

# Comparison of the COVID-19 Impacts on UK and US Economy: Evidence from Employment

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**Abstract.** Contemporarily, the COVID-19 pandemic has strongly influenced the global economy in various aspects. Among the strongly affected fields in economy, the employment ratio is one of the most influenced indicators as the corporation strategies have been adjusted due to the environment. On this basis, this paper will investigate and analyze the impacts on employment based on data retrieving and analysis. To be specific, two countries will be selected for better illustration, i.e., the U.S. and U.K. According to the analysis, the effects of the pandemic will be demonstrated. In detail, both countries face the drop situation of the employment ratios. In addition, the current policies proposed by the governments of the two selected countries will be discussed and evaluated. Moreover, the limitations as well as future prospects will be pointed out accordingly. These results shed light on guiding further exploration focusing on policy implementation of government during sudden risk affairs (e.g., pandemic).

**Keywords:** Employment, government policy, COVID-19, UK, US.

## 1. Introduction

On account of COVID-19, countries are basically showing a drop in employment, which has had a very big impact on the country's economy and a big drop in GDP [1-5]. The government has spent a lot of money on unemployment benefits to keep people alive and a lot of money on research to fight the new virus and keep people safe as soon as possible. The state has made more policies to protect people's health from the new virus and to provide them with basic living conditions. During COVID-19, the country is working to upgrade medical equipment and provide good medical care to those affected by the virus.

Although various policies have been implemented by governments around the world, the COVID-19 still has a pretty strong negative effects on employment [6-10]. To be specific, in Australia, 12 per cent of people are on unemployment benefits due to a drop in turnover and 21 percent are working for companies with government subsidies. The Australian government has increased benefits for the unemployed and has made it possible for companies to fire employees only after a certain amount of property has been lost. In the UK, where unemployment is at 24 percent, the government is providing wages to nearly two fifths of the workforce who are out of work. In Canada, the government gives emergency benefits to 10 per cent of the workforce, with a total of two-fifths of the population receiving benefits. There are many different types of subsidies, with different benefits for people without income, employees, and employers. Nearly a third of the Irish population is in receipt of the new government unemployment benefit and more than half of the workforce is in receipt of income from government expenditure. The Irish government initially helped businesses that had suffered a significant drop in turnover to pay their employees, and later stimulated employment with lower subsidies. The US stimulated businesses to continue to employ staff, but also 18 percent of the population received unemployment benefits. If a business has a full year without layoffs and negative wage adjustments, then the loan becomes a grant and does not need to be repaid by the business. China's economy, companies and employment rates have been greatly affected by the epidemic, resulting in many people losing their jobs and finding it difficult to survive without an income.

Although the government has financial subsidies and employment assistance for people with low/no income, it has been difficult to bring the unemployment rate down significantly because of China's demographic problems. In this paper, to offer some suggestions for employment issue during

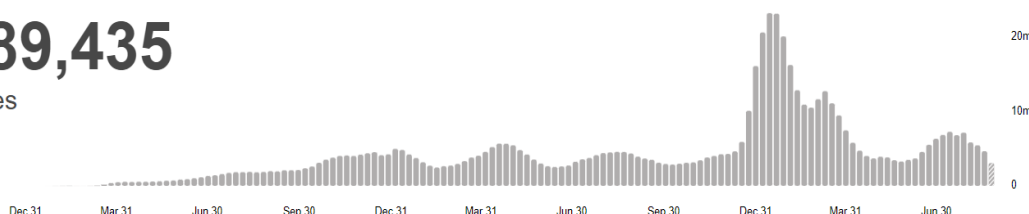
COVID-19, the U.S. and the U.K cases are selected. The reminder of the article will be separated and organized as follows. The Sec. 2 will give some descriptions of COVID-19. Subsequently, the Sec. 3 and 4 will demonstrate the impacts of COVID-19 on employment for the U.S. and U.K, respectively. Afterwards, the suggestions to address the issue of employment will be proposed accordingly with corresponding analysis. Then, the limitations of this study as well as future prospects will be presented. Eventually, the summary of the findings and implications of the study will be clarified.

## 2. Descriptions of COVID-19

The impact of COVID-19 on the global economy is unimaginable. 2008's global financial crisis (GFC) and even the Great Depression caused stock markets to collapse by 50% and more, credit markets to freeze, massive bankruptcies to follow, unemployment to soar above 10% and GDP to contract at an annualized rate of over 10%. GDP contracted at an annualized rate of over 10%. This series of problems was completed over a period of three years. However, the fact that such a series of negative macroeconomic and financial results were achieved in three weeks because of COVID-19 speaks volumes about the severity of the new crown and the seriousness of its impact. The infections evolution is illustrated in Fig. 1.

