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The Seen and Unseen of COVID-19 Interventionism in France: An Austrian Economic Critique of Labor Market Distortions

Abstract This article explores the economic consequences of the COVID-19 pandemic through the Austrian School of Economics lens, focusing on the labor market distortions caused by government interventions in France. While wage subsidies, furlough schemes, and other policies provided immediate relief, they masked deeper inefficiencies and delayed necessary market adjustments. Drawing on the insights of **Bastiat**, **Hayek**, Mises, Rothbard, and **Kirzner**, this study critiques the "seen" effects of these interventions—preserved jobs and stabilized incomes—while highlighting the "unseen" long-term consequences, including misallocation of resources, suppressed entrepreneurial discovery, and exacerbated deindustrialization. The article argues that by artificially maintaining employment in declining sectors and disrupting natural productivity cycles, these policies hindered the market's ability to correct itself, thus prolonging economic recovery. Furthermore, retaining non-qualified workers without addressing structural labor market issues has entrenched inefficiencies and created a dependency on government support. The Austrian perspective offers a critical evaluation of how interventionism, though well-intentioned, may lead to prolonged economic stagnation and reduced overall market flexibility, underscoring the importance of allowing market signals and entrepreneurial activities to guide recovery efforts.

Keywords: Austrian School of Economics, COVID-19 pandemic, interventionism, Labor market, Wage subsidies, Misallocation of resources, Entrepreneurial discovery.

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O que se Vê e o que não se Vê no Intervencionismo da COVID-19 na França: Uma Crítica da Escola Austríaca às Distorções do Mercado de Trabalho.

Resumo Este artigo explora as consequências econômicas da pandemia de COVID-19 sob a ótica da Escola Austríaca de Economia, com foco nas distorções do mercado de trabalho causadas pelas intervenções governamentais na França. Embora os subsídios salariais, os programas de suspensão temporária de contratos e outras políticas tenham proporcionado alívio imediato, eles mascararam ineficiências mais profundas e atrasaram os ajustes necessários do mercado. Com base nas ideias de Bastiat, Hayek, Mises, Rothbard e Kirzner, este estudo critica os efeitos "visíveis" dessas intervenções — empregos preservados e rendas estabilizadas — ao mesmo tempo que destaca as consequências "invisíveis" de longo prazo, como a má alocação de recursos, a supressão da descoberta empreendedora e o agravamento da desindustrialização. O artigo argumenta que, ao manter artificialmente o emprego em setores em declínio e ao interromper os ciclos naturais de produtividade, essas políticas impediram a capacidade do mercado de se autorregular, prolongando assim a recuperação econômica. Além disso, manter trabalhadores não qualificados sem enfrentar os problemas estruturais do mercado de trabalho enraizou ineficiências e criou uma dependência do apoio governamental. A perspectiva austríaca oferece uma avaliação crítica de como o intervencionismo, embora bem-intencionado, pode levar à estagnação econômica prolongada e à redução da flexibilidade geral do mercado, ressaltando a importância de permitir que os sinais do mercado e as atividades empreendedoras orientem os esforços de recuperação.

Palavras-chave: Escola Austríaca de Economia, pandemia de COVID-19, intervencionismo, mercado de trabalho, subsídios salariais, má alocação de recursos, descoberta empreendedora.

Lo que se Ve y lo que no se Ve del Intervencionismo por la COVID-19 en Francia: Una Crítica de la Escuela Austriaca a las Distorsiones del Mercado Laboral.

