

Around the world, COVID-19 is revealing much about governments' priorities and capacity to protect workers; the US could be doing more

Article based on April 10 panel discussion: [COVID-19: Economic Impact, Human Solutions](#)

As the coronavirus pandemic decimates economies across Europe, the national governments of France, Austria and Denmark are giving businesses billions of euros to continue paying the wages of their employees even as people stay at home. The idea behind the support is that when economies reopen for business, payrolls will have remained largely intact.

By comparison, the U.S. does not require businesses to continue paying their employees and is instead relying on the Unemployment Insurance (UI) program to keep income support flowing through the economic shutdown. In the four weeks after the Trump administration declared a national emergency, more than 22 million people had filed for UI benefits, marking the highest joblessness level the U.S. has seen since the Great Depression.

The pandemic has provided a harsh, real-time global civics lesson as different countries - and even different U.S. states - have responded in their own ways to both the public health and economic emergencies. In an April 10 online panel at the Goldman School of Public Policy, O-Lab faculty members discussed how governments have employed different strategies to limit the pandemic's economic damage, and what those diverse approaches have meant for billions of workers.

Economist Gabriel Zucman said payroll protection has been the goal of many European government policies, which have stepped in to pay most if not all of workers' wages.

"In most other countries, governments are trying to protect jobs. They have payroll protection programs and short-term wage programs where workers remain formally employed," Zucman said. "Employers keep paying a normal wage, and the government then reimburses employers for that wage - sometimes up to 100% like in Norway, 75% like in the U.K., 80 to 90% like in France.

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-Henry Brady

"The unemployment rate is not rising as much as in the U.S., and jobs are being preserved for the time being," Zucman said. "I'm concerned that the U.S. path may not be optimal. Millions of jobs that are being destroyed, some won't be recreated when the shutdown is over, and I'm worried about the possibility that the recovery will be slower in the U.S. than in European countries or in Canada."

Goldman School of Public Policy Dean Henry Brady, a political scientist, said the wave of layoffs and business closures in the U.S. are causing long-term damage.

“An economy is a giant jigsaw puzzle and once it gets completed, it sits there, and there’s a tremendous amount of matching of people with jobs and firms with customers,” Brady said. “We’ve taken that jigsaw puzzle in the United States and shaken that up and it’ll be very hard to put it back together. The European approach has been more to try to keep the jigsaw puzzle in place by keeping people in their jobs.”

The coronavirus pandemic has also highlighted the ramifications of our different approaches to providing healthcare, with European countries offering universal health coverage while the U.S. depends on a patchwork system of private and government insurance.

“All...wealthy nations have universal health insurance,” Zucman said. “The U.S. doesn’t. The U.S. could have universal coverage for COVID-related care, a COVID-care for all program...I believe this will help millions of Americans needing health care today. We need more because many millions are losing their jobs today and are used to getting health insurance through their jobs.”

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For developing countries, economic fallout from the pandemic is cutting off financial resources just as that support is needed more than ever, Zucman said. Poorer countries with already fragile currencies simply don’t have as much power to issue more debt to pay for emergency programs as U.S. and European governments do.

“We are seeing that emerging economies are hit by the virus and are hit by the huge financial crisis at the same time, which is a complete collapse of international capital flows,” Zucman said. “So the massive outflows of money out

of developing countries, governments in these countries are not in as good a position as governments in the U.S. and other countries to borrow money, so there’s going to be a need for international solidarity to help other countries to weather the storm.”

Economist and O-Lab director Hilary Hoynes noted, however, that innovations such as cell phone banking that are more prevalent in developing countries could help distribute relief aid more quickly.

“Many in these very poor countries actually have a very sophisticated system of financial infrastructure through cell phone banking that we don’t use dramatically in the U.S. and that presents an opportunity for doing relief on a wide scale and in a really low cost way,” Hoynes said. “That’s a bit of glimmer of hope in that setting.”