms of the developments of unemployment in crisis times and regarding the economic and socio-politics impact of COVID-19. In the field of scientific literature, the vast majority of COVID-19 related papers are focused in terms of clinic trials, vaccine effectiveness and impact on the healthcare sector in general, thus contributing to the knowledge for preserving people's health and saving human lives. In recent months, the amount of research on the effects of COVID-19 on economy and jobs is continuously growing.

Papers for comparing or reviewing economic policies implemented by different countries, or by looking at the prism of the welfare state, in relation of COVID-19 counteraction are increasing at a somewhat slower pace.

Buendía et al. (2020) perform a comparative study on the COVID-19 crisis and its impact on the European economy by countries. The main focus of this study are the trends on social benefits in family, housing, social assistance and unemployment, divided by different income brackets. The authors highlight the trend of decreasing benefits pre and post the 2008 global financial crisis for most of the EU countries. One critical observation is that the crisis caused by the COVID-19 pandemic made a large group of citizens dependent of government support via the disturbed benefits, stemming from fiscal spending, by applying a proactive approach to remedy high unemployment.

The fact that COVID-19 completely changed the general path of welfare policies is made evident by the increasing number of research papers. The trend, observed by Buendía et al. (2020), is that social benefits historically are decreasing in size per capita, thus in total volumes. However, COVID-19 stands out as an emergency treated with the highest level of attention, pushing states into overdrive. This in turn, increased governments' spending as the effects from the imposed lockdowns required a remedial support for a very large portion of the population of each country.

Ceylan et al. (2020) break down the economic effects of COVID-19 in different sectors. According to the authors, *"recent research on COVID-19 confirmed previous findings that precautionary actions might be much less costly than recovery expenses"* Ceylan et al. (2020, p.820). Their conclusions highlight the importance for welfare states to adjust social policies in a timely manner to counteract the negative effects on unemployment and industry-wide economic slowdown. In addition, by reviewing scientific literature, the research evaluates most of the known epidemics and their impact on socio-politics and economics. This provides a solid basis for the possible determination of COVID-19 response, although it could be outlined as a disadvantage that one of the last and most devastating diseases – the Spanish flu – dates back to 1918-1920, a hundred years ago.

The research of Ceylan et al. (2020) highlights policy reactions not only to the Spanish flu, but also to the Medieval plague and its variations, and closer epidemic records such as *"SARS-COV" ("Severe Acute Respiratory Syndrome")* of 2002-2003, *"avian*

influenza" ("H5N1") of 2004-2006 and *"MERS-COV" ("Middle East respiratory syndrome")* of 2012. This research evaluates the influence of previous infection outbreaks from a historical viewpoint, providing an overview of the current COVID-19 situation as well as some policy insights, thus giving opportunity to make a comparison.

The features that differentiate COVID-19 from other recent epidemics, are its geographical distribution in terms of its contagion, causalities, and death toll. Similarities could be found regarding quarantine and measures such as wearing of masks, distance and disinfection. SARS-COV, like COVID-19, has also started in China, but affected only Singapore, Taiwan, the United States of America and Canada, and not Europe. MERS-COV mostly affected the Middle East.

Ceylan et al. (2020) also argue that previous epidemics have had significant impact on economics and politics. Bell and Lewis (2004) note that the Black Death that emerged during the middle ages, changed the reality of how labour was allocated, challenged the status-quo by transitioning to contractual based work and opened new opportunities. This also changed the mechanisms of how capital was accumulated. Clark (2016) writes that to the decrease of population lead to a temporary increase of economic efficiency considering the lack of available human resources as demand for labour steadily increased after 14th century as a result of the Black Death. Ceylan et al. (2020) point out that the critically decreased labour force and the destroyed land resources pushed Europe to seek for resources, resulting in the discovery of North and South America.

Furthermore, Pamuk (2007) outlines the shift in the period between the year 1300 and the year 1800 from rural to urban, with fast increasing urbanisation rates as a result of the epidemic. As Ceylan et al. (2020) clarify, although these changes took place throughout centuries and the exact consequences of the plague are difficult to quantify, it is evident that it has led to labour market changes.

Barro and Ursua (2008) review the impact of crisis on consumption and GDP from 1870 to 2006, arguing that the Spanish Flu epidemic of 1918-1920 is responsible for a GDP contraction across Europe. In a later study, Barro et al. (2020) measure the contraction of consumption and GDP during the Influenza epidemic to be approximately 7% and 6%, respectively.

Burns et al. (2006) review that the avian influenza (H5N1) affected the poultry sector leading to a possible contraction between 0.1% and 0.7% of GDP. In addition, Chang et al. (2007) find a contraction of approximately between 4.2% and 5.9% in GDP and between 4.9% to 6.4% decrease in labour demand in Vietnam.

The comparison shows that during SARS-COV travel and transportation industries were seriously affected. Ceylan et al. (2020) notes that due to the enforcement of lockdowns and voluntary social distancing because of COVID-19, sectors like travel, aviation, tourism and hospitality were impacted, which resulted in increase of unemployment in those areas.

Castles (2010, p.91) analysis shows that the severity of *"black swan"* events[1] is often superficially decreased to preserve welfare states and avoid remedy actions for welfare policies. As "*sudden and unexpected national and international emergencies*" the author uses the example of *"war, economic depression, hyperinflation and, more prospectively and topically, mass epidemics, terrorist incidents and environmental catastrophes"*. Castles (2010, p.100) suggests that *"governments are unlikely to be successful in coping with such problems if they attempt to use the techniques of modern political management to keep "black swans" mute"*. Although, the argumentation of the author is valid for the provided examples, COVID-19 stands out as an exception to his argumentation. Instead of a suppressed response, EU Member States were on highest level of alert, introducing multiple lockdowns, increasing spending and accumulating more debt.

Recent OECD and ILO studies shed a light on unemployment developments in times of crisis, comparing the impact from the coronavirus on jobs. According to the OECD Employment Outlook 2020, in comparison to the first couple of months of the GFC, as an effect of COVID-19 and the associated social distancing measures, some of the OECD countries reported a tenfold decrease of worked hours. Due to coronavirus, millions of people lost access to work, which led to a sharp decline in activity and to large-scale job losses. The OECD is not expecting a start of the recovery of jobs in 2021 (OECD, 2020).

[1] Nassim Nicholas Taleb (2007) introduced the term *"black swan"* in the context of the GFC of 2008-2009. In general, a black swan is *"an unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences… Taleb argued that because black swan events are impossible to predict due to their extreme rarity, yet have catastrophic consequences, it is important for people to always assume a black swan event is a possibility, whatever it may be, and to try to plan accordingly"* (Investopedia, 2021).

Estimates by the International Labour Organisation (ILO, 2020) state that COVID-19 led to a 309 million lost jobs worldwide, which totals to 10.5% decrease in the period April-June 2020. The assessment for the first quarter of 2020 showed 195 million job losses while the unemployment rate increased roughly by 60% by mid-April 2020.

The number of institutional papers analysing the COVID-19 impact are also growing. Often the studies are related to the effects on the economy, serve as a base for economic projections (like the IMFs *"World Economic Outlook" report*, for example) and try to shape the recovery phase.

Anderton et al. (2020) assess the effect of the coronavirus on the euro area labour market in a comprehensive ECB paper. The authors emphasise that employment and total hours worked in the euro area declined at the sharpest rates on record. By using a sign-restricted structural vector-autoregressive (SVAR) model they came to the conclusion that a third of the reduction of work hours that occurred in the period April-June 2020 is due the shocks on productivity and labour supply, whilst the shock on demand is measured to be around one quarter of work hours. Their analysis also suggests that the negative effects on unemployment were reduced due to government support and the strategy to reduce work hours instead of contract terminations Anderton et al. (2020). In addition, in the first half of 2020 the labour force declined by approximately 5 million, which is by 0.5 million more compared to the increase in the period 2013-2019.

By using a resilience framework, Houston (2020, p.1191) considers initial factors for the rise of unemployment rates in the UK during the initial phase of the pandemic and first restriction policies where introduced. The analysis is based on observations about unemployment rates before lockdown was introduced and the rates of employment in job sectors severely affected by the restrictions. Houston (2020, p.1201) argues that unemployment rates before lockdown were introduced is a stronger predictor when compared to unemployment increase in affected sectors for the month when restrictions were first introduced in Great Britain. His evidence points out a relatively strong relationship between unemployment pre-COVID-19 and the increase of unemployment post-lockdown. Reversely, weak correlation is found for increase of unemployment after lockdown was introduced and employment prior COVID-19 for sectors that where affected the most.

According to Tooze (2020), during the GFC, the number of monthly lost jobs in the US surpassed 750 thousand between December 2008 and March 2009. The recorded unemployment rate peak was 10% in October 2009. The total of lost jobs for the course of the recession reached 8.7 million. Nowadays, as a consequence from the coronavirus pandemic, at the end of March 2020, for just two weeks, the number of US-citizen unemployment benefit applications reached a record-high volume of 10 million. In just a 14-day period, the previous record, set during the GFC, of 6.6 million people who claimed benefits was surpassed. The U.S. Bureau of Labor Statistics (2020) states that unemployment rate in April 2020 increased to 14.7%. This was the record rate and the highest monthly rise since the data collection began in January 1948. In April 2020, the unemployment increased by 15.9 million to 23.1 million, surpassing the negative record from the GFC.

According to the most recent data of the U.S. Bureau of Labor Statistics data (2021b), in April 2021, the reported volume of people who lost access to work due to closure or loss of business because of COVID-19 was 9.4 million. Individuals that fall under this category, according to the US BLS definition, are those who worked reduced or zero hours in the period of 4 weeks as a result of the coronavirus. The figure declined by 2 million, from 11.4 million, in comparison with March 2021. In April 2021, 2.8 million people were not able to search for work due to COVID-19. The volume for March 2021 was 3.7 million.

By the use of empirical analysis and econometric models, Bianco et al. (2014) try to identify the role of labour policies in influencing the link between unemployment (total and youth) and the economic and financial crisis in 30 countries (the 28 EU Member States, Iceland and Norway), observed on an annual basis in the 1990-2012 period. The research emphasizes that liberal giving of unemployment benefits can be damaging during crisis, however, used sparingly, they can serve as a useful policy instrument (Bianco et al.2014, p.28). Furthermore, the authors argue that labour policies like training and rehabilitation incentives are more useful during crisis as they help to quickly reduce unemployment. Lastly, Bianco et al. (2014) brings out the importance of policies specially targeting young individuals, as they are more vulnerable a time of crisis.

Stamatev (2019) researches the characteristics, problems and prospects of the dynamics of youth unemployment in Bulgaria against the backdrop of demographic changes and labour force mobility in the period of 2008-2017, marked by the GFC and the economic recovery from it. The main argument of the research states that regardless of the undertaken reforms during that period, there are still alarming tendencies and contradictions when it comes to the realization of the young people in the labour market. Through a national representative survey conducted among the youth population and employers in Bulgaria, Stamatev (2019) identifies and reaffirms important aspects of young people's social and economic environment, employers' overall attitudes towards staff requirement in general and in crisis times.

The cited papers bring evidence for the diversity of research and underline the different angle for assessing the relation between crisis, economy and unemployment.

Academic research focused on socio-politic dimensions of the coronavirus pandemic has also been amplified. By the use of process-tracing, Sullivan & Wolff (2021) research the specifics of state aid for selected sectors in the context of political economy (that of KLM in loans and loan guarantees of EUR 3.4 billion), which occurred due to the coronavirus pandemic. The authors find that elected leaders' actions were motivated by the potential of gaining more votes. Furthermore, the influence interest groups affected the decisions for the volume of potential aid for the analysed hospitality and aviation sectors. Blofield, Hoffmann and Llanos (2020) assess the socio-political impact of the COVID-19 crisis in Latin America. They asses that government support in Chile did not provide sufficient help to the vulnerable groups. Contrastingly, Peru and Argentina are pointed as a good examples for quick coordination in their response. Brazil and Mexico deny the severity of COVID-19. The authors also warn of a post-COVID-19 economic crisis, the severity of which could depend on the state of the economies after the lockdowns, and could be exacerbated by external shocks.

McKee et al. (2020) warn about the risks of COVID-19 stimulating the rise of populism, which can reversely have a negative effect on public health as COVID-19 infections rise. By looking at four mechanisms, the authors search for evidence supporting the connection between states where the populist narrative dominates and preventative actions against the pandemic are poor. They suggest potential mechanisms for the

correlation between COVID-19 spread and populism like blaming outsiders and victims, contempt for institutions, denialism and suspicion towards elites.

Casey and Gold (2006) research how EU member states attempt to promote the spread of labour market programmes. They evaluate the extent to which the peer review procedure, which entails encouragement on visitations from and to countries with the aim to review evaluate policy measures and approaches, has helped for the better understanding of the need for transferring some key aspects of the programmes. The results show critical obstacles for the diffusion of good practices and policies. It has to be clarified that the authors' observations were at a point when Bulgaria was not an EU member, thus the general conclusions might differ, and given the time span of the study.[2]

Singh and Singh (2020, p.1) outline that isolation and social distancing have severe negative effect on social interactions. The authors emphasize the role of communication, relations and general integration have found their way at the core of human existence. Their absence could have unintended impact on the life of individuals and the collective society as a whole (Singh and Singh (2020, p.1).

Pindyck (2020) studies how the progression of the pandemic is affected by the intensity and duration of social distancing policies and outlines key factors that underline the evolution of the pandemic through contagion and the subsequent policy design by applying econometric analysis. He discusses the measurement of the value of saved lives (VLS) and the limitations of the research, regarding the early stage of COVID-19 and before vaccine development.

[2] Bulgaria joined the EU on the 1st of January 2007.

III. RESEARCH DESIGN

3.1. Methodology

In order to achieve the objectives of the research, a comparative case study based on process tracing as main research method is applied in this thesis. Technics like comparative analysis, evaluation and description of information and data analysis add up to the design and enrichment of the qualitative research.

Furthermore, the research and the analysis detailed in Chapter IV of the thesis complement studies in the field of assessing the effects from COVID-19, more generally, and on the labour market, as well as more specifically, by using comparative case study research design based on process tracing.

3.2. Process tracing

This point of the thesis provides theoretical details about process tracing and includes the definition of variables, thus setting the grounds for the analysis in Chapter IV.

Collier (2011, p.823) gives the following definition of process tracing: *"systematic examination of diagnostic evidence selected and analysed in light of research questions and hypotheses posed by the investigator".* In their book, George & Bennett (2005, p.138), describe process-tracing as a method, which serves to identify all related causal processes, measure consistency in the relation between variables and clarify any cases that deviate from the theory or the expected outcome. The view of Craig Thomas (2006, p.173) is that through process tracing *"multiple types of evidence are employed for the verification of a single inference".*

Collier (2011, p.823) distinguishes the approach in three ways – as causal-process observations (CPOs), description and sequence. According to Mahoney (2010), the strength of process tracing as a method is the ability to provide detailed information and insights of a specific case, highlighting mechanisms, causes and sequences of interaction between each variable. Collier (2011, p.824) discusses the use cases of process tracing to qualitative and quantitative research methods. According to Thomas (2006), one of the main characteristics of process tracing is that it leans heavily on general assumptions,

which may be highly theoretical (established *"laws"*) or pre-theoretical (based on *"common sense"*).

For the purpose of the master thesis, the definitions and guidelines by Collier (2011), Mahoney (2010) and Thomas (2006), discussed above, will serve as a basis for the process tracing as a main research method[3]. The statement of Collier (2011, p.824) that qualitative tools such as process tracing *"can add leverage in quantitative analysis"* is also one of the cornerstones in the development of the mater thesis.

The comparative case study in the thesis regarding the effects of COVID-19 on the unemployment levels in the Netherlands and Bulgaria and on the applied economic policies aimed at preserving jobs lays on the central distinction, as described by Mair (1998), *"between different comparative methods depending on the key trade-off between the level of abstraction and the scope of countries being studied", as described by Mair (1998) and* cited by Landman (2013, p.25). A comparative analysis of a *"few countries"* is applied, using a *"middle level of conceptual abstraction"*, by the definitions described by Landman (2013).

After touching upon some of the main theoretical concepts of process tracing, used to define the approach, which will be followed[4], the thesis continues with the determination of the dependent variable and the independent (also called factor) variables, with the aim to investigate if independent variables influence the dependent variable and at what aspect. Intervening variables are discussed as well.

For the purpose of the research in the thesis the labour policies introduced after COVID-19 are defined as the dependent variable. In general, the chosen independent variables are: (1) COVID-19 pandemic, (2) macroeconomic conditions and (3) institutional factors.

[3] For the purpose of accomplishing the thesis' goal, the study will not be expanded to theoretical concepts and definitions of other authors.