Resumen Este artículo explora las consecuencias económicas de la pandemia de COVID-19 desde la perspectiva de la Escuela Austriaca de Economía, centrándose en las distorsiones del mercado laboral causadas por las intervenciones gubernamentales en Francia. Si bien los subsidios salariales, los esquemas de desempleo parcial y otras políticas proporcionaron un alivio inmediato, ocultaron ineficiencias más profundas y retrasaron los ajustes necesarios del mercado. Basándose en los aportes de Bastiat, Hayek, Mises, Rothbard y Kirzner, este estudio critica los efectos "visibles" de estas intervenciones —empleos preservados e ingresos estabilizados—, al tiempo que destaca las consecuencias "invisibles" a largo plazo, como la mala asignación de recursos, la supresión del descubrimiento empresarial y una desindustrialización agravada. El artículo sostiene que, al mantener artificialmente el empleo en sectores en declive y alterar los ciclos naturales de productividad, estas políticas obstaculizaron la capacidad del mercado para corregirse por sí mismo, prolongando así la recuperación económica. Además, la retención de trabajadores no cualificados sin abordar los problemas estructurales del mercado laboral ha afianzado ineficiencias y generado una dependencia del apoyo estatal. La perspectiva austriaca ofrece una evaluación crítica de cómo el intervencionismo, aunque bien intencionado, puede conducir a una prolongada estancación económica y a una menor flexibilidad del mercado, subrayando la importancia de permitir que las señales del mercado y las actividades emprendedoras guíen los esfuerzos de recuperación.

Palabras clave: Escuela Austriaca de Economía, pandemia de COVID-19, intervencionismo, mercado laboral, subsidios salariales, mala asignación de recursos, descubrimiento empresarial.

INTRODUCTION

The COVID-19 pandemic triggered unprecedented government interventions[2] worldwide, with France implementing a broad range of labor market policies to mitigate the economic fallout (Gentier, 2021; Pennington, 2021; 2023). These policies included wage subsidies, furlough schemes, and enhanced unemployment benefits, all designed to preserve jobs and stabilize the economy (Ducoudré, 2022; Kapitsinis et al., 2021). While these measures provided immediate relief, they also reignited debates about the long-term consequences of state intervention in markets (Malliet et al., 2020). As we emerge from the crisis, it is crucial to examine the visible effects of these policies and the hidden, often overlooked distortions they create in the labor market and broader economy (Bastiat, 1850/2007; Bylund, 2015).

Despite the extensive literature on government intervention during economic crises, there still needs to be a gap in understanding such policies' unintended, longer-term consequences. The Austrian School of Economics, focusing on the importance of market signals and the perils of interventionism, offers a valuable lens through which to assess these policies (Hayek, 1945; Ikeda, 2002; Mises, 1998; 1929). While many studies have focused on the immediate impacts of labor market interventions — such as their effects on unemployment rates or business closures — less attention is paid to the unseen costs, including productivity disruptions, misallocation of resources, and the stifling of entrepreneurial discovery (Batut, 2022; Benitto, Hadjibeyli & Maadini, 2022; Maadini & Hadjibeyli, 2022).

In this study, I apply the Austrian framework, particularly Bastiat's concept of "what is seen and what is not seen," to critically evaluate the labor market interventions in France during the COVID-19 pandemic (Bastiat, 1850/2007; Bylund, 2015). By analyzing the immediate effects and the hidden, longer-term consequences, I aim to provide a more comprehensive understanding of how interventionist policies have impacted the French labor market (Lanssens, 2020; Long et al., 2022; Redbird, Harbridge-Yong & Mersey, 2020). This analysis will fill a critical gap in the literature, offering new insights into the unseen costs of government intervention and contributing to the broader debate on crisis management and economic recovery. In this sense, this paper is structured into three main sections. In the first section, we define the labor market through the lens of Austrian economics, emphasizing the role of market signals, spontaneous order, and entrepreneurial discovery. The second section analyzes the direct impact of COVID-19 policies and interventionism, highlighting their immediate effects on employment and wages. Finally, in the third section, we explore the long-term consequences of these interventions, uncovering micro- and macroeconomic anomalies, inconsistencies in labor market data, and the broader inefficiencies that have emerged as a result.

[2] Rothbard defines interventionism as any government action that affects market mechanisms, directly affecting the competitive environment and property rights. As Rothbard puts it in Economic Controversies (2011, p. 235): "... an act of intervention generates unintended consequences and difficulties, which then present the government with an alternative: either more intervention to "solve" these problems, or repeal of the whole interventionist structure ... the market economy is a finely constructed, interrelated web; and coercive intervention at various points of the structure will create unforeseen troubles elsewhere. The logic of intervention, then, is cumulative; and so a mixed economy is unstable — always tending either toward fullscale socialism or back to a free-market economy."