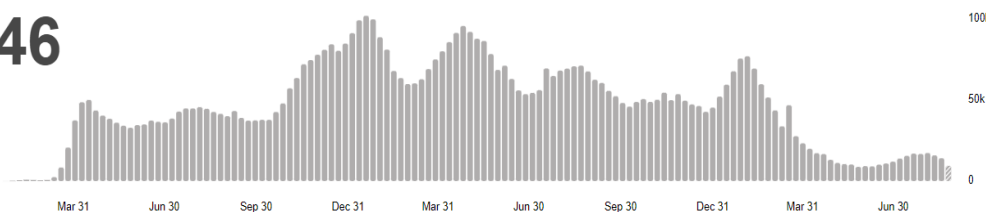
**601,189,435**

confirmed cases



**6,475,346**

deaths



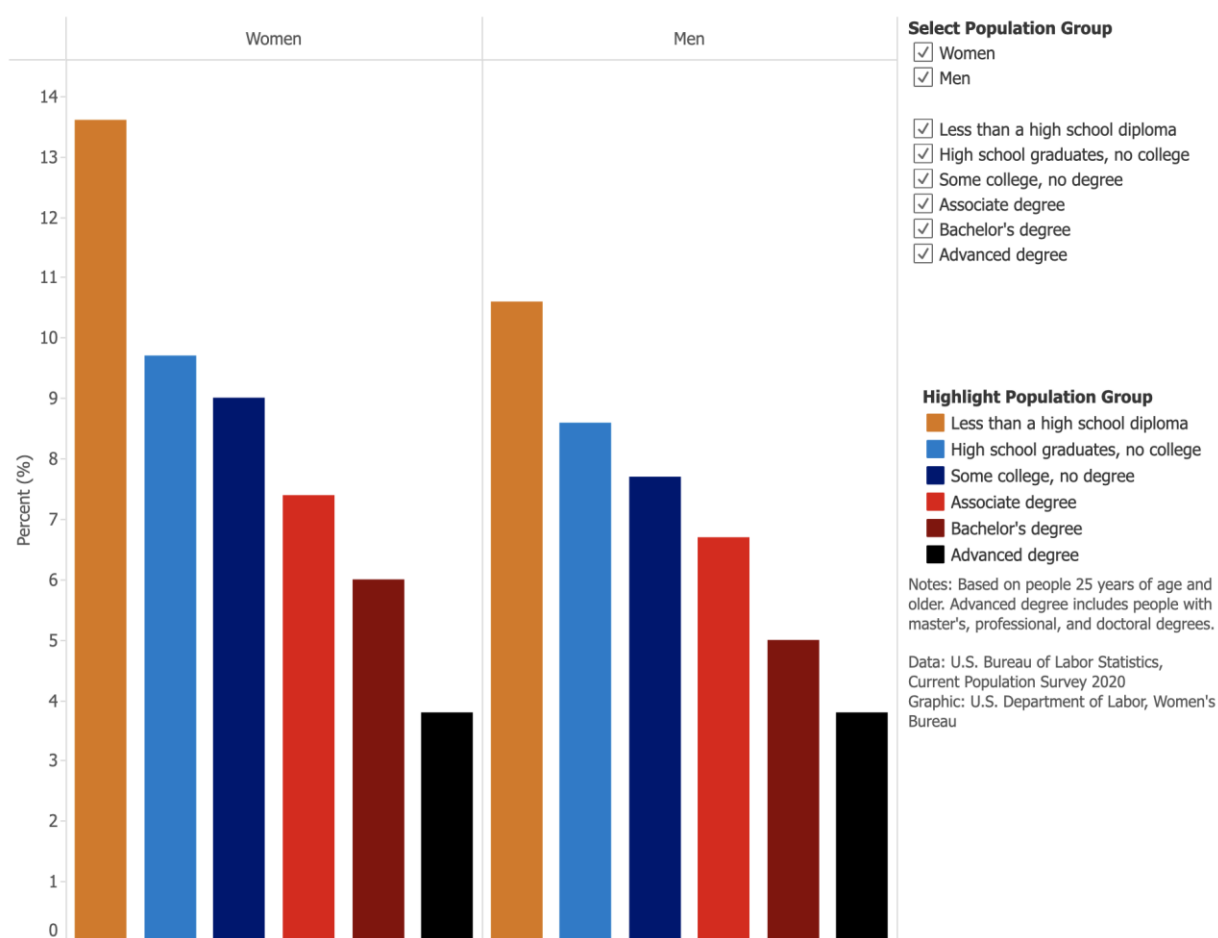
**Figure 1.** Evolution of infections quantity of COVID-19.