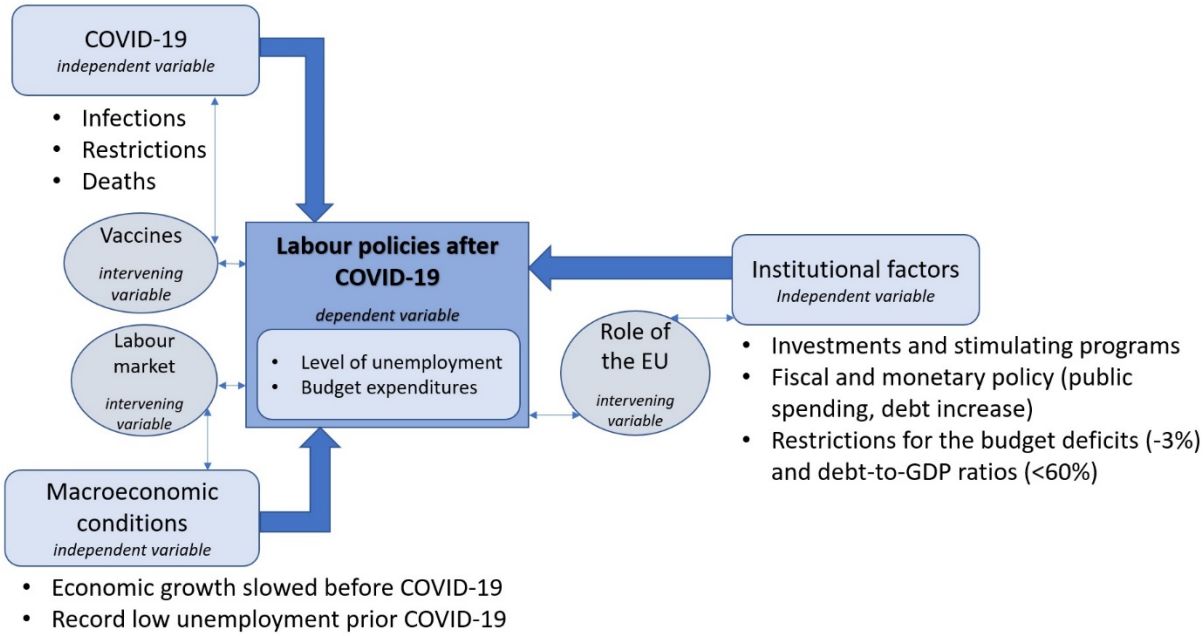
Nevertheless, the academic literature about the methodology and its application were reviewed, like, for example, the four empirical tests: *"straw-in-the-wind", "hoop", "smoking-gun" and "doubly decisive"* addressed by Collier (2011), considering the work of Bennett (2010), who develops on the studies of Van Evera (1997). The classification is based on confirmation if a positive result is necessary and/or sufficient for validating the inference. The work of Beach and Pedersen (2013) in this regard is also considered.

[4] The concrete steps and practical logic of the process tracing, as proposed by Beach and Pedersen (2019), is outlined at the end of point 3.2., on page 27.

Each one of the independent variables includes its own subcategory. Restrictions, number of infections and deaths fall in the COVID-19 subcategory. Macroeconomic conditions prior COVID-19 such as the slowdown of economic growth and record low unemployment levels are defined. The subcategories of institutional factors include investments and stimulating programs, aimed at preserving jobs and ensuring that economies have sufficient financial aid for reforms and sustainable development, fiscal and monetary policy already in place, public spending and debt accumulation, which is related to the restrictions for the budget deficits and debt-to-GDP ratios as part of the EU's Stability and Growth Pact (2021g).

Figure 1 provides more insights. The expected linkages are also outlined and the method of process tracing will be used to explain the arrow in between the cause and the outcome.

Figure 1. Dependent variable, independent and intervening variables – decomposition and linkages



Source: Own representation

In Figure 1, in the first place, regarding the deconstruction of COVID-19 as an independent variable, an overview of restrictions and measures, implemented by Bulgaria and the Netherlands to limit the spread of COVID-19 was done. The observed time period is from March 2020, when first coronavirus cases were registered, to May 2021, as the time of writing of the thesis. Data about number of infections and deaths has also been gathered.

In the second place, the macroeconomic conditions as an independent variable incorporates observations concerning the pre-COVID-19 period. In the course of 2019, there were signs that the European economy was losing steam as the GDP growth slowed down, which is confirmed by the statistics for GDP growth published by Eurostat. Low inflation, coupled with weak wage increases, which influenced the labour market, also well describe the economic situation before the pandemic. A record low unemployment level was registered by Eurostat as well. The weakening of the economy prompted governments to increase spending.

Third, institutional factors such as the general role of the EU for accumulating and distributing funds influences government spending. Programs and initiatives aimed at boosting investments have indirect effects on the labour market creating new jobs. The EU's Stability and Growth Pact (2021g) sets restrictions for the budget deficit (-3% of GDP) and debt-to-GDP ratios (<60% of GDP), but some countries broke them even before the pandemic, and others have never managed to lower them below the thresholds. Prior to COVID-19 the EU did not have programs with the ideal purpose of job preservation, nor schemes designed to foster economic recovery after the slowdown in 2019. But the coronavirus intensified those processes by bringing new challenges and opportunities. From a macroeconomic perspective, monetary and fiscal actions need to be reviewed together. Prior to COVID-19 the fiscal and monetary policy stance were already loose.

In Figure 1, vaccines, labour market and the role of the EU are pointed out as intervening variables, influenced by COVID-19, the macroeconomic conditions and institutional factors, respectively. The roll out of vaccines and the pace of vaccination of the population is crucial for strengthening the labour force and getting it back on track after government job retention schemes expire. The state of the labour market depends on the macroeconomic conjuncture, and vice versa. The unemployment rises in times of crisis in conjunction with the downturn of the economic cycle, leading to the formation of cyclical unemployment as a component of the overall unemployment. On the other hand, frictional unemployment is the type of unemployment resulting of voluntary employment transitions within the economy, for which seasonal factors, among others, could also play a certain role. The increase of the current unemployment rate is due to the coronavirus pandemic, which generated a health, social and economic crisis. The role of the EU as

an intervening variable could be viewed in the context of providing support to Member States with investments and programmes and ensuring that economies receive sufficient financial aid for reforms and sustainable development, thus connecting to both institutional factors and labour policy. This is an example of the fact that each of the factors have some kind of connection to other variables.

After the variables have been defined and causal linkages outlined, they will be traced empirically in Chapter IV, thus allowing to make causal inferences and conclusions. The process tracing itself will apply the following logic, as proposed by Beach and Pedersen (2019) about the theory-testing process tracing:

1. Conceptualization, where at theoretical level the cause (COVID-19) that triggers the process (labour policy and government intervention) will be outlined. The expected outcome would be related to the level of unemployment as regards to job retention schemes.

2. Operationalization, for defining causal mechanisms that bind causes and outcomes together will be performed. It will include observations (about restrictions and lockdowns) and measurements (number of infections and COVID-19 related deaths) of the cause, as well as propositions based on empirical analysis[5]. They will be directed to the outcome (labour policy after COVID-19, examining the level of unemployment and the amount of government expenditures, related to job retention schemes), with the main aim of measuring the outcome. By the definitions, described by Landman (2013), a comparative analysis of a *"few countries"* is applied (the Netherlands and Bulgaria), using a *"middle level of conceptual abstraction"*.

3. Collection and evaluation of evidence will be drawn. Conclusions about the internal validity of the process tracing method will be made, knowing that it is often achieved through activities (like the steps in point 2 and 3 above) of each part of causal process (mechanism) linking cause(s) to outcome within the performed comparative case study.

[5] The data sources are defined in point 3.3. of Chapter III, while the analysis is in Chapter IV.

3.3. Data selection and sources

For the purpose of the analysis in Chapter IV diverse data sets were collected and thoroughly assessed.

The unemployment rate dynamics in the Netherlands and Bulgaria are put in the context of COVID-19 and are compared to the unemployment level dynamics in the EU and the euro area. The observation of different long (annual) and short (monthly and quarterly) periods provide the big picture for the state of the job market after the Great Financial Crisis, as well as the basis for comparing pre- and post-COVID-19 periods and its effects on the unemployment.

Table 1 provides a summary of the various sources, containing rich databases and datasets and information about the institutions, which publish them, the country and the region for which they apply and the period of the time series.

Table 1. Source of data

Type of data	Data source / Institution	Country / Area / Region	Period of the time series
Unemployment rate Employment Part-time employment and temporary contracts Recent job starters, Unemployment by educational attainment Youth unemployment	Labour Force Survey (LFS) / Eurostat	Bulgaria the Netherlands EU Euro area	Annual, quarterly, monthly
Employed persons working from home as a percentage of the total employment	Detailed annual survey results of LFS series / Eurostat	Bulgaria the Netherlands EU Member States Euro area members EU Euro area	Annual
Unemployment rate	Unemployment dataset / National Statistical Institute of Bulgaria	Bulgaria	Annual, quarterly, monthly
Unemployed and unemployment rate	National Employment Agency of Bulgaria	Bulgaria	Monthly
Unemployment rate	International Labour Organisation	Worldwide	Annual, monthly

continued

Unemployment rate	Bureau of Labor Statistics of the U.S. Department of Labor	USA	Annual, monthly
COVID-19 imposed and lifted restrictions, lockdown periods COVID-19 active cases COVID-19 infections COVID-19 deaths Administered vaccines	European Centre for Disease Prevention and Control (ECDC)	Bulgaria the Netherlands	Monthly, weekly, daily
COVID-19 active cases COVID-19 infections COVID-19 deaths Administered vaccines	Johns Hopkins Coronavirus Resource Center	Bulgaria the Netherlands Worldwide	Monthly
COVID-19 policy tracker	International Monetary Fund (IMF)	Bulgaria the Netherlands	Up to the most recent date
Job retention schemes	National Social Security Institute of Bulgaria	Bulgaria	Monthly
Budget expenditures Budget revenues Government deficit and debt GDP	Consolidated Fiscal Programme (CFP) / Ministry of Finance of the Republic of Bulgaria (MF) Eurostat	Bulgaria	Annual, quarterly
Budget expenditures Budget revenues Government deficit and debt GDP	Statistics Netherlands Eurostat	the Netherlands	Annual
Employees included in job aid programmes	OECD Employment Outlook	the Netherlands Worldwide	Annual
EU financial assistance to the Member States	Factsheets / European Commission Recovery Plan for Europe Next Generation EU SURE	Bulgaria the Netherlands EU Member States Euro area members EU Euro area	Up to the most recent date

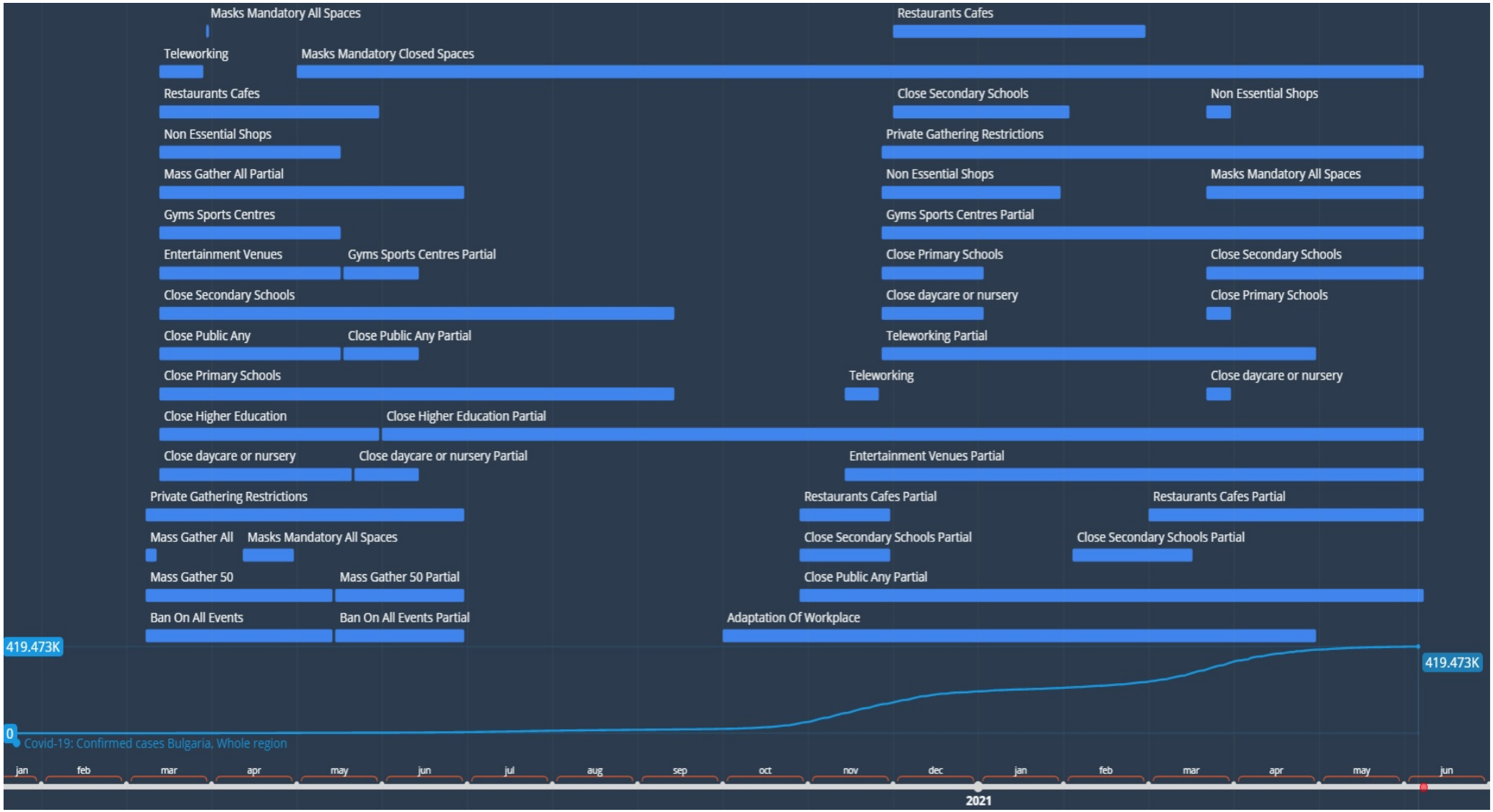
Source: Own representation

Regarding COVID-19, an overview of restrictions and measures, implemented by Bulgaria and the Netherlands to limit the spread of COVID-19 was done, using European Centre for Disease Prevention and Control (ECDC) data. Figure 2 contains the timeline for Bulgaria and Figure 3 – the timeline for the Netherlands, which includes COVID-19

infections and detailed restrictions and measures for the March 2020-May 2021 period[6]. The process of imposing and lifting the restrictions, as well as their duration, could be followed on both figures. Those figures will be used extensively to link the causes with the outcome in the next chapter.

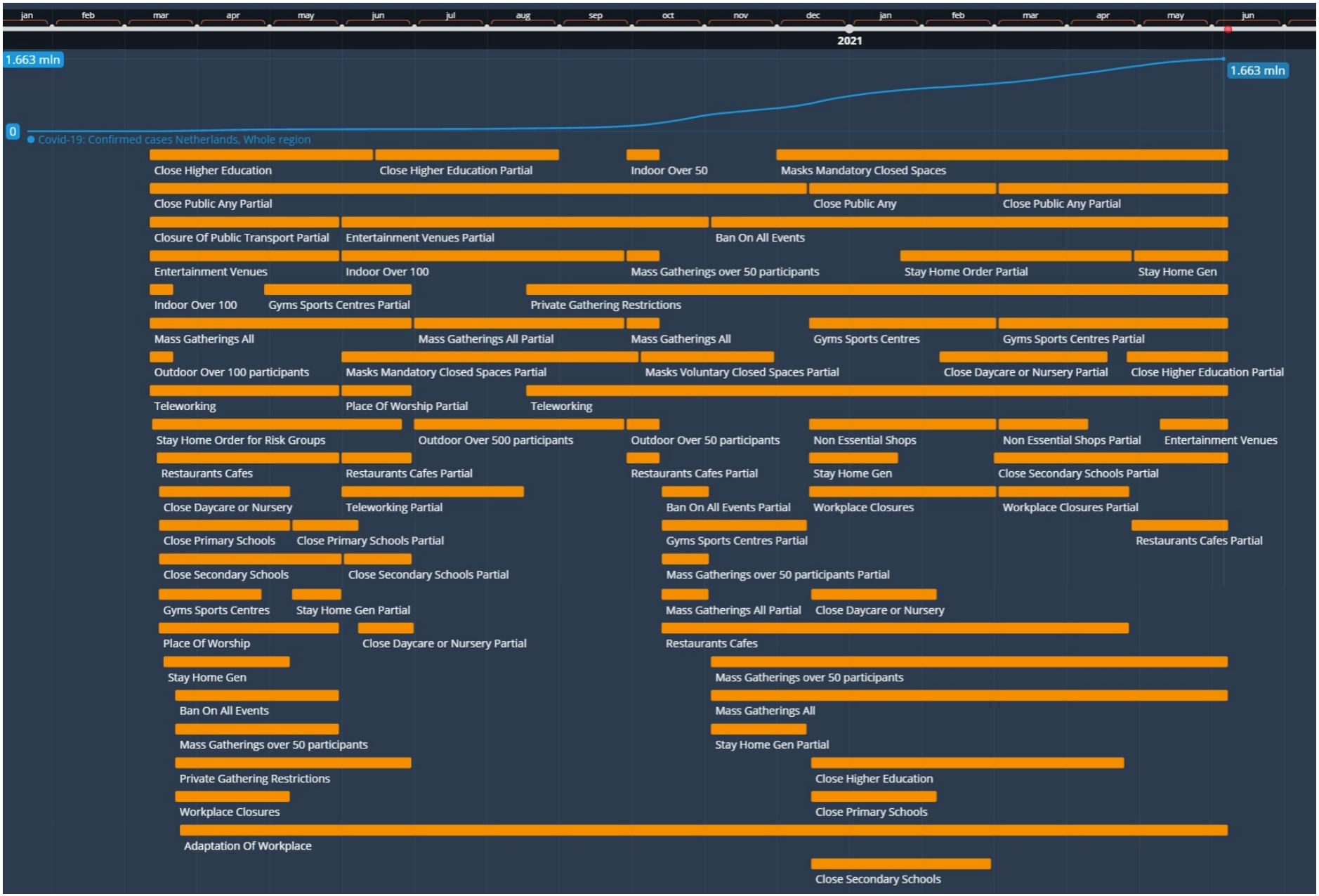
[6] For convenience of the readers, the timelines could be viewed in real time at https://time.graphics/line/485032. They are developed by the author using European Centre for Disease Prevention and Control (ECDC) data. The ECDC response since the beginning of COVID-19 pandemic could be traced in another timeline – https://bit.ly/3fOpkXW., where also reports an additional information could be found.

