

The Covid-19 affect to business

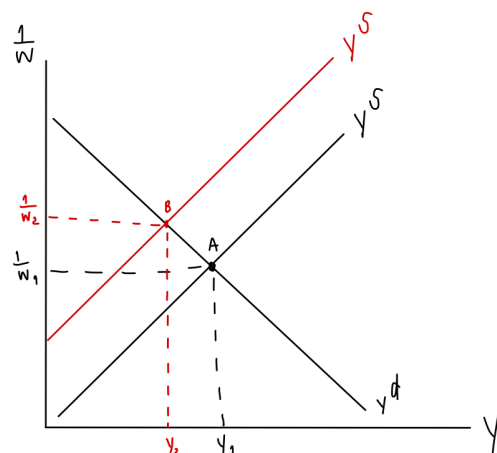
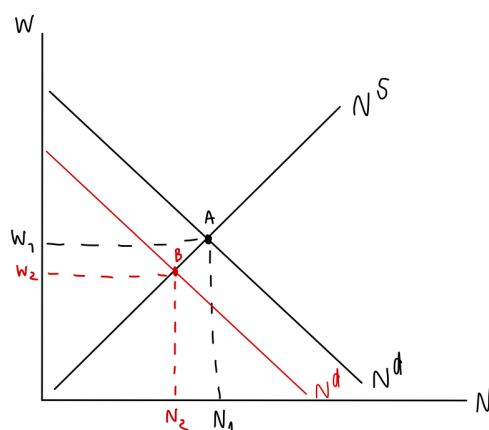
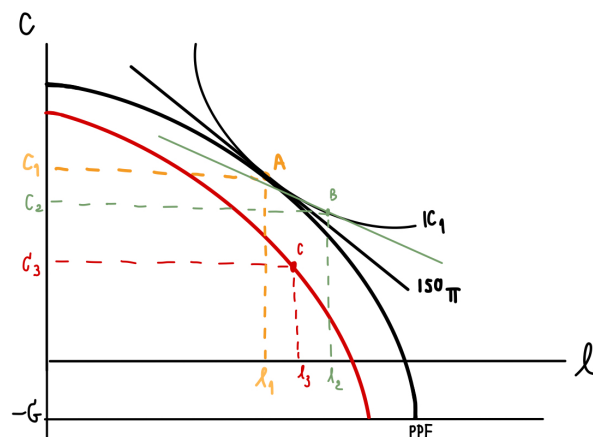
In the beginning of 2020 , The Covid-19 pandemic is an unprecedented and growing global crisis with devastating health, economic and social impact in every country. It is plunging the world economy into a recession of historic dimensions.

Shutdowns from the pandemic could trigger a tsunami of business in every country. Millions of enterprises face an existential threat in demand, supply chains, transportation and mobility and worker protection. Workers, too, are facing shocks – and so are consumers.

The prospect of losing livelihoods. Employers are making efforts to ensure that their businesses survive the crisis, often looking to cost reduction measures such as reducing employees' wages and benefits in accordance with labour laws.

Job loss has also been more acute among certain demographic groups. Overall, 25% of adults say they or someone in their household was laid off or lost their job because of the coronavirus outbreak, with 15% saying this happened to them personally. Young adults (ages 18 to 29) and lower-income adults are among the most likely to say this has occurred in their household.

According to Covid-19, it causes a negative shock on productivity.



From these graph, it causes a decrease in the production function which shifts the MPN down. With lower wages for employees, Substitution effect (pointA to pointB) refers consumption (C) decrease but leisure (L) increase. Income effect (pointB to pointC) refers the real disposable income decrease and then consumption (C) decrease and leisure (L) decrease. The majority of text refer that $SE > IE$. So, Total effect (pointA to point C) is consumption (C) decrease and leisure (L) increase. According to, when consumption (C) decrease, output demand (Y_d) will decrease too.

With lower wages for firm, total cost (TC) decrease. Profit (π) increase. Labor demand (N_d) increase and then firm can produce more. So, output supply (Y_s) increase.

References

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