The global distribution of COVID-19 by region, time and population is as follows. According to the WHO Weekly Report (1 November), the vast majority of the 46 million COVID-19 cases reported globally are from the Americas (45%), Europe (24%) or Southeast Asia (20%) regions, with more than half of the deaths occurring in the Americas (54%), with the top three countries reporting cases being the United States, India and Brazil. Since the start of the COVID-19 pandemic, the number of reported cases has continued to increase globally, with about 2 million new cases per week in September. In general, the rate of increase has accelerated significantly. Newly reported deaths had fluctuated globally since the beginning of August, but as the number of new cases accelerated in October, the number of new deaths increased again, with the number of new deaths in the last week of October equal to that in early August.

According to the statistical reports, the proportion of young and middle-aged patients has continued to increase, from 4% (weeks 9-10) in the initial period to 14% (weeks 42) in the 15-24 age group, and from 50% to 65% in the 25-64 age group over the same period. There was also a small increase in 0-4 and 5-14 years of age, and a significant decrease in the proportion of persons aged  $\geq 65$  years from 40% to 15%. The proportion of deaths in all age groups showed a slow increase in the 25-64 age group, from 10% in the early years to 30% in the summer, and is now about 25%. The proportion of deaths among those aged 65 or older has fallen from nearly 90 percent in the early years to 75 percent in recent weeks. Males and females reported half of the cases, but males had a higher proportion of deaths, accounting for about 59% of the total number of deaths.

### 3. The impact on the U.S.

The emergence of COVID-19 in 2020 has caught many countries off guard and has had another huge impact on the country's economy & employment rates. This study takes a look at the difference between female and male unemployment rates in the US and UK specifically and the difference between Asian/black unemployment rates and white unemployment rates. It is shown that unemployment in the United States has risen because of COVID-19 and that COVID-19 has left US without drugs to treat the virus because of its sudden appearance, bringing the number of deaths from the new crown to 3.35 million in 2020, making it the third leading cause of death in the US. According to Fig. 2, one can notice that the unemployment rate is higher for women than for men at COVID-19 (2020), regardless of any level of education. As illustrated in Fig. 3, one can see that Asians and Blacks all have higher unemployment rates than Whites at COVID-19 (2020), regardless of any level of education.



**Figure 2.** The employment percent of male and female.

The US government has many ways of dealing with the unemployment situation. Firstly, monetary policy means decisions made by the government regarding monetary variables such as money supply and interest rates. With interest rates falling and the cost of borrowing money becoming lower, the Federal Reserve wants to use lower borrowing costs to stimulate demand for money from factories and individuals. Secondly, fiscal policy means decisions made by the government on its expenditure, taxation and borrowing. In addition, US government spend numerous moneys for Health Provisions, education, Energy and Interior. There are examples, \$140.4 billion for the Department of Health and Human Services. From these examples it is clear that the US is keen to find a way to combat covid-19 and bring the unemployment rate back to before COVID-19 values as soon as possible. At last, US government provide direct payment to low-income people and loans for small firms.