Figure 2. COVID-19 infections, restrictions and measures – timeline for Bulgaria (March 2020 – May 2021)



Source: ECDC, own representation using time.graphics in real time - https://time.graphics/line/485032

Figure 3. COVID-19 infections, restrictions and measures – timeline for the Netherlands (March 2020 – May 2021)



Source: ECDC, own representation using time.graphics in real time - https://time.graphics/line/485032

3.4. Reliability and limitations

As regards to the possible limitations, the scope of the research is limited to the time of writing, which is May 2021, while the coronavirus is still unfolding, on the back of acceleration of the manufacturing, distribution and administering of vaccines.

The descriptive part in the research somewhat prevails the analytics, but this reflects a precise choice, since the main subject of the analysis is an on-going process. Therefore, it is possible to trace and describe the events, surrounding COVID-19 and its effects, but any kind of in-depth analysis could be perceived as insufficient at this stage.

The gathered and analysed empirical data to the most recent moment, at the time of writing, could be pointed as one of the strengths of the research. The summary of the data in 6 tables and the data visualisation in 21 figures, providing the opportunity to view and interpret the situation, posed by COVID-19, in different angles and perspectives, could be viewed as other strengths.

Nevertheless, the complete effects from the coronavirus on economy and jobs are yet to be explored as new evidence and data are coming in almost every day. The data constraint poses another challenge regarding the full scope of the research.

In this regard, the exclusion of potential intervening variables could be pointed out as one of the weaknesses of the study. For example, although other factors could also potentially influence the labour policy after COVID-19, governments' reactions and economic conditions, such as political situation, major law changes, country-specific developments and processes, etc., they are not included intentionally. Other variables affecting the labour market, such as wage growth, number of hours worked and job openings were also excluded. The general view is the structure and linkages of the chosen variables to be kept streamlined.

IV. ANALYSIS: COMPARATIVE CASE STUDY

This chapter contains the analysis of the unemployment dynamics in the Netherlands and Bulgaria and the government policy response in the two EU Member States. Specifics regarding observed effects from COVID-19 are also described. The research in this part is done by using process tracing comparative case study methods. The process tracing will apply the logic, outlined in point 3.3. in Chapter III.

The main aim will be to trace how the cause – COVID-19 – triggers the process – labour policy and government interventions. Second, as regards to the defined variables, causal mechanisms that bind causes and outcomes together will be outlined. This will be done by observations (about restrictions and lockdowns) and measurements (number of infections and COVID-19 related deaths) of the cause, as well as by making propositions based on the empirical analysis. The expected outcome will be related to the labour policy after COVID-19, examining the level of unemployment and the amount of government expenditures, related to job retention schemes. At the end, collection and evaluation of evidence will be drawn.

The role of the Support to mitigate Unemployment Risks in an Emergency (SURE) instrument, the Recovery Plan for Europe and Next Generation EU for the sustainability of the economies of the EU Member States is also discussed in this chapter.

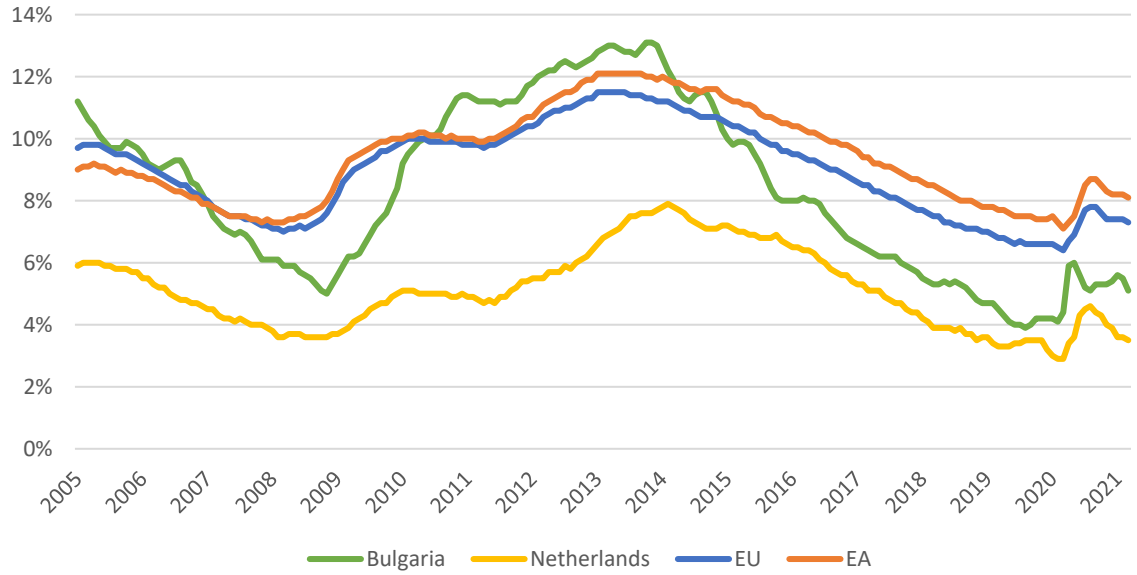
4.1. Unemployment dynamics in the Netherlands and Bulgaria

The first point of Chapter IV includes an overview and analysis of the unemployment dynamics in the Netherlands and Bulgaria, outlining the subcategory *"level of unemployment"* as part of the dependent variable *"labour policy after COVID-19"*. The influence of COVID-19 and macroeconomic conditions as independent variables and the link with the two intervening variables – vaccines and state of the labour market – is also discussed. The cause and the outcomes will be linked to the timelines in Figure 2 and Figure 3, with the main aim to underline the causal mechanism outlined in Figure 1.

In comparison to the period before the GFC from 2008-2009, the unemployment in Europe, as well as in the Netherlands and Bulgaria, followed a downward trend. At the end of 2008, the unemployment level hit a low of 7.2% in the EU, 7.5% in the euro area,

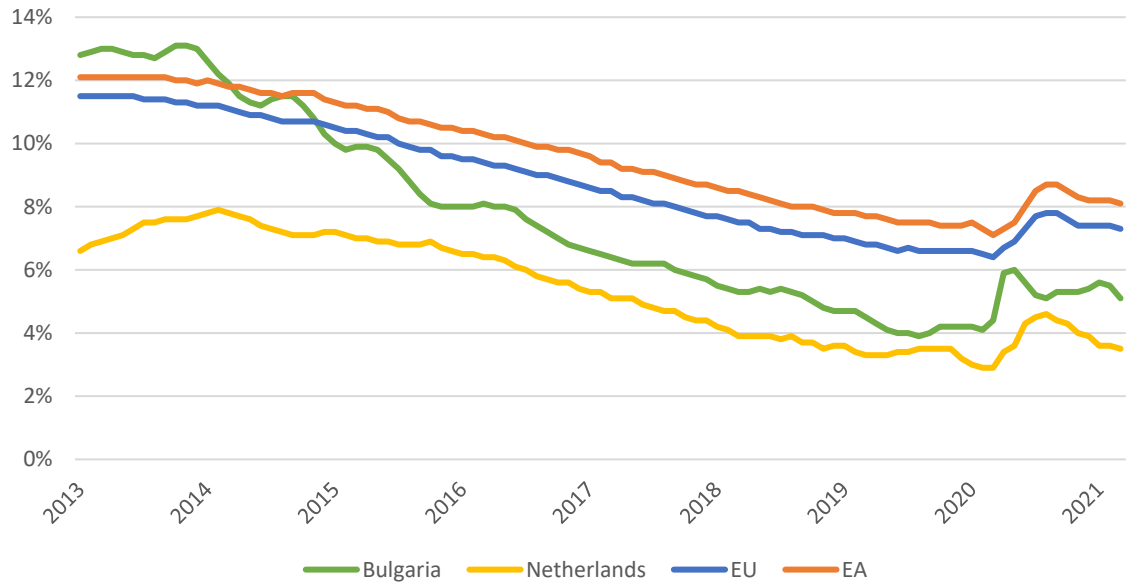
5.6% in Bulgaria and 3.7% in the Netherlands. When the GFC hit, the unemployment started to rise, reaching a peak in 2013-2014, as it can be observed in Figure 4. At the end of 2013, the unemployment level increased to 11% in the EU, 12% in the euro area and to 13% in Bulgaria. The unemployment in the Netherlands reached its high of 7.4% in 2014.

Figure 4. Unemployment rate dynamics in the Netherlands, Bulgaria, EU and euro area for the period from January 2005 to March 2021 (monthly data) (%)



Source: Eurostat

Figure 5. Unemployment rate dynamics in the Netherlands, Bulgaria, EU and euro area for the period from January 2013 to March 2021 (monthly data) (%)



Source: Eurostat

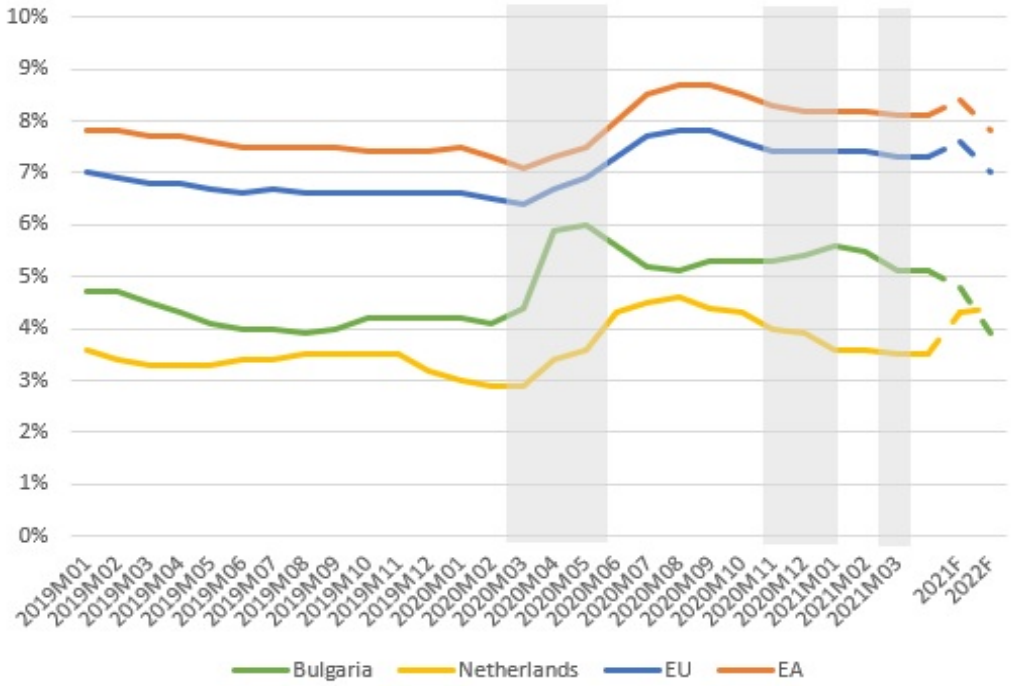
Since then, the unemployment started to decrease and followed a continued downward trend until the end of 2019 and the beginning of 2020, when COVID-19 hit the European continent. This pronounced downward trend can be observed in Figure 5, as well as the breaking of the trend after Q1 2020, when the first coronavirus infections were recorded in the Netherlands and Bulgaria (February/March 2020).

Before COVID-19, at the end of 2019, the unemployment declined to an all-time low of 6.7% in the EU, 7.5% in the euro area, 4.2% in Bulgaria and 3.4% in the Netherlands. The levels were at their record lows, since Eurostat began gathering unemployment data for the EU, euro area and the Member States back in 2000. It could be easily spotted that the unemployment rate dynamics in the pre-GFC period are similar to the unemployment rate trends in the pre-COVID-19 period. Those developments were valid regarding the macroeconomic conditions, as independent variable, prior COVID-19, and shaped the state of the labour market and the level of unemployment.

Figure 6 gives a more recent view for the unemployment rate increase in the Netherlands, Bulgaria, European Union and euro area. The observed period stems from January 2019 to March 2021. As the graph shows, the unemployment spiked rapidly at the end of Q1 2020 and in Q2 2020, when the first COVID-19 wave hit Europe and when the first severe lockdowns were imposed. This was the first evidence regarding the influence of COVID-19, as independent variable, to the level of unemployment and served as a preliminary indicator about the potential government response.

The increase of the unemployment level in Bulgaria is more pronounced than the increase of the unemployment in the Netherlands. It rose from 4.4% in March 2020 to 5.9% in April 2020, reaching a peak of 6% in May 2020, due to the strict lockdown which was in place, with closures of businesses and schools, after the National Assembly of the Republic of Bulgaria declared state of emergency in mid-March 2020. Employers started lay-offs and put employees on an unpaid leave. The rate of unemployment in Bulgaria started to stabilise in the second half of 2020 (EC, 2021b), before levelling off at 5.1% in 2020 from 4.2% in 2019.

Figure 6. Unemployment rate dynamics in the Netherlands, Bulgaria, EU and euro area for the period from January 2019 to March 2021 (monthly data) (%) and EC forecast for 2021 and 2022

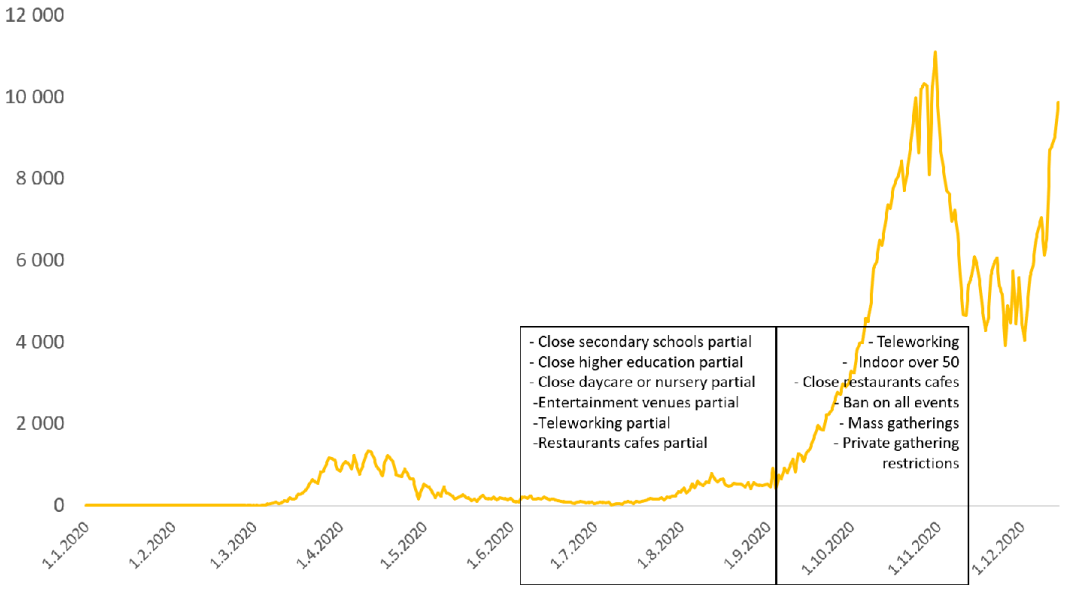


Source: Eurostat; Forecast: European Commission (2021b)

Note: The grey areas represent an approximate duration of the first, second and third wave of COVID-19 diffusion

In comparison, the unemployment level in the Netherlands rose from 2.9% in March 2020 to 3.4% in April 2020 and 3.6% in May 2020, but the peak of 4.6% was observed in August 2020. Authorities in the Netherlands enforced partial lockdown and other social distancing measures in end of February as a response to the first wave of infections. These measures were gradually lifted after May 11th 2020, however, as infection numbers increased containment measures were reintroduced in late summer and in the autumn of 2020, influencing employment levels (IMF, 2021a). The dynamics described above could be traced in Figure 7.

Figure 7. Number of COVID-19 infections in the Netherlands and part of the implemented measures in the summer and in the autumn of 2020[7]



Source: ECDC

As a response to the surge of infections between August and December 2020, Dutch authorities introduced a hard lockdown in attempt to fight the spread of COVID-19. The restrictions included closures of schools, day-cares, public spaces (including parks) and all non-essential businesses. Compared to Bulgaria, these measures in the Netherlands were stricter.

As a contrast, as the first lockdown was lifted and government job retention schemes were unveiled, the unemployment level in Bulgaria started to decline in the summer period. Seasonal factors, related to the tourist and agriculture sectors also influence the unemployment rate developments in Bulgaria in the summer and early autumn months. In the meantime, the state of emergency, which the Bulgarian National Assembly declared in mid-March 2020, was replaced with *"extraordinary epidemic situation"*.

The unemployment in the EU and in the euro area also increased with a certain lag, in the summer months of 2020. The peak was in August-September 2020, when the rate was 7.8% and 8.7% for those two months, for the EU and in the euro area, respectively.

Another contrast can be spotted in Figure 6. After a mild and well contained first wave of the epidemic in March-May 2020, the unemployment in Bulgaria increased again in late autumn and in the winter months of 2020, when the second and third wave of

[7] For detailed timeframe of the imposed measures in the Netherlands, refer to Figure 2 on page 32.

COVID-19 infections and increased deaths led to new lockdowns and restrictive measures, albeit less severe than during the first wave. At the same time, the unemployment in the Netherlands continued to decrease, while the levels in the EU and euro area remained somewhat flat.

The described developments show that the effects of the coronavirus restrictions and rising number of infections, as subcategories of COVID-19 as independent variable, influence the level of unemployment in the first months of the pandemic, when there were still many unknowns surrounding the severity of the virus and the overall potential economic impact.