I. LABOR MARKET: AUSTRIAN UNDERSTANDING

The Austrian School of Economics provides a distinctive framework for understanding labor markets, emphasizing the role of individual choice, market signals, and spontaneous order (Block, 2008; Fleetwood, 2007). Austrian economists reject the Keynesian and neoclassical views of labor markets as mechanical systems that can be optimized through government intervention. Instead, they argue that labor markets, like all markets, function best when they are free from distortions imposed by the state.

A. The Role of Market Signals: Spontaneous Coordination vs. State Interference

Market signals play a fundamental role in coordinating economic activity, particularly in labor markets where wages and employment levels adjust according to supply and demand. Austrian economists, including Hayek and Rothbard, argue that prices serve as essential signals that reflect scarcity, productivity, and consumer preferences. However, government intervention — through wage controls, labor regulations, and subsidies — disrupts this natural adjustment process, leading to market distortions. As Rothbard emphasized, "the cluster of error suddenly revealed by entrepreneurs is due to the interventionary distortion of a key market signal — the interest rate". This insight, though primarily applied to capital markets, can also be extended to the labor market, where interventions create artificial incentives that misallocate resources and hinder economic efficiency.

One of the most significant distortions caused by interventionism in labor markets is the artificial maintenance of wage levels through minimum wage laws and collective bargaining mandates. In a free market, wages adjust to reflect worker productivity and employer demand, allowing for an efficient allocation of labor across industries. However, when governments impose wage floors above market-clearing levels, businesses are forced to either reduce hiring or replace low-skilled workers with automation. Rothbard highlighted this problem, stating that "interventionary tampering with these signals destroys the continual market tendency to adjustment and brings about losses and misallocation of resources in satisfying consumer wants" (Rothbard, 1962, p. 895). This applies directly to the labor market, where wage interventions create unemployment among low-skilled workers who would otherwise be employed at lower but sustainable wage levels (Blanchard & Katz, 1997).

Government subsidies and employment protections further distort labor market signals by artificially sustaining jobs in unproductive sectors. During the COVID-19 pandemic, for instance, widespread furlough schemes and wage subsidies prevented necessary market adjustments by keeping workers in declining industries rather than allowing them to transition to more productive sectors. While such policies may appear beneficial in the short term, they ultimately hinder economic recovery by preventing the reallocation of labor to areas where demand is growing (Borjas, 2020; Cahuc, Carcillo, & Zylberberg, 2014). The Austrian critique of such interventions is clear: rather than stabilizing the economy, they introduce inefficiencies that prolong economic stagnation and prevent entrepreneurial discovery.

Another major consequence of interventionism is the suppression of entrepreneurial activity, as state-imposed labor regulations limit businesses' ability to adapt to market conditions. When governments mandate rigid hiring and firing rules, businesses become less willing to take risks in expanding their workforce, leading to a less dynamic economy. As Rothbard noted, "entrepreneurs operate on the basis of certain criteria: prices, interest rates, etc., established by the free market" (Rothbard, 1962, p. 895). By distorting these criteria through intervention, governments reduce the capacity of businesses to respond effectively to changing market demands, ultimately leading to reduced job creation and lower overall employment levels.

In conclusion, labor market interventions distort essential market signals, leading to widespread inefficiencies, resource misallocations, and long-term unemployment. Austrian economists argue that the only way to achieve an efficient and adaptable labor market is to allow wage rates and employment levels to adjust freely according to supply and demand. When interventions artificially maintain employment in non-competitive sectors or set wages above market equilibrium, they create distortions that result in economic stagnation rather than recovery. The Austrian critique of interventionism remains particularly relevant today, as many economies struggle with the unintended consequences of excessive state involvement in labor markets.

B. Wages and Productivity: The Austrian View on Income Determination

The determination of wages has been a central issue in economic thought, with the Austrian School offering a distinct perspective that diverges from interventionist or collectivist approaches. As classical and Austrian economists emphasize, wages are ultimately dictated by market forces — specifically, the supply and demand for labor. Rothbard articulates this principle succinctly in Classical Economics, noting that "wages are determined by the supply and demand for labor" (Rothbard, 1995, p. 133). This statement encapsulates the core of Austrian labor market theory: rather than being set arbitrarily or through government mandates, wages emerge organically from voluntary exchanges between employers and workers in a free market. Government interventions, such as minimum wage laws or wage subsidies, distort this natural process, leading to inefficiencies, unemployment, and a misallocation of labor resources.

