COVID-19 and the impact on the economy and society in Spain

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Abstract

Pandemic COVID-19 has caused many imbalances in political, socio-cultural, economic and ethical aspects. The article considers the negative effects of COVID-19 in many sectors of economy on the example of Spain. The main results of analysis have proved that unemployment rate was growing rapidly in case of Spain reaching one of the highest level on the world. Moreover, the branches of Spanish economy, which suffered the most from the global crisis caused by pandemic, was tourism and hospitality sector. The article also indicates the possible actions that aim to improve the negative consequences of pandemic.
These aspects are divided into three blocks: protection of workers in the workplace, encouragement of economic activity and labour demand, support for employment and income maintenance. On the other hand, the authors explain how the situation in education and tourism has been handled. The authors used critical analysis of literature and documents as the research method.

Key words

pandemic, COVID-19, work, crisis, Spanish economy

Introduction

COVID-19 is the disease caused by the new coronavirus known as SARS-CoV-2. The WHO first found out the existence of this new virus on December 31, 2019, when it was informed of a group of cases of "viral pneumonia" that had been declared in Wuhan, People's Republic of China. The most common symptoms of COVID-19 are fever, dry cough, and fatigue. Among people who develop symptoms, the majority (about 80%) recover from the disease without the need for hospital treatment. About 15% develop severe illness and require oxygen and 5% become critical and require intensive care [kcompta, 2020]. The first mass vaccination program was launched in early 2020 and 175.3 million doses have already been administered and until 15th February 2021. Most scientists predict that, like most vaccines, those developed against COVID-19 will not be 100% effective. WHO works to ensure that any approved vaccine is as effective as possible so that it will have the greatest effect in the pandemic [WHO, 03.06.2021].

The negative effects of coronavirus can be divided into economic and social problems [Ozili, Thankom, 2020]. In relation to the economic effects, COVID-19 have a broad impact on the labour market. Apart from health problems of workers and their families caused by virus, the ensuing economic crisis will negatively affect the business in many years [James et. al, 2020; Maital, Barzani, 2021; Martínez Lázaro, 2020]. In the first half of 2020, 400 million full-time jobs were lost due to the COVID-19 crisis, a much higher number than previously estimated, and there was a 14% drop in working hours globally [ILO, 2020]. The COVID-19 pandemic crisis has already accounted for 15 to 20 million job losses in Europe [Visentini, 2020]. Tourism is the sector, which probably suffered the most during lockdowns caused by pandemic. Tourism in the EU represents 10% of GDP and 12% of European jobs, and it also receives around 700 million tourists per year. The lack of international mobility does not favour the proper functioning of the tourism sector, which causes dire consequences on the economy of Spain, as it is one of the southern
European countries that will be most affected by the destruction of jobs due to its high exposure of the tourism sector (catering, accommodation and transport) [Roselló, 2020].

The purpose of this article is to present the consequences that the COVID-19 has caused in Spanish economy as well as the psychological effects on people.

1. Research method

The official COVID-19 information pages are the main collection bases for the research. In addition, the information published by the ILO (International Labor Organization) were used. The ILO is the United Nations body dedicated to promoting social justice and labour rights. It is the only tripartite United Nations body: it has government, employer and worker representatives in its governance structure enabling them to promote rights in the workplace, improve social protection and strengthen social dialogue. On the other hand, to facilitate the interpretation of the information extracted, the authors use the EXCEL program for the elaboration of graphs with the help of the INE (National Institute of Statistics) and DatosMacro databases. The critical analysis of literature was prepared on the basis of research of other scientists published in Dovepress and on different platforms. The results were used in order to reach a conclusion on how people behaviour has changed due to pandemic and how deeply Spanish economy was directly harmed.

2. Research results

The crisis caused by COVID-19 will have various consequences, such as the rate of employment, the quality of work (in terms of wages and access to social protection), and the effects it causes on people. One of the main negative and direct effect of pandemic caused by coronavirus is the increase of unemployment [Blustein et al., 2020; Hill, Jacobs, 2020]. The rate of unemployment varies from country to country around the world, which is presented in the Figure 1.
Fig. 1. Unemployment caused by COVID-19 in different countries
Source: own elaboration on the basis of datosmacro [https://datosmacro.expansion.com/otros/coronavirus].

The graph in Figure 1 indicates ten most affected countries in relation to unemployment due to the COVID-19 pandemic. South Africa is the country that has suffered the most from COVID-19 with 32.5% with a high percentage of unemployed people compared to other countries. On the other hand, the second most affected country is Spain with 16%, followed by Greece (15.80%), Brazil (13.90%), Turkey (12.90%), Colombia (11.80%), Uruguay (10.50%), Lithuania (9.60%), Italy (9%) and Sweden (8.90%).