Figure 6 also incorporates the recent forecast of the European Commission (2021b). According to the EC (2021b, p.86), unemployment in the Netherlands *"has so far been only moderately affected, remaining at a rate below 4% due to effective government support measures preventing lay-offs, labour hoarding and a continuous recovery in the business services and the government sectors where employment has been increasing"*. Assuming that the emergency support package in the Netherlands, which was introduced in the spring of 2020, fades out, together with the easing of containment measures, lay-offs mainly concentrated in the younger cohort of the labour force would be expected (EC, 2021b, p.86). On the other hand, *"robust growth in the manufacturing sector and a strong recovery in ICT and business services is expected to partly offset employment losses in other industries over the forecast horizon, while the government sector is set to hold onto the additional personnel hired during the crisis, the EC forecasts underlines"* (EC, 2021b, p.86-87). The outlined expectations underline the causal link that COVID-19 has played in shaping the labour policy due to the coronavirus.

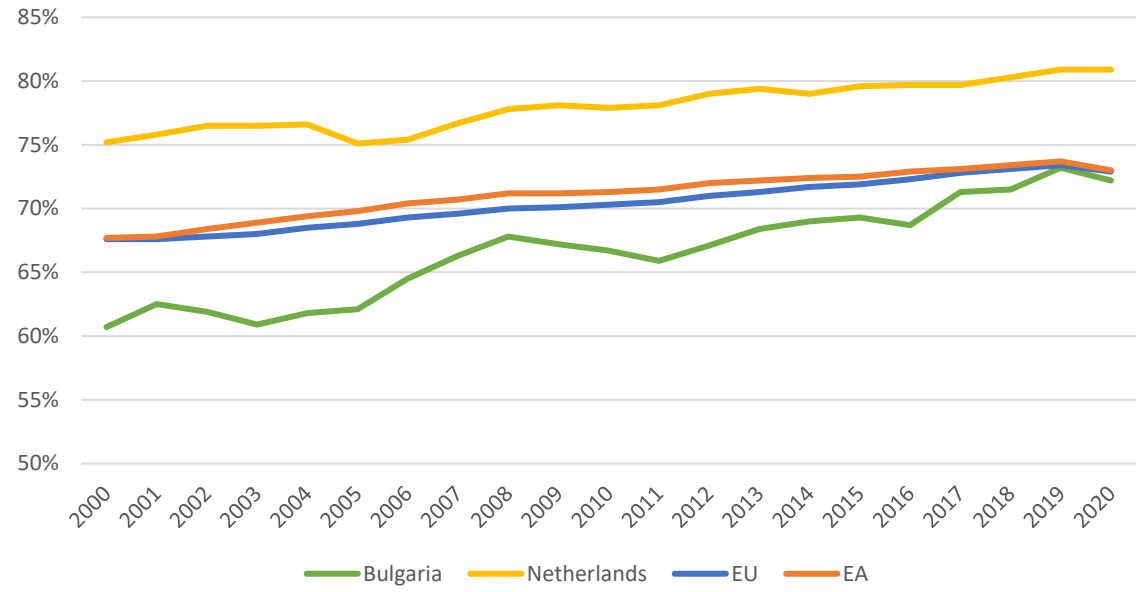
Overall, despite the projected economic recovery, as stated by the EC Spring 2021 Economic Forecast (2021b, p.87), the unemployment rate in the Netherlands would begin to accelerate in the second half of 2021, reaching a peak in early 2022. The EC expects (2021b, p.87) the unemployment rate in the Netherlands to increase to 4.3% in 2021 from 3.8% in 2020 and to 4.4% in 2022.

In contrast, albeit the unemployment rate in Bulgaria has significantly increased since the beginning of the pandemic, the EC forecasts that the unemployment rate in Bulgaria would decrease to 4.8% in 2021 from 5.1% in 2020 and to drop under its pre-crisis level

of 4.2% in 2022 (EC, 2021b, p.101). This would mean that the unemployment rate in Bulgaria could be lower than the rate in the Netherlands in 2022, which would happen for the first time, since 2000, when Eurostat began gathering statistical data for the labour market.

Furthermore, according to the NEA data, in April 2021, unemployment in Bulgaria already reached its pre-pandemic levels. In the fourth month of 2021 the unemployment rate in Bulgaria decreased to 6.1% from 6.5% in March 2021. In comparison, the NEA reported a 6.2% unemployment level in Bulgaria in February 2020, which was the last month without national blockades and restrictions due to the pandemic. On an annual basis, the NEA also registered a decline – by 2.8 percentage points – from 8.9% in April 2020, when Bulgaria was at its first peak of the coronavirus wave and in a complete lockdown. The recent developments in Bulgaria show that COVID-19 influenced the unemployment in the first months and quarters of the pandemic, while one year later the NEA statistics points out to a gradual returning to pre-pandemic levels. For that period, three lockdowns were imposed and the take-up of government supporting schemes increased.

Figure 8. Employment rate dynamics in the Netherlands, Bulgaria, EU and euro area for the period from January 2019 to March 2021 (annual data) (%)

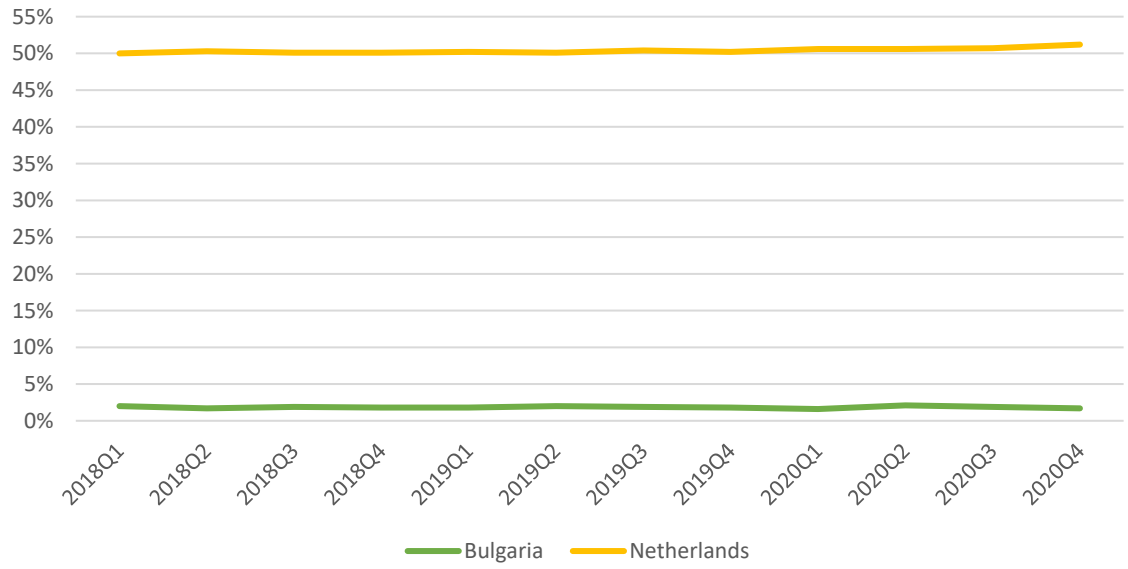


Source: Eurostat

Regarding the macroeconomic conditions, characterized with a favourable economic situation in the last couple of years preceding the pandemic, albeit noticing a certain slowdown of GDP growth rates in the last two to three quarters in 2019 prior COVID-19, employment in Bulgaria increased, reaching a record high of 73.2% at the end of 2019, a shy below the EU average of 73.4% and 73.7% for the euro area, as observed in Figure 8. At the end of 2020, the rate declined to 72.2%. At the same time, at the end of 2020, the employment in the Netherlands remained at its record level of 80.9%, reached in 2019. Furthermore, the EC (2021b, p.87) forecasts that the labour force participation rate in the Netherlands would remain high.

The review of the labour market developments, as incorporated by the dependent variable, in regard of the COVID-19 pandemic, as independent variable and its subcategories, continues with the analysis of the part-time employment (Figure 9) and temporary contracts (Figure 10) in the Netherlands and in Bulgaria. According to the IMF (2021a), *"the pandemic highlighted the comparatively vulnerable position of the self-employed and workers with flexible contracts"*. While the share of part-time employment to the overall employment in the Netherlands rose to 51.2% at the end of Q4 2020 from 50.2% at the end of Q4 2019, the share in Bulgaria declined and remained low – 1.7% at the end of Q4 2020 compared to 2.1% in Q2 2020.

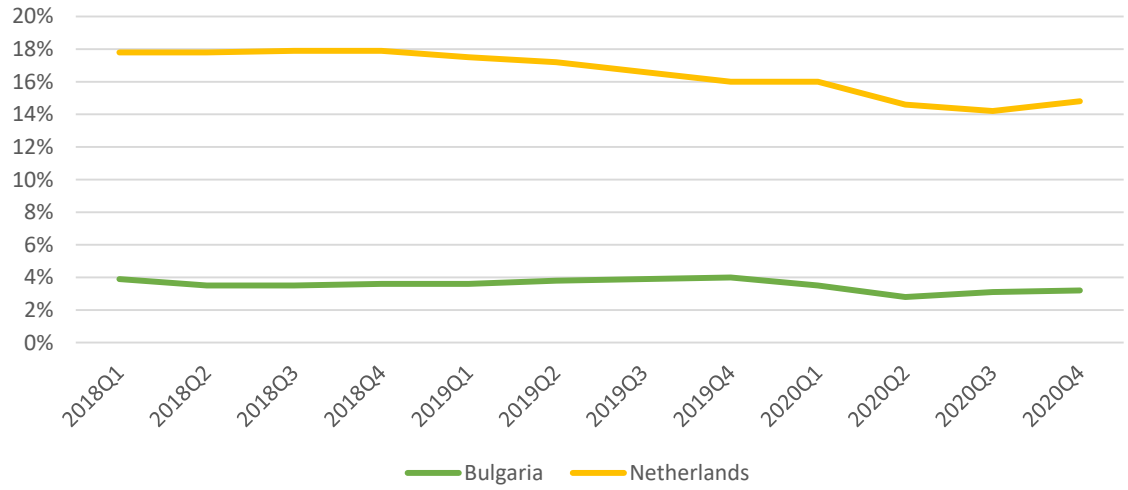
Figure 9. Part-time employment in the Netherlands and Bulgaria for the period from Q1 2018 to Q4 2020 (quarterly data) (%)



Source: Eurostat

The share of employees working on a temporary contract in the Netherlands decreased to 14.8% at the end of Q4 2020 from 16% at the end of Q4 2019 and nearly 18% in 2018. In Bulgaria the rate decreased to 3.2% at the end of Q4 2020 from 4% at the end of Q4 2019, as Figure 10 shows.

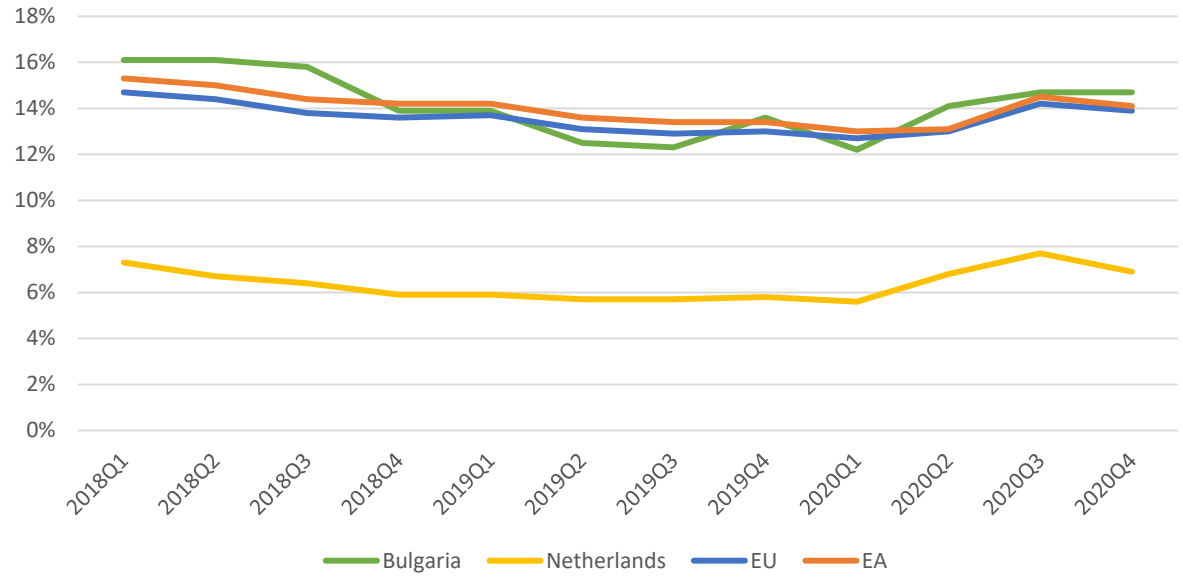
Figure 10. Temporary contracts in the Netherlands and Bulgaria for the period from Q1 2018 to Q4 2020 (quarterly data) (%)



Source: Eurostat

The observations regarding the influence of COVID-19 as independent variable on labour market developments continues by looking it at the angle of education. The COVID-19 pandemic had a different effect on the unemployment in terms of educational attainment. Historically and by social and economic reasons, the unemployment level among people with less than primary, primary and lower secondary education (levels 0-2) is high.

Figure 11. Unemployment by educational attainment in the Netherlands, Bulgaria, EU and euro area for the period from Q1 2018 to Q4 2020 (quarterly data) (%) - less than primary, primary and lower secondary education (levels 0-2)



Source: Eurostat

As observed in Figure 11, the unemployment rate in this group rose in the euro area and in the EU, as well as in the Netherlands and Bulgaria. The graph clearly shows that the average rate in the Netherlands (6.9% in Q4 2020) is way lower than the EU average (13.9% in Q4 2020), while the rate in Bulgaria (14.7%) is higher than the EU average.

The unemployment level among people falling within the category *"with upper secondary and post-secondary non-tertiary education (levels 3 and 4)"*, as observed in Figure 12, spiked in Bulgaria in Q2 2020, while an increase in the Netherlands was registered in Q3 2020, as an evidence for the causal relationship between COVID-19 and level of unemployment.

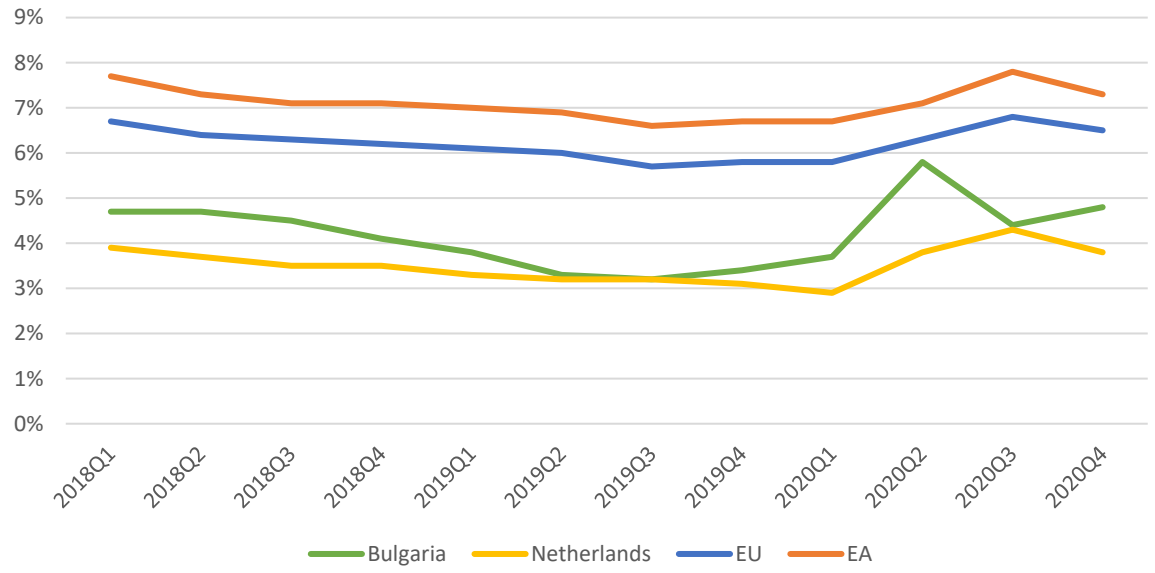
The same pattern could be observed for the unemployment level among people "*with tertiary education (levels 5-8)"* in Figure 13. The rate in Bulgaria fluctuated in 2020, but the year finished with a decrease to 2.3%. The data showed a moderate increase in the Netherlands (to 2.8% at the end of Q4 2020 from 2.3% at the end of Q4 2019).

Furthermore, at the end of Q1 2021, the share of unemployed with secondary or primary education in Bulgaria stood at 88.5%, as the complementary data from the NSI shows.

The described developments in Figure 11, 12 and 13 provide evidence for a more pronounced effects of COVID-19 on unemployment level among people within the category *"with less than primary, primary and lower secondary education (levels 0-2)"* and falling in the category *"with upper secondary and post-secondary non-tertiary education (levels 3 and 4)"* in Bulgaria than in the Netherlands. On the other hand, the unemployment level among people with tertiary education (levels 5-8) in the Netherlands increased in the course of 2020, in comparison with the trend in Bulgaria.