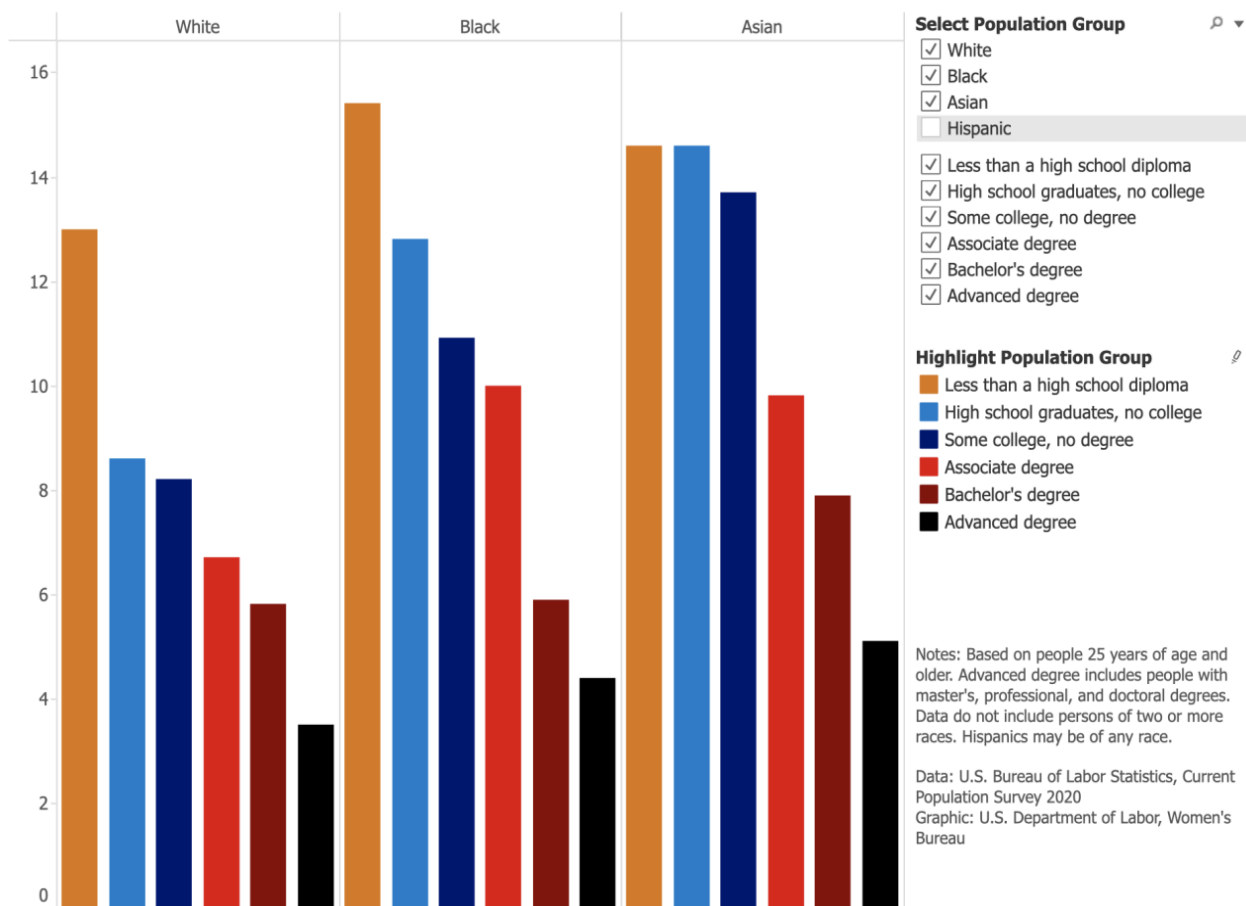
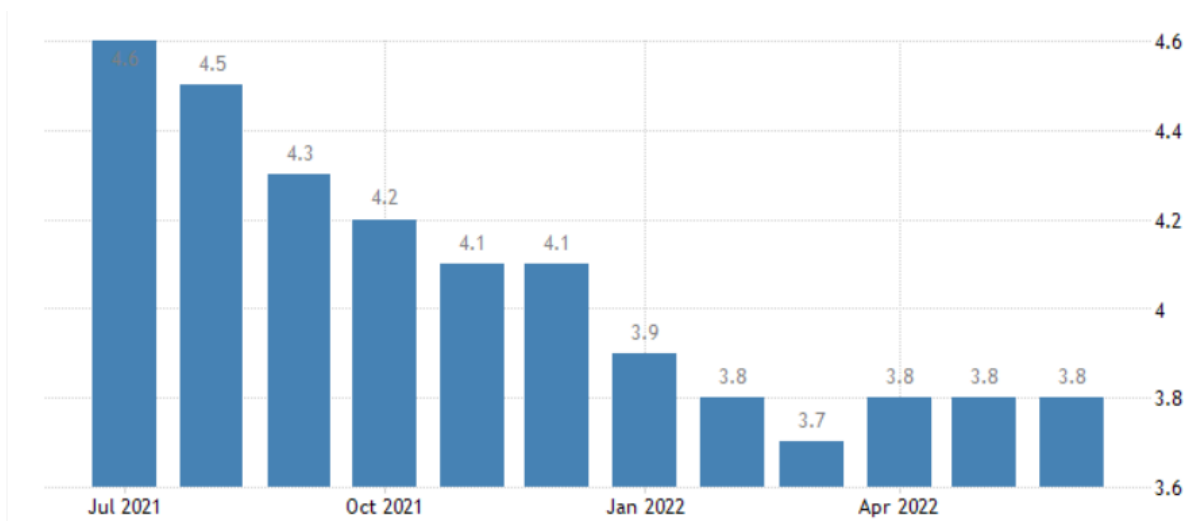


Figure 3 The employment percent of different racial.