The supply of labour is declining as a result of quarantine measures and reduced economic activity. According to ILO (International Labor Organization) forecasts, the affected workers have already lost almost 30,000 months of work [ILO, 2020]. The repercussions in the workplace cause great loss of income for workers. The coronavirus pandemic in Spain and in the world has caused an unprecedented health crisis that, in turn, has led to the paralysis of certain economic sectors, such as commerce, hospitality and tourism, causing the fall of several economic indicators that warn of a recession, at least in 2020 [Jorrín, 2021; Guterres, 2020]. The loss of income caused by job lost, will lead to a decrease in the consumption of goods and services, which will negatively affect the continuity of business activity and the capacity for economic recovery [ILO, 2020]. On the other hand, it should be considered that all these negative effects will lead to an increase in poverty and inequality among the population. It should be noted that the most vulnerable people to this situation are young people since they must face a very high unemployment rate and
migrant workers because of the difficulty in moving to their place of work in host countries and returning to their families [ILO, 2020].

The graph shows that the most affected sector (drop in sales) in Spain is the hospitality sector (55%), followed by the leisure sector (42%). The other sectors have also been affected, but to a lesser extent than those already mentioned: trade and repair (21%), real estate (18%), logistics (15%), education (13%), building (8%) and health (7%). The restaurants have been adversely affected by lockdowns, since some of them have stopped providing service in the same premises and only made home deliveries, resulting in the decrease in number of customers.

Moreover, the experts predict massive budget cuts in education. This will jeopardize the progress, which had been achieved in access to education and limit the global effort to improve learning outcomes [Vives, 2020]. It may also be necessary to think about incentives for students to stay at school, such as scholarships, conditional cash transfers, and savings programs that encourage study. Lack of investment in education and training will influence long-term economic prospects and cause short-term losses for students, workers and their families [Educaweb, 2020; Educaweb, 2021; Fasih et al., 2021; Hollander, 2021].

Another most directly affected sector by pandemic is tourism since this sector has undergone great changes due to the great existence of restrictions and the impossibility of traveling [Guterres, 2020; Moreno-Luna et al., 2021]. Tourism is the third...
largest export category in the world (after fuels and chemicals) and in 2019 accounted to 7% of world trade. In 2019, international tourist arrivals reached 1.5 billion thanks to a decade of uninterrupted growth. All regions of the world have experienced high growth until the beginning of 2020 [Warwick, Roshen, 2020]. Around another 9 billion people travelled to their home countries. Globally, tourism supports one in ten jobs and provides livelihoods for many millions of people. In Europe alone, tourism generates 27 million jobs and millions of companies. In the first five months of 2021, international tourist arrivals have fallen by more than half and, for example, in the United States, $ 320 billion in tourism revenue has been lost. Many workers in the tourism sector are in the grey economy or in micro, small and medium-sized enterprises, which employ a high proportion of women and youth. For women, rural communities, indigenous peoples and many other historically marginalized populations, tourism has represented a diver for integration, empowerment and income generation. The crisis has been a major shock for developing countries, particularly for many small island, developing states and African countries [Guterres, 2020]. The impact of pandemic on tourism sector in Spain is only comparable to Greece, which economy also relies heavily on summer tourism. Tourism GDP in Spain fell by almost 69% compared to that recorded in 2019. In a year marked by the consequences of the COVID-19 pandemic, the national economy value decreased by 11.1%. In 2020, according to the Bank of Spain, the income obtained from tourism in Spain was down by 55 billion euros compared to 2019. Revenue from foreign tourism in Spain amounted to just under €16.2 billion [de Aldecoa Fuster, 2020; Díaz, 2021], as restrictions on mobility make the arrival of tourists impossible [Roselló, 2020]. Therefore, this crisis in tourism sector is seen as one of the reasons that will affect the recovery of Spanish economy. In central and northern Europe, on the contrary, the closing of borders was a stimulus for the domestic economy, since tourists who habitually travelled to the Mediterranean had to stay within their countries [de Cos, 2020]. For example, in Germany, the savings generated was 32,000 million euros, that is, the spending of its residents abroad was half of the usual. This reduction in tourism spending contributed no less than 1.8 points to GDP growth throughout the three quarters of the year compared to the same period of the previous year. This policy of closing borders during the summer was very profitable for northern European countries, since it encouraged their inland tourism, but it was a serious blow to the entire northern Mediterranean arc [Jorrín, 2021]. Hospitality and restaurant businesses were severely affected by lockdowns. Hotels around the world have seen bookings cancellations amounting to billion dollars, and the industry has asked for a $ 150 billion bailout [Muller, 2020].
Regarding education, lockdown had a great impact, since a lot of investments had been done in public schools to facilitate and improve student performance, such as the reform of classrooms to maintain the safety distance between students and teachers [United Nations, 2021]. A large part of the measures that the countries have adopted in the face of the crisis are related to the suspension of face-to-face classes at all levels, which has given rise to the following actions: the deployment of distance learning modalities, through the use of a variety of formats and platforms (with or without the use of technology), the support and mobilization of the educational staff and communities, the attention to the health and integral well-being of the students [UNESCO, 2020]. The health emergency has exacerbated the disparities that already existed in education and the prolonged closure of schools could reverse the advances of the last five decades, especially in terms of the education of girls and adolescent and young women. Projections indicate that almost 24 million students from elementary school to university could drop out of classes due to the economic impact of the health crisis. The decisions that governments make now will have a lasting effect on hundreds of millions of young people and on the development of countries for decades. The impact of COVID-19 on education could squander great human potential and reverse decades of progress [Guterres, 2020]. Children need socialization, contact with their peers. The pandemic has impacted the future of students, putting children on stand-by, because school is not pure academic content. It affects children and families, as not all parents can help their children or spend a lot of time with them [Pulfer et al., 2020]. Online education, through platforms or programs on television or radio channels, are not always possible due to access problems. Therefore, these offline students have been given materials to continue with their activities [Delgado, 2020]. Moreover, it is advisable to prevent children from being overexposed to information about the pandemic, it is good that they know what is happening, but to explain it to them with an appropriate language for their age. On the other hand, it has been necessary to invest in the training of teachers to improve their management with technologies since many classes are taught online. This new way of teaching students subjects does not favour the acquisition of this knowledge in the long term[Hollander, 2021].