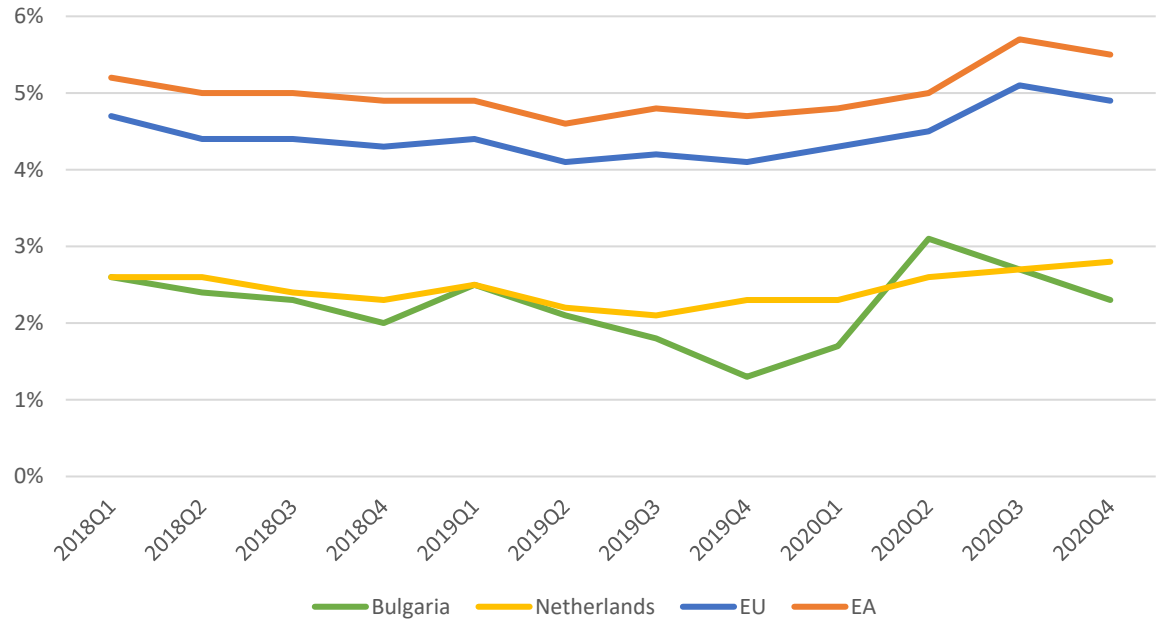
In March and April 2021 some restrictions in the Netherlands and in Bulgaria were slightly relaxed. Secondary schools were reopened (after the reopening of primary schools earlier on), while the pupils in Bulgaria gradually got back to school until the full return of all students at the end of May 2021, among other measures. School and university closures might have an effect on youth unemployment, but this will be discussed later.

Figure 12. Unemployment by educational attainment in the Netherlands, Bulgaria, EU and euro area for the period from Q1 2018 to Q4 2020 (quarterly data) (%) - upper secondary and post-secondary non-tertiary education (levels 3 and 4)



Source: Eurostat

Figure 13. Unemployment by educational attainment in the Netherlands, Bulgaria, EU and euro area for the period from Q1 2018 to Q4 2020 (quarterly data) (%) - tertiary education (levels 5-8)

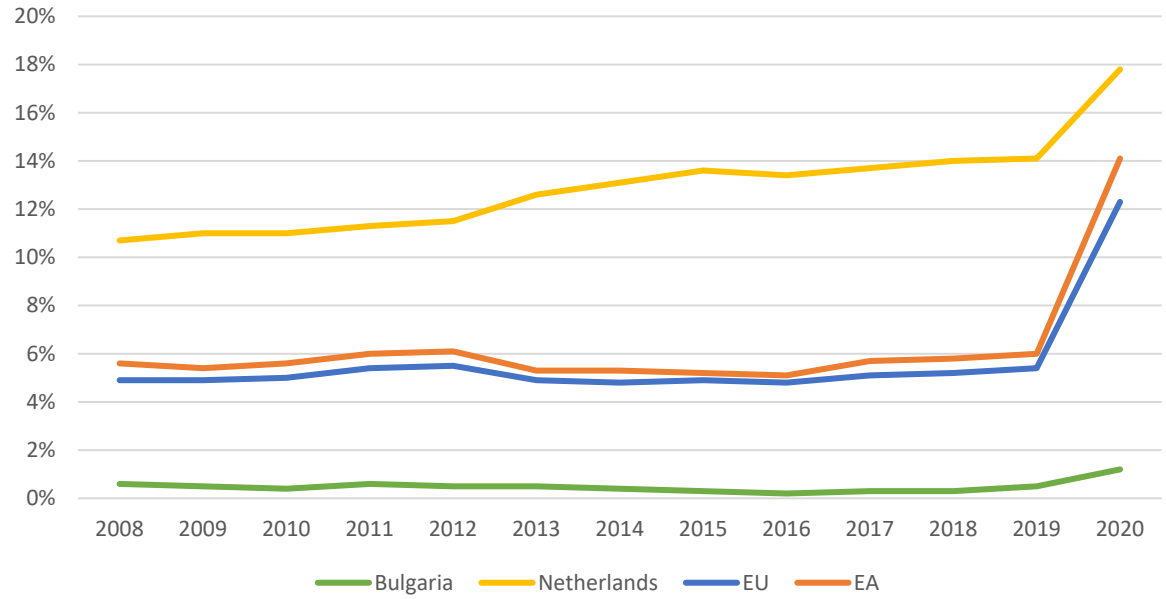


Source: Eurostat

The comparative analysis continues with observations about the influence of COVID-19 and the imposed restrictions on the changes of the labour policy. As Eurostat (2021d) points out, *"the social distancing measures that were introduced as a response to the COVID-19 pandemic forced many people to work from home. In 2020, 12.3% of employed people aged 15-64 in the EU usually worked from home, although this share had remained constant at around 5% over the past decade"* (Eurostat, 2021d).

The trends showed in Figure 14 could serve as an evidence for the differences in pre- and post-COVID-19 labour market reality.

Figure 14. Dynamics of employed persons working from home as a percentage of the total employment in the Netherlands, Bulgaria, EU and euro area for the period from 2008 to 2020 (annual data) (%)



Source: Eurostat

As Eurostat (2021d) data shows, in the last couple of years, the share of self-employed individuals who teleworked was regularly higher in comparison to those employed. Nevertheless, in 2020, the gap was reduced as the proportion of employed individuals who worked remotely increased to 10.8% in 2020 from 3.8% in the previous year. The increase of teleworking was smaller for self-employed with reported only 2.6% increase in 2020 totalling to 22%.

Young individuals were less likely to telework in 2020 in comparison to other age groups. Eurostat (2021d) reported the following percentages for regular teleworking divided by age groups: between 15 and 24[8] years old – 6.3%; between 25 and 49 years old – 13%; between 50 and 64 years old – 12.4%.

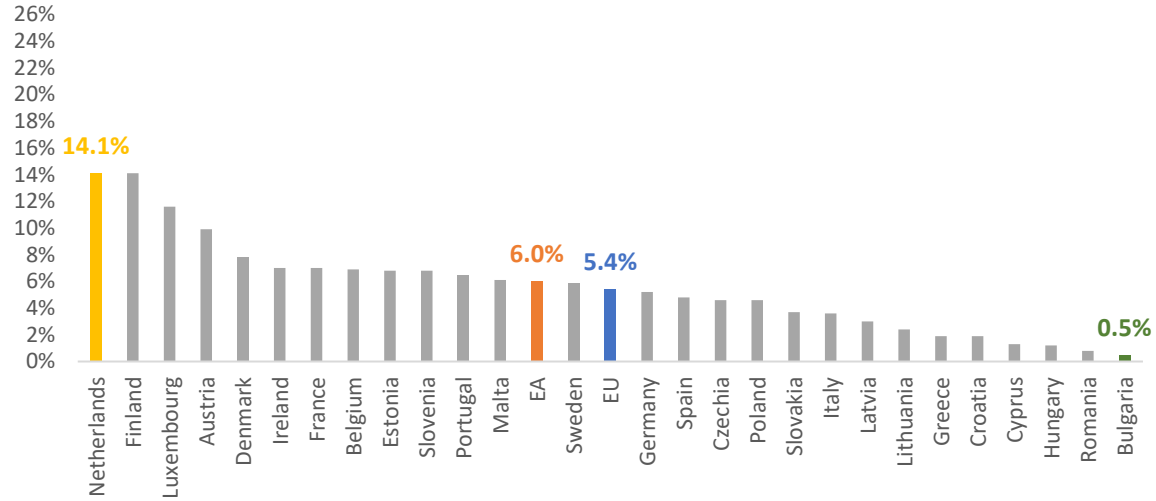
Figure 14 represents the dynamics of employed individuals working remotely as a share of the total employment rate in the Netherlands, Bulgaria, EU and euro area for the period

[8] *Note: According to the Eurostat (2021a, p.3) methodology and definitions, "the youth unemployment rate is the number of people aged 15 to 24 unemployed as a percentage of the labour force of the same age. Therefore, the youth unemployment rate should not be interpreted as the share of jobless people in the overall youth population".*

from 2008 to 2020. After a second and more severe wave of infections started late in the summer of 2020 and due to the surge of the number of infections (as part of the subgroup of COVID-19 as an independent variable), the Dutch authorities required people to telework unless not possible, to avoid using public transportation, maintain social distance, reduce gatherings to no more than one guest from a different household (but 3 during Christmas holidays) and avoid traveling abroad (IMF, 2021a). These restrictions were enforced from the 15th of December 2020 to the 9th of February 2021 and extended until the 27th of April 2021. A curfew from 21:00 to 04:30 was also introduced (the measure was active for the period from the 23rd of January to the 27th of April 2021), whilst Bulgaria did not impose such a measure. In addition, the requirement for a negative polymerase chain reaction (PCR) test result remained in place for travellers to the Netherlands and to Bulgaria from high-risk countries.

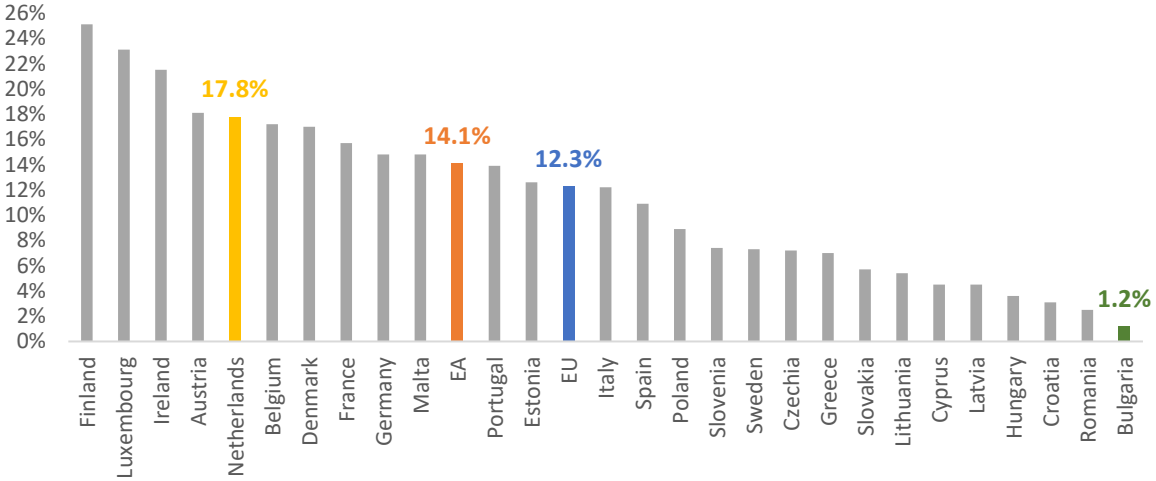
In Bulgaria, the health authorities issued recommendations towards employers to allow their employees to work from home, if possible, and limited the share of employees working at the office to 50% of the office capacity. The tendencies clearly underpin the fact that the COVID-19 pandemic changed the way of working among the European citizens. Thus, COVID-19 as an independent variable influences labour policy as a dependent variable and the next two figures add to that argument. Figure 15 presents the share of employed persons working from home as a percentage of the total employment in the EU Member States in 2019 and Figure 16 provides a comparison for the year of 2020.

Figure 15. Employed persons working from home as a percentage of the total employment in the EU Member States in 2019 (%)



Source: Eurostat

Figure 16. Employed persons working from home as a percentage of the total employment in the EU Member States in 2020 (%)



Source: Eurostat

While the share of this group in Bulgaria is the lowest, it increased more than twofold in 2020 (1.2%) compared to 2019 (0.5%). The average for the last 10 years is just 0.5% as remote working in Bulgaria was not very common before the pandemic hit.

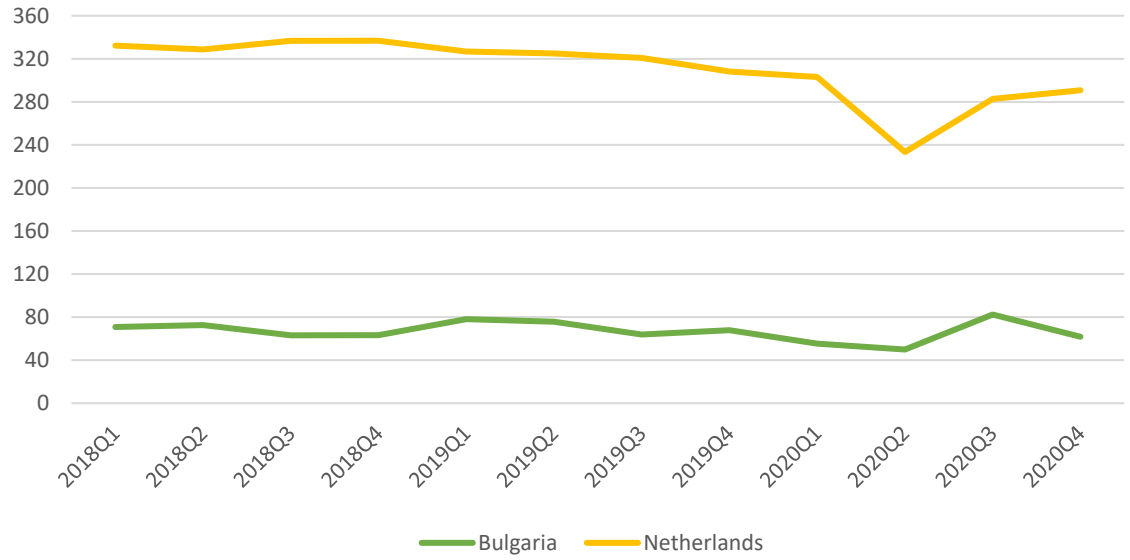
The rate in the Netherlands increased to 17.8% in 2020 from 14.1% in 2019, when the country had the highest level of unemployment. The Netherlands is one of a few EU countries, like Finland, Austria, Denmark, among others, which had established traditions in remote working in recent years, unlike Bulgaria, even prior COVID-19.

Furthermore, the average rates in the euro area and in the EU in 2020 also rose more than twofold compared to the previous year. In comparison, according to the BLS data (2021b), in the USA, in April 2021, because of the coronavirus pandemic, 18.3% of the employed teleworked, down from 21% in March 2021. This data refers to *"employed persons who teleworked or worked at home for pay at some point in the last 4 weeks specifically because of the pandemic"*, based on the definition of BLS (2021b).

As the COVID-19 pandemic unfolded in the course of 2020, the number of recent job starters provides somewhat positive indication for the job market, as illustrated in Figure 17, in parallel with the announced job supporting schemes in late spring and in the summer of 2020. In the Netherlands the number of recent job starters increased from 233 thousand in Q2 2020 to 282 thousand in Q3 2020 and to 291 thousand in Q4 2020. In Bulgaria 82.4 thousand people started a job in Q3 2020, while the number was 49.9 thousand in Q2 2020 and 61.7 thousand in Q4 2020.

Recent job starters are those persons who have started their employment in the last three months before the interview, according to the methodology by which the Eurostat gathers this data. Thus, it might be expected the statistics to show the recent developments with a certain lag. Nevertheless, a link between recent job starters and activated job retention schemes could be very plausible.

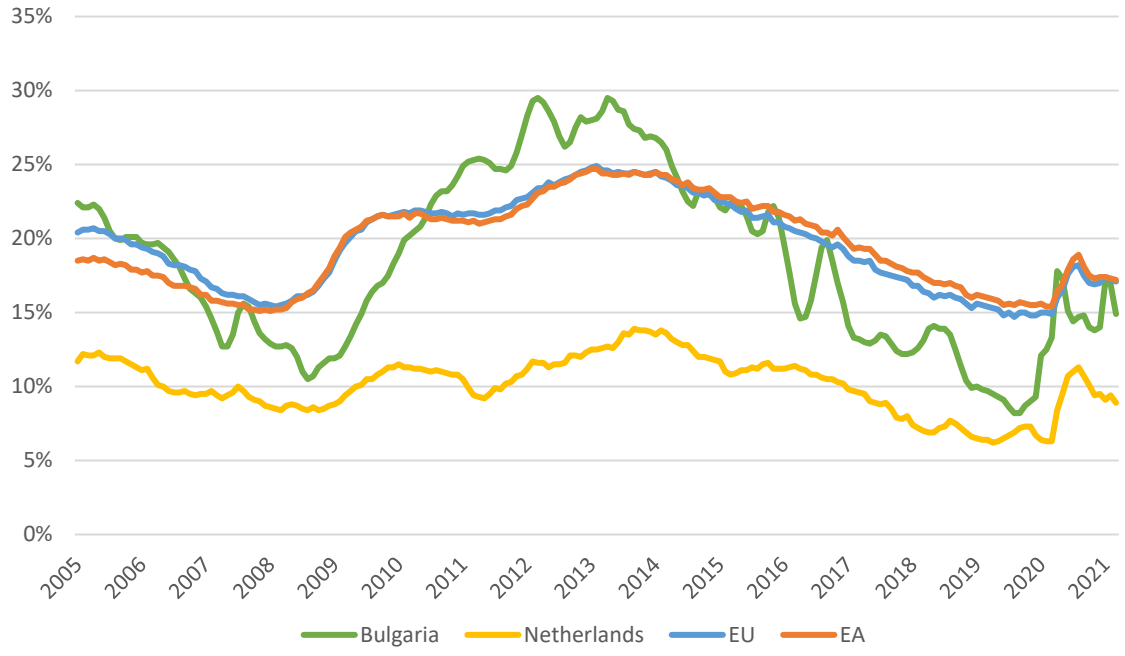
Figure 17. Recent job starters in the Netherlands and Bulgaria for the period from Q1 2018 to Q4 2020 (thousands)



Source: Eurostat

Going further with the causal mechanism and the interventions between the independent and dependent variables, COVID-19 took its toll on young people as the number and level of unemployed young people (under 25 years) increased. Compared to the end of 2019, the number of unemployed young people in Bulgaria increased from 14 thousand (9.3%) to 25 thousand (17.1%) in the beginning of 2021. As of the end of March 2021, there were 2.951 million (17.1%) unemployed young people in the EU and 2.373 in the euro area (17.2%), compared to the peak of 3.224 million (18.2%) and 2.677 million (18.9%) in August 2020, respectively. At the end of March 2021, that number for the Netherlands stood at 129 thousand versus peak of 164 thousand in August 2020, Eurostat data reveal. The number is way higher than the 94 thousand unemployed young people at the beginning of 2020, before the coronavirus hit.

