

A Look At The Eastern European Labour Markets During COVID-19



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The Coronavirus pandemic and the political measures that followed have also had an impact on the Eastern European labour markets. Over the course of April, we asked our clients and partners, mainly manufacturing companies in areas such as agricultural machinery, building materials and industrial components, how they are dealing with the situation in Eastern Europe.

All of the companies we surveyed have so far not had any redundancies. All the companies have switched most of their administrative staff to remote work, some have closed canteens and other non-essential facilities to minimize contact. The division of shifts and production groups, to ensure social distancing, served the same goal. The majority of the companies surveyed took a mix of measures to avoid layoffs. For instance, parts of the workforce were asked to take their annual vacation.

Wherever possible, short-time work programs were used - for example in the Czech Republic, Slovakia and Bulgaria. In Poland and Romania, under certain conditions, it is possible to reduce working hours by reducing wages accordingly.

Some companies have agreed on voluntary partial wage cuts with their employees, especially in middle and senior management. In the automotive industry, in particular, plants were closed for several weeks, but this did not involve layoffs. The surveyed managing directors and HR managers explained that their workforce is of great importance to the company - qualified and motivated employees were too valuable to simply be laid off because of the crisis.

It was also striking that most of the respondents expect the markets to recover quickly starting from June. "Manufacturing companies resort to layoffs only in extreme emergencies," says the managing director of a building material supplier with a plant in Slovakia.

The short-time work program helps companies get over the worst. However, the situation could change, if there will be no recovery in the third or fourth quarter. Likewise, in Russia, Bulgaria, Poland and Romania there have been no news regarding mass layoffs.

The Tourism and restaurant businesses have been badly hit

The tourism and restaurant sectors across Eastern Europe were hit severely - for countries like Bulgaria, with dramatic consequences. "This situation may persist, mainly because most people will be hesitant about spending their money on restaurants and beaches, once they are opened," says a German managing director living in Bulgaria.

The unemployment rate could double this year, also because the retail and consumer goods industries may feel the falling purchasing power.

Returnees as an opportunity

Long-term forecasts of the effects of Corona on the labour markets are currently subject to great uncertainty.

However, the following developments seem plausible:

1. Manufacturing companies could get through the crisis without layoffs due to the well-developed labour market instruments in many countries. However, a recovery could be too late for companies that already had problems before the Corona crisis.
2. It's unlikely that the restaurant and tourism businesses will recover immediately. This indicates a potential increase in the unemployment rate in Eastern Europe in 2020. Travel restrictions and the declining purchasing power in many places will burden the industry more sustainably.
3. When it comes to the automotive sector, the rate of recovery can't be determined with near certainty at this point. This is a very important sector for countries such as the Czech Republic, Slovakia, Hungary and the Southeast European countries.
4. The Eastern European labour markets are under additional pressure from returnees. Many Romanians, Bulgarians and Poles have returned to their home countries in the past few months as there is less work to do in Western Europe (outside of the job opportunities in the health care system) due to the Coronavirus pandemic.
5. The return of these often highly qualified professionals is a great opportunity for companies in countries such as the Czech Republic, Hungary and Romania, which have complained about the shortage of skilled workers for years, to now resolve this issue. Employers now have the opportunity to recruit well-trained and internationally experienced employees into their companies.

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