Regarding the social effects, most serious consequences are related with society health. The intensity of the reaction to the COVID-19 crisis is partly logical. Many countries have put in place stay-at-home or quarantine policies. Such measures are necessary to avoid overwhelming healthcare system with large numbers of patients falling ill at the same time. No healthcare system in the world is designed to function well under these extreme pressures. However, shutting down the economy completely cannot be permanent or protracted solution. The scars that an indefinite or
excessively long blockage can cause on the economy and society are very deep and painful. However, these reasons should not lead to reopening the economy too soon or too quickly, denying the severity of the pandemic, as has been done repeatedly in some media and on social networks, manipulating and misusing data [Serrano, 2020]. But at the same time, there is a psychological aspect that generates fear and anxiety [Alonazi, 2020], which is called an epidemic in itself [Barría, 2020]. As far as health consequences are concerned, complications following COVID-19, which in extreme cases lead to death, include respiratory failure, acute respiratory distress syndrome, sepsis and septic shock, and/or multiple organ failure including heart, liver and kidney damage. Some patients who have suffered from COVID-19, whether they have needed hospital care or not, continue to experience symptoms, including fatigue and various respiratory and neurological symptoms. Having cancer or chronic lung diseases can increase a chance of severe course of disease caused by COVID-19. Treatments for many types of cancer can weaken body ability to fight disease [CDC, https://www.cdc.gov/spanish/index.html, 13.05.2020]. COVID-19 has induced stress and changes in the attitudes especially among young people [Abdulghani et al., 2020; Hamza et al., 2020]. Prolonged isolation and lack of relationships with others, leads to mental problems and more often to depression [Lin et al., 2020; Lu et al., 2020; Low, Zakariya, 2020].

Taking into account the negative impact of pandemic on economies, many actions should be taken in order to reduce unemployment rate. First of all, the implementation of effective fiscal measures and flexible monetary policies. The central banks of the countries should reduce their interest rates, in addition to applying tax reductions and exemptions to the payment of social security contributions, and extending the term of validity and pay mortgage payment. Loans and financial support should also be granted to specific sectors, including the sectors most affected by the crisis like health care or tourism. Probably, these sectors will receive subsidies and other aid for long periods of time, the changes of work conditions including teleworking and organizing work shifts at the workplace. Another action should be the extension of the right to paid sick leave applicable to workers who are unwell or in quarantine. Advice on OSH will also need to be provided through hotlines, dedicated websites and information dissemination. For example, countries will need to send their companies a questionnaire on the measures they need to take in the workplace to deal with the spread of COVID-19 and launch several specific hotline services. And, finally, it is necessary to reach agreements on the reduction of working hours and compensation: countries should grant partial unemployment benefits, to compensate workers for the time they did not work [ILO, 2020]. To meet the economic challenge posed by the pandemic, the Spanish government has just announced an
ambitious crash program that will mobilize up to 200 billion euros, including public spending amounted to 114 billion euros, and the rest comes from private sources. The two main objectives of this are, firstly, to keep the industry sector and, secondly, to prevent workers and the self-employed from suffering even more from the fall in consumption [Lázaro, 2020].