A crucial element of the Austrian understanding of wages is the relationship between income and marginal productivity. Rothbard explains in Economic Controversies that "each man will tend to earn an income equal to his 'marginal productivity,' to his particular productivity in satisfying consumer demands" (Rothbard, 2011, pp. 627-628). This statement underscores the idea that wages are not arbitrary but are closely linked to an individual's contribution to the production process. In a well-functioning market, workers who create more value — either through specialized skills, efficiency, or innovation — will command higher wages. This principle rejects the notion that wages should be equalized by government decree, as such interventions ignore the fundamental differences in productivity across individuals and industries. When governments artificially raise wages above the marginal productivity of certain workers, it leads to job losses, as businesses cannot sustain paying employees more than the value they generate.

Furthermore, the Austrian School maintains that wages, like all prices, are ultimately determined by consumer preferences. Rothbard clarifies in Economic Thought Before Adam Smith that "since consumer utility and demand determines value, people will tend to receive income from production to whatever extent they satisfy consumers in the production process" (Rothbard, 1995, p. 410). This insight highlights the consumer-driven nature of the economy: workers are rewarded based on their ability to produce goods and services that people value. If an individual or a firm fails to meet consumer needs, wages in that sector will naturally decline, signaling the necessity for workers to either improve their skills or shift to more productive industries. This dynamic, however, is frequently obstructed by government policies such as wage controls, labor market regulations, and union-driven bargaining that disconnect wages from actual consumer demand, creating distortions in the labor market.

The concept of discounted marginal value product (DMVP) further refines this Austrian perspective on wage determination. As Rothbard notes in Man, Economy, and State with Power and Market, "the wage or rent of the service of an original factor of production will equal its DMVP[3], the discounted marginal value product" (Rothbard, 1962, p. 525). This means that workers are paid according to the present value of their expected contribution to future production. Entrepreneurs and businesses must estimate the future productivity of their employees and discount it based on risk, time preference, and capital constraints. If wages are set above this equilibrium level — through minimum wage laws, collective bargaining mandates, or government wage subsidies — firms may be unable to hire as many workers, leading to higher unemployment and reduced economic dynamism. Conversely, if wages are allowed to adjust freely according to DMVP, labor markets function efficiently, allocating workers to roles where their productivity is maximized.

From this perspective, government interventions that attempt to manipulate wage structures are fundamentally flawed. Policies that impose artificial wage floors disrupt the pricing mechanism, preventing wages from reflecting true productivity. For example, minimum wage laws, while often justified as a means to improve worker welfare, tend to result in higher unemployment among low-skilled workers, as employers cannot afford to pay them beyond their marginal productivity. This particularly affects younger and less experienced workers, who may struggle to enter the labor market when wage rates are set too high. Additionally, wage subsidies intended to maintain employment in declining industries merely delay

[3] The Discounted Marginal Value Product (DMVP) refers to the present value of the additional output generated by an additional unit of a productive factor (such as labor or capital), adjusted for time preference and risk. In Rothbard's Man, Economy, and State with Power and Market (p. 525), he explains that the wage or rent of an original factor of production will equal its DMVP, meaning that in a free market, workers and landowners are paid according to the discounted value of their contribution to future production. The concept relies on the Austrian insight that future goods are valued less than present goods (due to time preference), and therefore, the value of a productive factor must be adjusted (discounted) to reflect its present worth in terms of expected future output. This principle highlights why government interventions — such as minimum wage laws or price controls — can disrupt the market by artificially setting wages above or below their natural DMVP, leading to inefficiencies, misallocations, and unemployment.

necessary economic adjustments, keeping labor trapped in unproductive sectors instead of allowing it to shift to more viable areas.