#### 4. The impact on the U.K.

In the UK, counting the 5 million people who are on furlough as unemployed. In this case, it is close to double the rate during the 1990 recession and almost a third higher than during the Great Depression. The evolution of unemployment is given in Fig. 4. According to statistical results, the unemployment rate in 2020 is expected to rise to an unprecedented level since 1972. It also shows that in comparison COVID-19 leads to higher unemployment rates than the other four economic changes. In 2020 the Aug-Oct female unemployment rate is 4.7% and the male unemployment rate is 5.4%. The female unemployment rate is higher than the male unemployment rate in the UK.

UK government total spending reaches 190 billion euros focused on stimulating demand. Firstly, the aim is to help hotel industry and tourism, because hotel industry and tourism were hit hard by COVID-19, so government decrease taxes. It lowered the price of goods to stimulate consumers to spend more. Secondly, UK government raised the threshold for stamp duty. The aim was to increase demand for houses, which in turn would drive demand for a range of complementary items, such as furniture. Thirdly, the Kickstart scheme is a UK specific policy. It is a government subsidy for businesses to create new jobs for people deemed to be at risk of long-term unemployment, and employers are required to provide at least 25 hours of work per week for six months, and is aimed at people aged 16 to 24. Fourthly, UK government provide retraining and careers advice to unemployed. This is because some unemployment arising because of changes in the pattern of activity within an economy, which is structural unemployment. Support and expand to twice the training services to enable the unemployed to learn new skills and increase employment rates.



**Figure 4.** The evolution of unemployment ratio in the U.K.

## 5. Comparison and suggestions

According to the above analysis, it can be seen that both the US and UK governments use tax cuts to reduce unemployment. The US government cut taxes in order to stimulate companies to increase loans and reduce the cost of loans to companies, then companies do not have to rely too much on layoffs to reduce costs and unemployment is likely to fall. The UK government's reduction in indirect tax (VAT) is intended to increase demand from customers, so that suppliers can only employ a certain number of people and keep unemployment at a manageable level.

In addition, the increased threshold for stamp duty in the UK has not only increased demand for housing, and driven demand in a range of furniture markets, which may also secure some employment. The US government has increased government spending, not just for anyone who needs help, but has spent a large part of it on research to combat the new coronavirus. The UK government also direct payment to some people, but the UK government has mainly helped the tourism branch. Because the effects of COVID-19 have caused huge problems for the UK tourism industry, this has increased the number of unemployed people in the UK.

However, the US and UK governments' measures may not necessarily help all those who are unemployed or who are living in difficult circumstances under COVID-19. Firstly, some of the unemployed are unemployed of their own volition and are not forced to become unemployed by the new legislation and thus have no financial resources. Secondly, government measures may not help everyone, as some older people may not know how to access government benefits. As a matter of fact, the government can introduce some regulations, such as working from home to minimize the rate of COVID-19 infection, and restaurants or snack bars to allow consumers to choose takeaway or delivery instead of dine-in. Then the government can create some basic jobs for the long-term unemployed or low-income people to ensure their basic livelihood

## 6. Limitations & Future prospects

Nevertheless, it should be noted that the results and analysis presented in this study has some shortcomings and drawbacks. Primarily, more data and features (i.e., influencing factors) should be collected to comprehensive analyze the impacts on unemployment. In addition, certain analytical and statistical models should be constructed to quantitatively evaluate the effects, e.g., via correlation analysis and regression analysis. Furthermore, empirical analysis should be given (e.g., questionnaires) to obtain first-hand data. With this in mind, for further studies, more data should be collected and retrieved, as well as analysis with empirical and statistical approaches.

## 7. Conclusions

In summary, this paper discusses the impacts of COVID-19 on employment ratios. To be specific, the situations for the US government and the UK government analyzed. In detail, this study discusses the situations of the two governments face. Based on data analysis and theoretical evaluations, the moves that two governments have to make in 2020 in the face of COVID-19 to induce unemployment are discussed. Besides, segment of the population is worse off as a result of COVID-19. Nevertheless, more data and perspectives ought to be taken into consideration in order to present a more complete suggestions for government policy. In the future, further analysis on the unemployment based on more factors should be carried out. Overall, these results offer a guideline for policy implementation to address the issue of unemployment in extreme conditions (e.g., pandemic).

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