Figure 18. Youth unemployment in the Netherlands and Bulgaria for the period from January 2005 to March 2021 (monthly data) (%)



Source: Eurostat

The level of unemployed young people in Bulgaria was 14.9% at the end of March 2021, while the rate in the Netherlands was 8.9%. The levels are higher than those registered in the first months after the GFC hit, as the comparison in Figure 18 shows and Bulgaria

is on par with the average for the EU and the euro area. The closures of schools and universities, which continued more than three quarters in those two countries, might have postponed first job starts among young people, but further observations and additional evidence should be gathered regarding this proposition.

The authorities of both countries have established plans for gradual reopening, which remain conditional on the trend and number of new infections. In the Netherlands, under the initial phase, effective after the 28th of April 2021, the curfew was lifted, outdoor areas of cafés and restaurants reopened, and stores could operate at limited capacity. Restaurants and cafés in Bulgaria reopened again on April 1, 2021.

The second phase in the Netherlands, initially scheduled to become effective on the 11th of May 2021, has been delayed because infections rate remained high, whilst in Bulgaria more measures were eased, for example, night-clubs and bars opened again. The Bulgarian government replaced the state of emergency, first introduced on the 13th of March 2020, with state of *"extraordinary epidemic situation"* on the 14th of May 2020 and extended it multiple times until the 31st of July 2021, based on the latest update. However, as a result of the decline of infections, majority of the restrictive measures in Bulgaria have been lifted in the course of the spring of 2021.

As of the 31st of May 2021, there were 1.67 million confirmed COVID-19 cases in the Netherlands and 418.8 thousand cases in Bulgaria. There were 17.9 thousand COVID-19 related deaths in the Netherlands and 17.7 thousand in Bulgaria.

The vaccination plan in the Netherlands began on the 6th of January 2021, and is being progressively rolled-out. As of the end of May 2021, the reported number of administrated vaccines in the Netherlands is around 8.85 million doses and approximately 17% of the population is fully vaccinated. The vaccination in Bulgaria started slowly, mainly due to supply disruptions of shots. Priority was given to most vulnerable groups. As of the end of May 2021, the reported number of administrated vaccines in Bulgaria is around 1.35 million doses and slightly above 8% of the population is already fully vaccinated, as the Johns Hopkins Coronavirus Resource Center (2021) data shows. This is the place where the role of vaccines as intervening variable is discussed. The roll out of vaccines and the pace of vaccination of the population is crucial

for strengthening the labour force and getting it back on track after government job retention schemes expire.

Given those observations, an inference could be made about the proposition that the trend of record low unemployment prior COVID-19, as part of the macroeconomic conditions as an independent variable, was broken due to COVID-19. On one hand, the lockdowns, imposed because of the surge in infections and deaths, as part of the COVID-19 as an independent variable, which were somewhat tougher in the first wave, led to layoffs and spike of the unemployment in the Netherlands and in Bulgaria, viewed in the vein of the dependent variable. The effects were more pronounced as regards to employees working from home, while the influence of unemployment in terms of educational attainment and on young people were mixed, depending on the observations of different groups. On the other hand, governments had to take fast decisions and to design supportive measures to help the labour market and the economy as a whole, given the then unknown consequences of the new virus.

The policy reaction against COVID-19 was concentrated in the health care sector in the first place. The design, timely adoption and fast implementation of support schemes, shaping the labour policy after COVID-19, were second. Due to the general response, including lockdowns, the pace of the spread of infections slowed down and businesses and households managed to receive their first financial aid through the various government supporting programmes, which are described and analysed in the next point.

4.2. Government policy response in the Netherlands and Bulgaria

This part of the thesis is dedicated to the detailed overview of government policy response to the coronavirus pandemic in two EU Member States – the Netherlands and Bulgaria., outlining stimulating programmes, fiscal policy (public spending, government debt levels and their implied restrictions) as subcategories of the independent variable *"institutional factors"* and budget expenditures as subcategory of the dependent variable *"labour policy after COVID-19"*. Propositions are made and the collected information is evaluated and discussed in terms of the outlined mechanism of the process tracing.

As pointed out in the EC published Joint Employment Report (2021c, p.43), *"in the aftermath of the COVID-19 outbreak* [independent variable]*, all Member States turned to short-time work (STW) schemes to mitigate the consequences of the economic shock on the labour market* [towards the dependent variable]*"*. These programmes have reached approximately 60 million people within the OECD member countries, as the organization data shows (OECD, 2020).

The EC (2021c, p.34) notes that according to publicly available data, STW schemes were widely applied across the EU, reaching record levels during the pandemic for all states. Sectors like services, hospitality and retail were the main beneficiaries of the schemes. Issues like slow adoption, implementation delays or design of the STW schemes in some countries, led to a relatively lower take-up in some of EU member states (EC, 2021c, p.34). In the example of Bulgaria, the requirement for firms to partake in the related costs could have reduced the rate of utilization of the scheme. This outlines the difficulties regarding the timely design and willingness for a fast implementation of such schemes in the first weeks and months of the pandemic.

The fiscal policy measures taken by the Bulgarian government in the course of 2020 have managed to cover key areas impacted by the pandemic. They were focused on the improvement of the medical services, providing fiscal assistance for employees and employers, and job loss prevention. The initial intention was for these measures to be used for a short time period, however, they were gradually extended in the course of 2020 and 2021 as a result of the continuation of the pandemic. According to the estimates of the IMF (2021b, p.8), the budget for discretionary fiscal support amounted to 2.5% of Bulgaria's GDP for 2020 as well as in 2021. Also, IMF recommends that a gradual withdrawal of fiscal stimulus would only be appropriate when coupled with resilient economic recovery. This underpins the proposition for a continuous influence of such labour market schemes after their implementation because of the virus.

The ongoing state measures to support employment also contribute to the favourable developments of reducing unemployment in the course of 2020 and in the beginning of 2021, as described in the first part of this chapter. These include Bulgaria's wage subsidy program the so-called *"60/40"* and *"80/20"* schemes for, hotels, restaurants, tourism and transport. The so-called *"60/40"* measure is a type of payroll support measure for

employers with closed businesses due to COVID-19. Under the measure's design, the Bulgarian state bears 60% of salary and social insurance costs, made by employers, while the employers must pay the remaining 40%. The so-called *"80/20"* measure had the same design. The main differences are related with the proportion – 80% is carried out by the state, while the other 20% are borne by the employers, and its application as it is valid only for hotels, restaurants, as well as for companies in the transport and tourism sectors. The aim of the measures is to help employers keep their employees.

The lift of series of restrictive measures, which had closed a number of economic activities, also influenced the labour market in a positive way, as new job openings increased, although some of them were job openings for old positions, as some employees (for example, in hotels and restaurants) were hired again after being laid-off because of the lockdowns.

The adjustment of the labour market in Bulgaria occurs mainly through the reduction of employment. In this respect, measures to support job retention have been one of the most important and effective as a means of counteracting the effects of the crisis. In addition to the job retention schemes, the IMF (2021b, p.10) acknowledges that *"the hiring subsidy and liquidity support to firms helped contain the rise in unemployment and boost the economic rebound since summer".*

Such programs for preserving jobs were implemented by all EU countries, but unfortunately the Bulgarian government was among the few that did not include the self-employed in the first place. Thus, a significant part of the work force, whose activity was limited by the crisis, was not among the first to receive compensation.

An overview of the fiscal policy response mix to the COVID-19 pandemic in Bulgaria is given in Table 2.

Table 2. Overview of fiscal policy response mix to COVID-19 in Bulgaria

Sector and type of support	Description
Expenditures in the health care sector	
1. Wages	Increase of wages and providing bonus payments to medical staff, employees in social services and administration, closely dealing with the pandemic
2. Subsidies	Providing state subsidies to hospitals and diagnostic centers
3. Additional spending	Expenditures for purchasing of medicines, medicaments, medical supplies and protective equipment
Employment support measures	
1. Job retention scheme "60/40" and "80/20"	Under the "60/40" measure the Bulgarian government covers 60% of the wages and social contribution of employers in affected sectors, while the remaining 40% are borne by the employers Under the "80/20" measure the state covers 80% of wages and social contributions for employers working in the tourist and transport sectors Eligibility criteria and sectoral conditions eased in July 2020. The measures were extended at least to July 2021 Fiscal impact: 0.9% of 2020 GDP
2. Subsidies for hiring unemployed	Companies, which hire an unemployed person receive 6-month subsidy (equal to the minimum wage in Bulgaria) Fiscal cost: 0.1% of GDP for 2020
Support to individuals	
1. Financial aid and assistance to vulnerable groups	1,200 artists receive the minimum wage for three months Monthly bonus to all pensioners from August 2020 to at least July 2021 Food donations to vulnerable people, including one-time financial aid for pensioners whose pension is at or below the line of poverty
2. Guarantees for zero interest loans	Bank guarantees providing wage-earners and self-employed a loan up to BGN 6,900 with no collateral,6 months to 2 years grace period, up to 5 years repayment period. Eligibility criteria eased in July 2020 and in February 2021 Deadline for application: end of June 2021. Possible extension to end-2021 Estimated impact: 0.2% of 2020 GDP
3. Social transfers increase	20% increase in minimum and maximum pensions levels in January 2021. Fiscal impact: 0.5% of GDP Permanent increase of the minimum sum of unemployment benefits from October 2020 by 33%. Fiscal cost in 2021: 0.01% of GDP Increase of the duration of unemployment benefits by 3 months in the fourth quarter of 2020 for unemployed who are not allowed to receive the full amount of the unemployment benefits
Support to companies	
1. Tax payment deferrals	The payment of corporate taxes was deferred to the end of June 2020 (Estimated effect: 0.5% of 2020 GDP)
2. Reduction of the rate of the value-added tax (VAT)	The VAT rate for restaurants, food delivery, baby food, books, bus transport, tourism agencies and tour operators, ski resorts, gyms and sports facilities was temporary cut from 20% to 9% (until end of 2021) Revenue forgone: 0.3 %f GDP, spread over 2020 and 2021

continued

3. Grants	Projects support for micro enterprises and SMEs Amount: up to BGN 150 000 for large companies that recorded at least 20% drop of turnover
4. Loan guarantees	Providing loan guarantees to banks, channelling loans to SMEs for working capital, refinancing liabilities, etc. (total guarantees up to BGN 3.6 million of loans) 80% guarantee to loans with reduced collaterals to firms affected by the crisis (total guarantees up to BGN 2 bn worth of loans); Deadline for application: mid-June 2021
5. Tourism sector assistance	Providing subsidies for bus carriers, tour operators, travel agencies (Fiscal impact: 0.05% of 2020) Granting vouchers to people involved in COVID-19 response for domestic tourism (Fiscal cost: 0.01% of GDP for 2020)

Source: Author's adaptation of the information provided by the Bulgarian authorities and published by the IMF (2021b)

The largest of these measures, the so-called *"60/40"* program, protected around 260 thousand jobs by the end of 2020 alone. In fact, the figure would be true if jobs had to be maintained for 3 months, in line with the duration of the aid. However, as they have to be maintained throughout the year, the calculation has to look different. According to the National Social Security Institute of Bulgaria (NSSI), a total of almost 1.003 million jobs were supported over a 10-month period from the start of the epidemic to the end of 2020. This means that on average the state has helped maintain an average of 100.3 thousand jobs per month and this is the amount of reserved jobs. The total amount of funds allocated for this purpose was BGN 648.7 million (EUR 331.7 million)[9]. Since the beginning of 2021, over BGN 290 million (EUR 148.3 million) have been paid under the measures for maintaining employment (NSSI, 2021). Thus, the total amount is approaching BGN 1 billion (EUR 511.3 million).

The European Commission (2021b, p.100) highlights that the Bulgarian government's job retention schemes *"have played a significant role by supporting more than 278 thousand employees across nearly 12.4 thousand companies. The largest share of the support went to the manufacturing sector, followed by the hospitality sector, which was the worst affected"*.

Since the start of the measure, the largest amount was paid to the employees of the enterprises in the manufacturing – over BGN 397.8 million (EUR 203.4 million), to

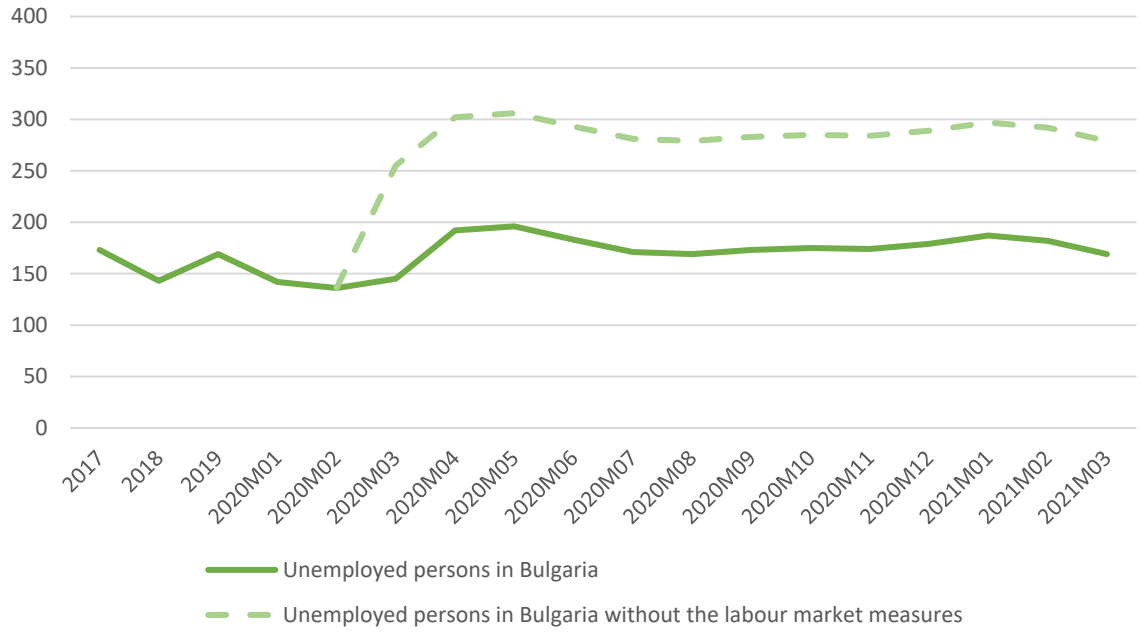
[9] The Bulgarian currency – the Bulgarian lev (BGN) – is pegged to the euro with a fixed exchange rate of 1.95583 BGN for 1 EUR since the 1st of July 1997.

preserve about 117.1 thousand jobs. Hotels and restaurants were supported by about BGN 126.4 million (EUR 64.6 million) for 54 thousand jobs. BGN 107 million (EUR 54.7 million) for over 33.9 thousand workers and employees were directed to the employers from the retail sector, the enterprises from the mining and quarrying industry received BGN 75 million (EUR 3.83 million) for 9 thousand reserved jobs, and the transportation and storage sector – BGN 82 million (EUR 42 million) for nearly 26.8 thousand employees, as the NSSI (2021) data show.

The MF (2021b) estimates that the so-called *"60/40"* measure for maintaining employment has a budget impact of 0.84% of GDP for 2020 and 0.24% of GDP for 2021.

Given the average number of retained jobs on the labour market as a consequence of the implementation of the scheme, overall, one could assume what could be the potential unemployment in Bulgaria without those measures. Figure 19 plots the assumptions for the actual and estimated number of unemployed persons in Bulgaria without the measures.

Figure 19. Effects from the labour market measures – actual and estimated number of unemployed persons in Bulgaria (thousands)



Source: Eurostat, own estimates

Authors' estimates show that at the end of March 2021, the number of unemployed Bulgarians would have been 279 thousand without the measures and even 306 thousand in May 2020, when a peak would have been reached. It is obvious that the number of unemployed would be higher without the measures, but that would bring the number of unemployed to the levels of 2015, at least.

On the other hand, the unemployment level would have skyrocketed to 9.2-9.5% in the second quarter of 2020, again at the levels last observed in the summer of 2015. For example, the actual increase of the unemployment level in Bulgaria is up to 5.9% at the end of Q2 2020 from 4.2% at the end of Q3 2020. At the end of March 2021, the estimated level of unemployment would have been 8.4%, compared to the actual 5.1%. The estimates and numbers, discussed above, provide a measurement of the outcome as part of the process tracing as regards to the amount of government expenditures, related to job retention schemes in Bulgaria, in terms of the observations of labour policy reaction after COVID-19 as dependent variable and in comparison with the Netherlands.

According to the IMF (2021b), although the initially slow implementation of the support measures has picked up in the course of 2020, their design could be further improved and their allocation could be accelerated. The term of the employment retention measure, known as *"60/40"*, will be extended until the end of July 2021 at least, and up to the recent moment, no new measures are foreseen by the Bulgarian authorities, nor are new proposals for changes in the design placed.