The recovery of the world economy will take place faster than initially estimated by the International Monetary Fund (IMF), which has revised its growth forecast for 2021 and 2022, to 6% and 4.4%, respectively, thanks to the stimulus measures in countries such as the United States or Japan and the progress in vaccination, although it has warned of the divergences in the pace of recovery between countries and economic sectors [International Monetary Fund, 2021].

These are some example actions which should be implemented for the economic recovery to be quick and effective [López-Casares Pertusa, 2020]:

- administrations should provide incentives and aid to speed up hiring.
- give quick access to easy financing, which does not entail complicated bureaucratic procedures.
- establish real collaboration networks between representatives of business and institutional forces, with the sole objective of activating the economy, adapting it to the new framework.
- identify force recovery and detection accelerators in each territory or country, to invest in them as levers of change and progress.
- design practical training programs and academic excellence from the first years of schooling.
- promote technology transfer and sectoral and business competitiveness.
- increase flexibility in the productive value chain.
- promote an innovative culture, in which good business and sector practices are available to everyone.

Understanding the complicated economic effects we are facing, it is necessary to start carrying out far-reaching reforms that guarantee our economic growth in the future. On the one hand, public spending can be rationalized and made more efficient at the local, regional and state levels, eliminating duplication and prioritizing its productivity. On the other hand, the European funds, which will be received between 2021 and 2026, should be invested to mitigate the negative effects of the coronavirus [Cuñado, 2020].

Paradoxically, global pandemic has its positive effects like the evolution and development of digitization and electronic commerce. The results of survey made by Rois, have shown that shopping on-line became more popular among Spanish habitants during lockdowns and temporary restrictions. 51% of those interviewed...
stated that they have bought online more frequently than usual, while 39% assured that they had maintained the same frequency of purchase through this channel. Average purchasing spending also increased up to 96 euros compared to 71 euros in the last 12 months. The study on the impact on online sales of COVID-19 revealed that when the confinement began, consumers looked for basic products such as food or pharmacy, but that at the end of March 2021 consumption behaviour patterns were modified, accelerating sales in all sectors. However, the explosive growth of this type of purchases could not offset the large decline in online reservations for flights, hotel rooms and other online purchases in the tourism sector [Rois, 2020]. Sales in e-commerce started to grow rapidly after lockdown due to the COVID-19 epidemic. In fact, a 55% increase in online purchases had been reported during the national quarantine [González, 2020]. E-commerce during the pandemic has played a central role in reducing gaps both on the side of the demand and supply. The COVID-19 crisis is driving more consumers to buy online so the adoption of e-commerce should be accelerated. Although e-commerce has a number of advantages over traditional commerce, but it requires many legal regulations including international agreements to harmonize legislation of electronic commerce, legal validity of contracts and transactions on paper, the existence of control of international transactions such as payment and collection of taxes, protection of property rights intellectual property and the security of electronic means of payments [González, 2020]. Digital technology has the potential to generate an efficient response with online examinations, real-time maps of confirmed cases, remote classes, and doctors exchanging information about cases and treatments on social media and messaging apps. While millions of people see their livelihoods threatened, millions more have been able to work remotely. Digital technology supports the "social distancing" necessary to combat the virus, through online ordering and virtual social connections, cities and local governments [UCLG CGLU, 2020].

Conclusions

The research ideas presented in this article aimed to investigate and explain the damages caused by COVID-19 on labour market. It should also be noted that the sectors / branches of the economy that have suffered the most due to this pandemic have been hospitality, tourism and entertainment. In relation to the economic effects, the loss of economic activity caused by the paralysis of the economies as a result of the confinements, the shortage of supply of certain products, as well as the imposition of restrictions on trade and international mobility, has considerably impaired the internationalization of the Spanish economy. The outbreak of the health crisis has
accelerated pre-existing trends to the pandemic such as protectionism, international trade tensions and the digitization of the economy. Moreover, the authors emphasised more detailed information on the psychological effects of COVID-19, which are not often discussed in media. Regarding the psychological causes that the pandemic has caused, it has caused great psychological problems in the population. The most common effects are severe depression, anxiety, or poorer sleep quality. The authors also suggested the transformative and policy interventions needed for individuals and communities suffering from job loss.

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Streszczenie


Słowa kluczowe

pandemia, COVID-19, praca, kryzys, gospodarka Hiszpanii