In response to the COVID-19 crisis, in the first months of 2020 the Dutch government deployed a range of emergency financial schemes for supporting SMEs, major companies, employers, employees and self-employed people, with the main aim to protect jobs and incomes and to keep the economy running smoothly. The two introduced temporary schemes are the *"Temporary emergency scheme for job retention" (NOW)* and the *"Temporary self-employment income support and loan scheme" (TOZO)*.

Employers who suffer a significant revenue loss as a result of the crisis posed by the coronavirus could claim a wage compensation for their employees, according to the information and described eligibility criteria for the *"NOW: Temporary Emergency Bridging Measure for Sustained Employment" (in Dutch: "Tijdelijke Noodmaatregel Overbrugging voor Werkbehoud NOW")*, published by Business.gov.nl (2021a).

Sullivan and Wolff (2021) emphasize that the NOW scheme was intended more as direct compensation and outline some drawbacks regarding the terms and eligibility criteria in the first design of the measure.

The *"Temporary bridging measure for self-employed professionals" (TOZO)* offers assistance for self-employed persons, facing financial difficulties because of the pandemic, as mentioned on the Business.gov.nl (2021b) web page. The measure includes income support and business loans, based on certain criteria.

By the *"Financial Assistance to SMEs for Fixed Expenses" (in Dutch: "Tegemoetkoming Vaste Lasten MKB, TVL")* Dutch SMEs and non-SMEs could cover their fixed costs. According to description, provided by Schaufeli (2021), dependent on the sector, the size of the corporation, the volume of fixed costs and the decrease in revenue, they could receive a maximum compensation up to EUR 550 thousand for SMEs and EUR 600 thousand for non-SMEs. At the end of Q4 2020, more than 90 thousand self-employed individuals and entrepreneurs and have applied for TVL. The granted support exceeds EUR 1.1 billion. Schaufeli (2021) clarifies that entrepreneurs, like representatives of the transport and supply sectors, indirectly affected by the pandemic, are now eligible to apply for compensation via the scheme.

At the beginning of 2021, the Dutch government substantially expanded its support and recovery package, after the previous extension in the autumn of 2020, due to an upsurge in infections and the immersion of the pandemic. Additional expenditure on the package will amount to EUR 7.6 billion over the first and second quarters of 2021.

The EC (2021b, p.86) points out that *"as the emergency support package* [in the Netherlands] *is assumed to fade out together with the easing of containment measures, from the second half of this year bankruptcies are expected to gradually increase in combination with necessary restructurings, especially concentrated in the labour intensive, long-affected sectors (e.g., hospitality, retail trade and transport)"*. Back in May 2020, Business Survey Netherlands claimed *"roughly half of the private sector may not survive COVID-19"* (Statistics Netherlands, 2021d).

Meanwhile, the IMF (2021d) underscores the effectiveness of the schemes in reducing the unemployment rate and bankruptcies. The IMF (2021d) also describes the extension of the supportive measures towards mid-2021 as an appropriate decision considering the

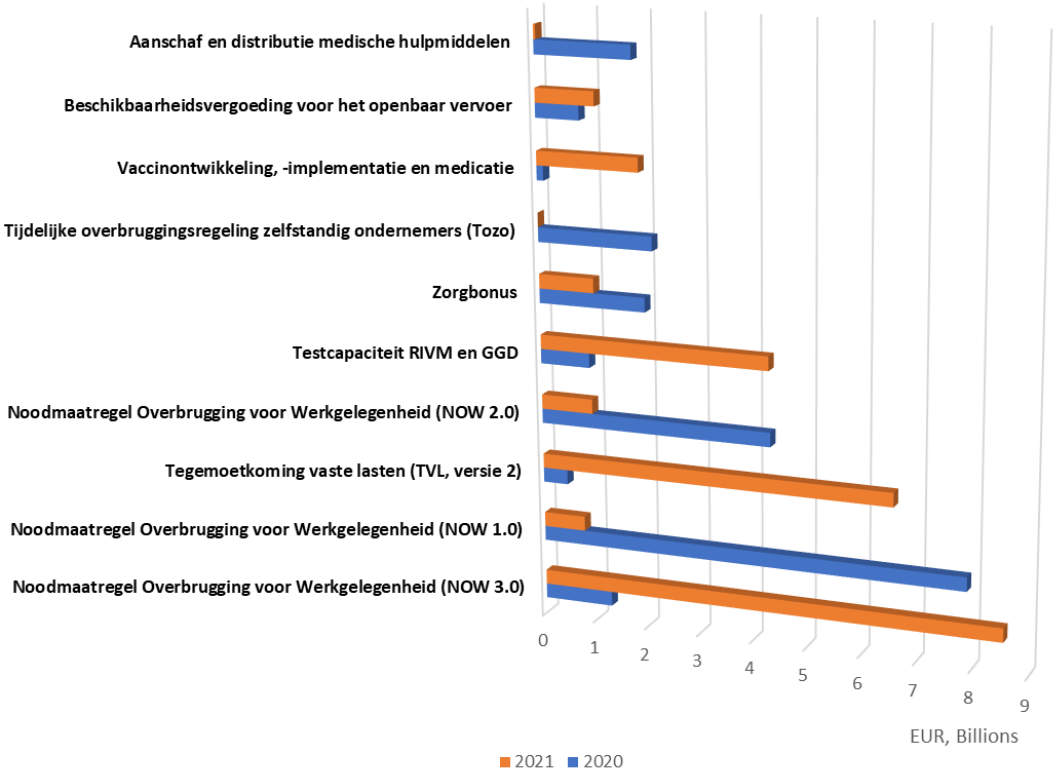
circumstances. Furthermore, the timely announcement for the continuation of the support has had a positive effect on households and business as it was reduced the feeling uncertainty.

Figure 20 represents top 10 COVID-19-related support schemes in terms of expenditures. According to the calculations, based on the Netherlands Court of Audit (2021) data, the total amount of the ten biggest supportive measures exceeds EUR 47 billion on average for both 2020 and 2021.

The amount for 2020 is EUR 21.78 billion, which represents approximately 2.7% of the Dutch GDP. As for 2021, the figure is EUR 25.24 billion. The costs related to the support are forecasted to amount to 4.5% (EUR 37.3 billion) of Netherlands's GDP for 2021, according to data published by the IMF (2021a) as of March 2021.

As Figure 20 shows, the different phases of NOW represent the biggest amount of expenditure for 2020 and 2021.

Figure 20. Top 10 COVID-19-related support schemes by targeted expenditures



Source: Own representation, based on the Netherlands Court of Audit (2021) data

While grants (such as under the NOW job retention scheme) and income transfers (such as under the TOZO scheme for self-employed professionals) are the main tools used for providing support during the coronavirus crisis, the Dutch government has also made use of guarantees and loans, at an aggregate value of EUR 64.9 billion, according to the Autumn Memorandum (2020), regarding the budget revenues and expenditures.

Sullivan and Wolff (2021) argue that beyond the economic reasoning, the presence of political dynamics play an important role in the formulation and justification of the support schemes. Indeed, the unprecedented nature of the COVID-19 pandemic required decisions on many political levels, which, coupled with tight deadlines and public expectations, could lead to questionable outcomes, if not communicated well.

At the end of December 2020, more than 573 thousand businesses, at the equivalent to 31% of the total number of businesses in the Netherlands, have made use of the various support measures, the Statistics Netherlands (2021c) data shows. According to the OECD (2020) data[10], referring to the end of May 2020, in the Netherlands 28% of workers effectively benefited from job retention schemes, or 2.1 million people in total, calculated on the basis of actual participants in job retention schemes as a share of dependent employees.

The estimates and numbers, discussed above, provide an outcome measurement as part of the process tracing as regards to the amount of government expenditures, related to job retention schemes in the Netherlands, in terms of the observations of labour policy reaction after COVID-19 as dependent variable and in comparison with Bulgaria.

On other hand, the coronavirus crisis has posed huge challenges to the public finances of Bulgaria and of the Netherlands, according to the Statistics Netherlands (2021c) and the Ministry of Finance of the Republic of Bulgaria (2021a) data. The challenges in front of the fiscal policy (public spending and debt management), as part of the institutional factors as an independent variable, have increased due to COVID-19.

In 2020, the Dutch government gross debt increased by EUR 40 billion to EUR 435 billion (54.5% of GDP from 48.7% of GDP in 2019). Government spending was EUR

[10] Bulgaria is not yet member of the OECD. The country expressed its willingness to join, expecting resolution of the request.

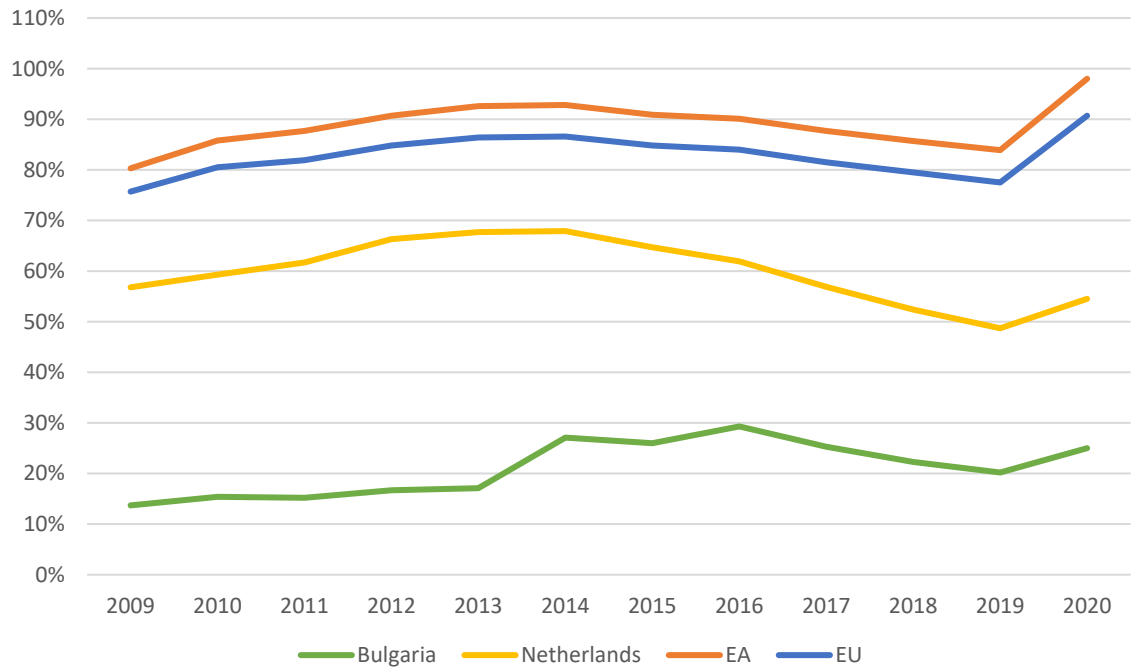
44 billion higher than 2019 and revenues were by EUR 4 billion lower. The increase in expenditures in the Netherlands was mostly influenced by aids to institutions and companies, primarily as a result of the temporary emergency scheme for job retention (NOW). Nevertheless, the IMF (2021d) assessment states that the Dutch authorities have the ability to show the required support if no fiscal turbulences appear as a result of the recession or expenses associated to the support programs.

For comparison, the data of the Ministry of Finance of the Republic of Bulgaria (2021a) shows that as of the end of 2020 the balance of the state budget on a cash basis by the Consolidated Fiscal Programme (CFP) was at the negative amount of BGN 3.532 billion (EUR 1.8 billion, 3% of the GDP). Compared to 2019, the budget revenues rose by BGN 260.2 million (EUR 133 million) to BGN 44.3 billion (EUR 22.65 billion), despite the negative impact of the pandemic on the macroeconomic perspectives.

The expenditures under the CFP were at the amount of BGN 47.84 billion (EUR 24.46 billion) for 2020, which was by BGN 2.6 billion (EUR 1.33 billion) higher in comparison with 2019. The higher expenditure is mainly related to the social and economic measures taken to minimise the implications of the crisis, including payments under the *"60/40"* measure, payments to all those that stand in the frontlines fighting the pandemic, including the expenditures on purchasing medicines and vaccines, payment of a monthly allowance of BGN 50 (EUR 25.6) to the pensions of all pensioners for the August-December 2020 period, payments to businesses and farmers, as well as other expenditures under the approved measures. The MF (2021b) estimates show that temporary budget measures, approved in 2020, have an average budget impact of 2.26% of GDP for 2020 and 2.07% of GDP for 2021.

At the end of 2020, the debt-to-GDP ratio of Bulgaria increased from 20.2% to 25% in 2019. Despite that increase, Bulgaria remained with the second lowest debt-to-GDP ratio in the EU in 2020, according to the Eurostat data, used to plot Figure 21.

Figure 21. Debt-to-GDP ratio in the Netherlands, Bulgaria, EU and euro area (annual data) (%)



Source: Eurostat

In its European Semester Spring Package, the EC (2021f) puts the Netherlands with other 11 EU Member States in group of countries with macroeconomic imbalances, while ranks Bulgaria among the three countries (together with Sweden and Denmark) that meet the deficit criterion set by the Stability and Growth Pact (2021g). According to the forecast of the EC, Bulgaria's deficit will be 3.2% of GDP in 2021 and would decrease to 1.9% of GDP by the end of 2022.

As regards to the general government gross debt, it has increased in all Member States. In 14 Member States, the debt ratio has overshot the 60% of GDP reference value under the Stability and Growth Pact (2021g). With its expected level of general government debt of 24.5% of GDP for 2021, Bulgaria will remain second among the Member States with the lowest values of the indicator in the EU after Estonia (21.3% debt-to-GDP).

The challenges in front of the public finances, which saw an acceleration of spending and debt accumulation not only due to the newly established job retention schemes, are further exacerbated by the restrictions set by the Stability and Growth Pact, viewed in the vein of institutional factors as independent variable.

Given those observations, an inference could be made about the proposition that COVID-19, as independent variable, influenced labour policy through the introduction of job supporting schemes, with the main aim at preserving jobs. The prompt response by the Bulgarian and Dutch governments through the introduced job retention measures shaped the labour policy during COVID-19, evidencing for the reinforcement of those factors. The introduction of STW programmes and schemes in the EU reached record levels during the COVID-19 crisis, albeit the initial slow take-up, mostly in Bulgaria, rather than in the Netherlands.

In this context, the outcome could be evaluated and supported by numbers, allowing making conclusions. The fiscal support related to applied measures is budgeted to amount at 2.5% of the Bulgarian GDP and 4.5% of the GDP of the Netherlands in 2021. The Bulgarian government's job retention schemes supported more than 278 thousand employees across nearly 12.4 thousand companies, while more than 573 thousand businesses, at the equivalent to 31% of the total number of businesses in the Netherlands, have made use of the various support measures. Despite the pandemic and in spite the initial reprise of unemployment, because of government interventions, the deterioration of unemployment was contained.

4.3. Institutional factors and the role of the EU

The third point of Chapter IV includes discussion about the institutional factors as an independent variable. Its subcategories include investments and stimulating schemes aimed at preserving jobs and ensuring that economies have sufficient financial aid for reforms and sustainable development, along with the perceived public expenditures in the context of fiscal and monetary policy, already in place. The role of the EU as an intervening variable links the institutional factors and labour policy by providing support to the Member States, which could be in different nature in terms of country-specific needs.

After the unprecedented shock of the GFC the policy reaction was perceived as a bit too late and too little. In contrast, the response to the unexpected health, social and economic crisis, posed by the coronavirus, could be described as *"firm, substantial and quick"*

(EBF, 2020). The EU institutions have successfully developed a coordinated action plan, relying on different policy approaches from the Policy Toolbox. Thus, leveraging from the bitter experience from the GFC, learning from the previous outcome and relying on prior knowledge regarding actions to be taken.

On the side of the monetary policy, as part of the subcategories of institutional factors as independent variable, in March 2020, the ECB (2020a) introduced a comprehensive package of measures including additional "*Long-term refinancing operations" (LTROs)* with the aim of providing liquidity at favourable terms. The *"Pandemic Emergency Purchase Programme" (PEPP)* was initiated and in June 2020 its volume was lifted by EUR 600 billion totalling to EUR 1.35 trillion. The interest rates were already very low, near or below zero, more than 10 years.

On the side of the regulatory policy, lawmakers have agreed on a quick fix of several regulations and directives in a record time. For example, the ECB (2020b) supervisory flexibility measures, the loan moratoria scheme designed by the European Banking Authority (EBA) managed to provide the European banking sector with a substantial relief to keep the level of lending for households and non-financial corporations, which, on the other, hand got a breather due to the temporary postponement of loan instalments.

The Council of the European Union (2021) lists 10 EU priorities for fighting COVID-19 and ensuring a resilient recovery. In the context of the role of the EU as intervening variable, those priorities include, among others:

1. Providing support to the EU's recovery – fiscal, by the Next Generation EU and the long-term budget of the EU for 2021-2027, and monetary, conducted by the ECB;
2. Coordinating travel measures – to safeguard freedom of movement on the continent despite the COVID-19 pandemic by establishing a common framework;
3. Slowing the spread of the virus as EU Member States introduce temporary restrictions on travel, deemed as non-essential;
4. Ensuring effective and safe COVID-19 vaccines, four of which gained authorisation in the EU and vaccination started on the 27th of December 2020 across the EU. In total, 2.6 billion doses of vaccines have been secured;
5. Supporting EU health systems – by coordination of crisis management between EU institutions and Member States during the pandemic;

6. Protecting jobs through the SURE instrument;

7. Providing help to the EU Member States to finance their COVID-19 response – by the Coronavirus Response Investment Initiative, channelling approximately EUR 37 billion from the European structural funds to member countries;

8. Boosting European solidarity – among the exchanges of medical staff and joint efforts in the health care sector, the EU approved new rules, by which EU countries could tap the EU Solidarity Fund for financial assistance to be used for covering health emergencies. Up to EUR 800 million were made available for EU Member States in 2020 to combat the coronavirus pandemic, with the recent broadened scope of the fund;

9. Supporting the most hit economic sectors – to protect our food supply chain and avoid food shortages;

10. A partnership to support EU's partners around the globe – as an example, the EU leaders discussed the EU's contribution to the global reaction to the pandemic during the special meeting of the European Council on 24-25 May 2021. EU member states reaffirmed their support to countries in need and are committed to donate at least 100 million doses of COVID-19 vaccines before the end of 2021.

On the fiscal policy side, as part of the subcategory mix of institutional factors as independent variable, among the measures to support the health care sector and the labour marker, the EC drafted a detailed recovery plan for Europe, with a new recovery instrument of EUR 750 billion, financed by bond placements on the financial markets (EC, 2021a). Furthermore, each EU Member State provided its own fiscal policy support for the most vulnerable sectors, adding to the backing received from the EU.

The EU proposed substantial financial help to the Member States to support the mitigation of the health, socio-economic impact of the crisis and promote the future recovery, highlighting the link that the role of the EU as intervening variable plays, regarding the outlined process tracing steps and logic in Figure 1 and in point 3.2. of Chapter III. Those instruments include the temporary instrument *"Support to mitigate Unemployment Risks in an Emergency" (SURE)*, the *"Emergency Support Instrument"* and the *"Recovery and Resilience Facility"*, which is the backbone of *"Next Generation EU"*. Along with the provided relief in terms of flexible use of the cohesion policy funds under the *"Coronavirus Response Investment Initiative"*, these tools would support job

retention and creation, incentivise investments and lead to a more sustainable economic recovery, even in terms of the new digital and green transition reality.

After tough negotiations in the hardest months of COVID-19 pandemic in the course of 2020, a total of EUR 1.8 trillion were aimed at restarting the economic recovery and rebuilding a post-COVID-19 Europe, according to the envelope of the long-term budget of the EU for 2021 to 2027 of EUR 1.074 trillion, coupled with the Next Generation EU temporary instrument at the amount of EUR 750 billion (EC, 2021a).

Table 3 provides a summary of the *"Multiannual Financial Framework of the EU"* for the 2021-2027 period.

Table 3. Multiannual Financial Framework 2021-2027 total allocations

	MMF	Next Generation EU	TOTAL
1. Single market, innovation and digital	€132.8 billion	€10.6 billion	€143.4 billion
2. Cohesion, resilience and values	€377.8 billion	€721.9 billion	€1 099.7 billion
3. Natural resources and environment	€356.4 billion	€17.5 billion	€373.9 billion
4. Migration and border management	€22.7 billion	-	€22.7 billion
5. Security and defence	€13.2 billion	-	€13.2 billion
6. Neighbourhood and the world	€98.4 billion	-	€98.4 billion
7. European public administration	€73.1 billion	-	€73.1 billion
TOTAL MMF	**€1 074.3 billion**	**€750 billion**	**€1 824.3 billion**

Source: European Commission

Table 4 represents the Next Generation EU breakdown by facilities, whilst Table 5 provides more details for the allocations of the *"Just Transition Fund"* per Member State.

Table 4. Next Generation EU breakdown

Recovery and Resilience Facility (RRF)	*€672.5 billion*
of which, loans	*€360 billion*
of which, grants	*€312.5 billion*
ReactEU	€47.5 billion
Horizon Europe	€5 billion
InvestEU	€5.6 billion
Rural Development	€7.5 billion
Just Transition Funds (JTF)	€10 billion
RescEU	€1.9 billion
TOTAL	**€750 billion**

Source: Conclusions of the European Council of 21 July 2020

Table 5. Just Transition Fund – allocations per Member State (EUR million)

	Under NextGenerationEU	Under MFF 2021-2027	Total	Share
Belgium	95	71	**166**	**0.9%**
Bulgaria	673	505	**1,178**	**6.7%**
Czechia	853	640	**1,493**	**8.5%**
Denmark	46	35	**81**	**0.5%**
Germany	1,288	966	**2,254**	**12.9%**
Estonia	184	138	**322**	**1.8%**
Ireland	44	33	**77**	**0.4%**
Greece	431	324	**755**	**4.3%**
Spain	452	339	**790**	**4.5%**
France	535	402	**937**	**5.4%**
Croatia	97	72	**169**	**1.0%**
Italy	535	401	**937**	**5.4%**
Cyprus	53	39	**92**	**0.5%**
Latvia	100	75	**174**	**1.0%**
Lithuania	142	107	**249**	**1.4%**
Luxemburg	5	4	**8**	**0.0%**
Hungary	136	102	**237**	**1.4%**
Malta	12	9	**21**	**0.1%**
Netherlands	324	243	**567**	**3.2%**
Austria	71	53	**124**	**0.7%**
Poland	2,000	1,500	**3,500**	**20.0%**
Portugal	116	87	**204**	**1.2%**
Romania	1,112	834	**1,947**	**11.1%**
Slovenia	134	101	**235**	**1.3%**
Slovakia	239	179	**418**	**2.4%**
Finland	242	182	**424**	**2.4%**
Sweden	81	61	**142**	**0.8%**
EU 27	**10,000**	**7,500**	**17,500**	**100.0%**

Source: European Commission

The *"Just Transition Fund" (JTF)* was proposed in early 2020 by the EC, as part of the so-called *"European Green Deal"*, which would be a cornerstone in the role of the EU in the recovery phase of the economy after the coronavirus subsides. The aim of JTF is to provide support to those European regions, which could be the most negatively affected by the transition course to a low carbon economy. The EU targets a decrease of greenhouse gas emissions by at least 55% by the end of 2030 and by 2050 to achieve climate neutrality. The JTF is designed to help Member States in the management of the social and economic transformation of those regions, highly dependent on high-emission industries and fossil fuels. The proposed JTF budget at the amount of EUR 17.5 billion could be complemented with national co-financing and resources from cohesion policy funds. According to the EC data, the share of Bulgaria in the JTF is estimated at 6.7%, while the share of the Netherlands would be 3.2%.

In the context of jobs recovery from the pandemic caused by the coronavirus spread and the link with the role of the EU as intervening variable, SURE could provide each EU Member State with loans up to EUR 100 billion to address unexpected rise in public expenditure for employment protection. So far, the Council has approved a financial support totalling EUR 89.6 billion to 19 Member States, according to the EC data (2021d).

With the latest disbursement from the 25th of May 2021 Bulgaria received its funds from the facility at the amount of EUR 511 million. Thus, Bulgaria could direct the funds to short-term employment schemes and other measures, for example, aimed at the self-employed. It is expected that between 4,500 and 5,000 employers will be supported to retain about 140 thousand employees. On an EU level SURE, financed by the capital markets, provided support for 2.5 million companies and over 30 million Europeans. Table 6 presents an overview of proposed and distributed amounts per Member State.

The Netherlands, for example, is not present and one of the reasons could be that the negotiations on the emergency measures back in June 2020 ignited a disagreement from the notorious "frugal four" countries (Denmark, Austria, Sweden, the Netherlands) and Finland regarding the funding and allocation of the funds (Fernández, 2021, p.3). As Fernández (2021, p.3) points out, disagreeing Member States also *"opposed the idea of*

supporting a transfer of money from wealthier Member States to the most affected ones in southern Europe", especially by grants. Nevertheless, this underlines the specifics of the EU's role as intervening variable regarding different needs of its Member States.

Table 6. Proposed and disbursed loan amounts from the temporary Support to mitigate Unemployment Risks in an Emergency (SURE) per Member State (in alphabetical order)

Country	Proposed loan amount	Disbursed
Belgium	8.197 billion	8.197 billion
Bulgaria	511 million	511 million
Croatia	1.02 billion	1.02 billion
Cyprus	604 million	604 million
Czechia	2 billion	2 billion
Estonia	230 million	230 million
Greece	5.265 billion	5.265 billion
Hungary	504 million	504 million
Ireland	2.5 billion	2.5 billion
Italy	27.438 billion	27.438 billion
Latvia	305 million	305 million
Lithuania	957 million	957 million
Malta	420 million	420 million
Poland	11.236 billion	8.236 billion
Portugal	5.934 billion	5.41 billion
Romania	4.099 billion	3 billion
Slovakia	630 million	630 million
Slovenia	1.113 billion	1.113 billion
Spain	21.324 billion	21.324 billion
Total	**94.3 billion**	**89.6 billion**

Source: European Commission

Furthermore, on the 28th of January 2021, the European Commission (2021e) declared that the length of the State aid Temporary Framework, adopted on the 19th of March 2020 to support the economy in the framework of the COVID-19 pandemic, will be extended until the 31st of December 2021. The EC has also ruled to extend the scope of the Temporary Framework by rising the set out ceilings. The Commission will also allow EU members to convert repayable instruments (e.g., repayable advances, guarantees and

loans) until the 31st of December 2022. This is granted under the Temporary Framework into other forms of financial support, such as direct grants, conditional on the meeting of requirements of the Temporary Framework.

For example, among other programmes and state aid measures, the Bulgarian Development Bank's programme for loans with zero interest rate loans for self-employed, affected by the COVID-19 pandemic, and individuals on unpaid leave, falls under the Temporary Framework. The programme is being executed through the banks in Bulgaria (Bulgarian Development Bank, 2020). The early indications are that the programme could be extended by the end of 2021, based on the prolongation of the Temporary Framework.

One important decision to be taken by the EC is related to the rules of the Stability and Growth Pact, as a subcategory of institutional factors as independent variable, determining budget and debt discipline thresholds, which imply 3% budget deficit and 60% debt-to-GDP ratio. As the main aim is to give time to the European economy to fully recover and get back to the pre-crisis levels as soon as possible, the EC might prolong the suspension of the rules until 2022. This kind of decision could influence the link between the role of the EU as intervening variable and the institutional factors as independent variable.

Apart from the role of the EU, but with relevance to the institutional factors, one other fact deserves to be noted, that neither the Netherlands, nor Bulgaria, not even one single EU Member State accessed the financial assistance and debt service relief, provided by the IMF to EU states experiencing the economic impact of the COVID-19 pandemic (IMF, 2021c). Overall, the IMF is making around USD 250 billion of its total lending capacity of USD 1 trillion available to countries, members of the IMF.

Given the facts and the observations, an inference could be made about the proposition that the EU, as intervening variable between the institutional factors as an independent variable and labour policy as dependent variable after COVID-19, plays an important role in terms of providing funding. The aspects by which the two Member States – Bulgaria and the Netherlands, could take advantage of different investment and financial programs aimed to support the economic recovery after COVID-19 differ. While the EU schemes tend to lead to an increase of government spending, their aim is to support

economy and jobs. On the other hand, the rules of the Stability and Growth Pact should be adhered to, albeit posing challenges to public finances.

V. CONCLUSION

The COVID-19 pandemic will stand out in history as an example of a crisis, which challenged the ability of EU Member States to coordinate on both national and international level, fighting to preserve both the health and well-being of its citizens as well as to shield its economy. The high level of alert and previous experience from economic (like the GFC) and health (such as SARS, Avian flu, and the Spanish Influenza) crises, allowed the EU and its Member States to introduce firm and well-planned policy measures in attempt to minimise the negative effects of COVID-19.

The coronavirus pandemic continues even in the time of writing of the thesis, thus assessing its effects on the unemployment and government policy response in the Netherlands and Bulgaria in the most recent moment. Although this might be viewed as a limitation in a certain degree, it could be also viewed in the vein of master thesis' strengths, because of the actuality of the topic.

In general, this thesis attempted to present a comprehensive comparative case study, based on process tracing as a method, on the COVID-19 effects on the unemployment levels in the Netherlands and in Bulgaria, with an accent on the applied economic policies aimed at mitigating the severe effects of the pandemic and on the labour market.

The nature of the COVID-19 pandemic on the labour market and of the main characteristics of unemployment were clarified. The approaches of the Netherlands and Bulgaria to mitigate the severe COVID-19 effects on their labour markets were described.

Process tracing was used to conduct a comparative case study regarding the COVID-19 effects on the unemployment levels in the Netherlands and in Bulgaria and on the applied economic policies aimed at preserving jobs. The methodology was outlined in point 3.2. of Chapter III by the description of the steps of the following logic, as proposed by Beach and Pedersen (2019).

The causal conjunction was introduced (Figure 1) and applied to link the cause – COVID-19 – that triggers the process, researched in the thesis – labour policy and government intervention. The expected outcome was linked to the level of unemployment as regards to job retention schemes. Thus, the findings of the research

could be considered as consistent with the elements of the theoretical expectations model in Figure 1, which supports the internal validity of the study.

The observation of the cause, its influence on the outcomes, as underpinned by the empirical fingerprints in the analysis, and based on the evaluation of the collected evidence emphasize the proposition in the thesis, namely, that the COVID-19 pandemic affected the unemployment levels in the Netherlands and Bulgaria and the economic policies applied in those two countries aiming to mitigate the severe effects of the pandemic ultimately managed to preserve jobs.

As part of the findings, the research shows that at the end of March 2021, the number of unemployed in Bulgaria would have been 279 thousand without the measures, which could bring the number of unemployed to one of the highest levels, last observed in 2015. At the end of March 2021, the estimated level of unemployment in Bulgaria would have been 8.4%, compared to the actual 5.1%. More than 573 thousand businesses, at the equivalent to 31% of the total number of businesses in the Netherlands, have made use of the various support measures of the Dutch government. Despite the pandemic and in spite the initial reprise of unemployment, because of government interventions, the deterioration of unemployment in both countries was contained.

Discretionary fiscal support related to applied measures, which fall into the frames of the dependent variable, is budgeted to amount to 2.5% of the Bulgarian GDP and to 4.5% of the GDP of the Netherlands in 2021, describing the proportion of the provided reliefs.

As regards to the role of the EU, it could be expected that in the second half of 2021 the EU's unprecedented €1.8 trillion recovery fund Next Generation EU and multi-year budget would provide a solid boost to the battered economies. The two countries would make somewhat uneven use of the EU funds, given the role of Bulgaria as a beneficiary.

It is crucial that a gradual withdrawal of any kind of stimulus – monetary or fiscal, viewed in the vein of institutional factors as independent variable– would only be appropriate when coupled with resilient economic recovery. Anyway, the shape of the recovery phase could shape the current economic and political thought. For example, building on existing initiatives, Gita Gopinath and Ruchir Agarwal from the IMF (2021, p.2) propose *"pragmatic actions at the national and multilateral level to expeditiously defeat the pandemic".* Their three key points include the fulfilment of key targets, as follows: *"(1)*

vaccinating at least 40% of the population in all countries by the end of 2021 and at least 60% by the first half of 2022, (2) tracking and insuring against downside risks, and (3) ensuring widespread testing and tracing, maintaining adequate stocks of therapeutics, and enforcing public health measures in places where vaccine coverage is low". As the IMF (2021, p.2) calculates, *"the benefits of such measures at about USD 9 trillion far outweigh the costs which are estimated to be around USD 50 billion".*

At this point, questions regarding the concrete shape of the recovery phase and the assessment of each country about the effectiveness of the various support measures could be raised. Furthermore, challenges in terms of fiscal policy and additional reforms remain in sight. The recovery phase could provide an opportunity for both countries – Bulgaria and the Netherlands – to foster a greener and more sustainable economies, for example, by increasing the efforts to reach their ambitious emissions reduction goals, as part of the EU's effort for investments in a collective recovery and providing support for workers, companies and countries. Nevertheless, much needed reforms in Bulgaria would also have to be accomplished, given the country's willingness to become one of the newest euro area members.

A key question about the implementation of the plan of Bulgaria in terms of the Recovery and Resilience Facility, in particular, would be related to the precise timeline of the arrangement of the projects and activities included in the plan. The answer of that question should be based on the possibility of motivating and accelerating various structural reforms that support the long-term expansion of the economy's potential, including in the field of human capital development, the efficient functioning of public investment and capital formation. The mechanism allows covering public expenditures in the Member States until the end of August 2026, the implementation to start by the end of 2023 at the latest, and at least 70% of the funds to be agreed by the end of 2022.

Concrete proposals and recommendations to the institutions dealing with the challenges related to unemployment could be formulated. The ongoing supportive measures have to be carefully evaluated in terms of effectiveness and changes should be made, if deemed necessary. Two very important questions also should receive answers – (1) are the supportive measures still needed? (2) How long they will be applied? Since the measures are related with budget expenses, they should not become a burden for the taxpayers and

should not weight further on the governments' debt load, which has already increased due to COVID-19. Policymakers should focus on the direction of possible future labour market developments in terms of the prospects for post COVID-19 economic recovery, aiming at building of a resilient and sustainable economic and labour market environment. All in all, an essential investment for future generations could be the successful reconstruction of a labour market, emerging from the crisis better and more resilient.

As regards to the possible limitations, the scope of the research is limited to the time of writing, which is May 2021, while the coronavirus is still unfolding, on the back of acceleration of the manufacturing, distribution and administering of vaccines. The complete effects from the coronavirus on economy and jobs are yet to be explored as new evidence and data are coming in almost every day. The data constraint and the exclusion of some variables, as discussed in point 3.4., pose another challenge regarding the full scope of the research. On the other hand, the summary of the data in 6 tables and the data visualisation in 21 figures, providing the opportunity to view and interpret the situation, posed by COVID-19, in different angles and perspectives, could be viewed as one of the strengths of the study.

The future research can be conducted in several directions. The effects on the labour market after COVID-19 fades out and the economies get back on solid upward trend could serve as a topic for possible future research. The quantitative analysis done by the comparative case study could be developed and expanded into a comprehensive quantitative research. Exploring the role of the welfare state in terms of political policy and reactions post-COVID-19 could be also pursued.

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