The Austrian School also emphasizes the entrepreneurial role in wage determination. Entrepreneurs, acting as coordinators of production, assess the productivity of workers and allocate wages accordingly. If an entrepreneur misjudges the value of labor — by overpaying or underpaying employees — market competition will correct these errors over time. High wages in a specific sector attract more workers, increasing supply and pushing wages downward, while labor shortages drive wages higher. Government intervention, however, disrupts this natural balancing mechanism, often leading to persistent labor market imbalances. In France, for instance, strict labor laws and wage regulations have created rigidities that prevent the necessary reallocation of labor across industries, contributing to long-term structural unemployment and reduced economic flexibility.

In conclusion, the Austrian perspective on wages and productivity presents a market-driven approach that highlights the importance of voluntary exchange, consumer sovereignty, and the marginal productivity of labor. Wages are not determined by coercive policies or arbitrary mandates but by the interplay of supply and demand, consumer preferences, and entrepreneurial foresight. Interventions that distort this process — whether through wage controls, subsidies, or excessive labor protections — ultimately hinder economic efficiency and employment opportunities. To foster a dynamic labor market that maximizes productivity and prosperity, policymakers must allow wages to reflect their true market value, ensuring that labor is allocated to its most efficient uses.

C. Entrepreneurial Discovery and the Efficient Allocation of Labor

Kirzner (1973) highlighted the critical role of entrepreneurs in adjusting labor markets. Entrepreneurs identify profitable opportunities and allocate labor accordingly, ensuring that workers move to the most productive and valuable roles. However, when the state intervenes — for example, by subsidizing unproductive jobs or imposing hiring restrictions — it disrupts this discovery process, leading to inefficiencies and reduced economic dynamism. As Rothbard notes, “Entrepreneurs are largely in the business of forecasting. They must invest and pay costs in the present, in the expectation of recouping a profit by sale either to consumers or to other entrepreneurs further down in the economy’s structure of production. The better entrepreneurs, with better judgment in forecasting consumer or other producer demands, make profits; the inefficient entrepreneurs suffer losses. The market, therefore, provides a training ground for the reward and expansion of successful, farsighted entrepreneurs and the weeding out of inefficient businessmen” (Rothbard, 1963, p. 8). This natural selection mechanism ensures that resources, including labor, are allocated efficiently to sectors where they generate the most value.

State interventions in labor markets frequently obstruct this entrepreneurial discovery process by distorting market signals. Policies such as wage subsidies and hiring restrictions create artificial incentives, preventing entrepreneurs from responding effectively to real consumer demands. When businesses are compelled to retain workers in unproductive sectors due to government intervention, labor misallocation occurs. This results in a stagnating economy where market efficiency is compromised, as firms that would otherwise adapt to changing economic conditions are shielded from competitive pressures. As a result, interventionist policies not only inhibit entrepreneurship but also reduce overall labor market dynamism.

Another critical issue with state intervention is the reduction in incentives for risk--taking (Sémanne, 2025a). Entrepreneurs thrive in an environment where they can experiment with new business models and innovations, reallocating labor towards more productive uses. However, when governments impose restrictive labor laws and costly regulations, businesses become hesitant to expand or invest in new ventures. This creates a climate of economic rigidity, where job creation slows, and employment opportunities become scarce. The Austrian perspective emphasizes that a free-market approach fosters an environment where entrepreneurs can adjust labor allocation based on genuine economic signals rather than political mandates.

D. The Unintended Consequences of Interventionism: Labor Market Rigidities and Misallocations

Austrian economists advocate for flexible labor markets, where wages adjust to economic conditions and workers transition between industries without artificial barriers. The ability of labor markets to adapt quickly is crucial for economic resilience, particularly in times of crisis. Government policies that attempt to "freeze" employment levels in declining sectors, such as those implemented during the COVID-19 pandemic, ultimately prolong economic stagnation by preventing necessary adjustments. As Rothbard states, "In a free market, wage rates will tend to adjust themselves so that there is no involuntary unemployment, i.e., so that all those desiring to work can find jobs. Generally, wage rates can only be kept above full-employment rates through coercion by government" (Rothbard, 1963, p. 43). This highlights the fundamental issue with interventionism — when governments artificially sustain employment, they create inefficiencies that hinder long-term recovery.

One of the key arguments for labor market flexibility is its role in reducing involuntary unemployment. When wages are allowed to fluctuate freely, businesses can adjust their labor costs in response to economic downturns, maintaining employment levels rather than resorting to mass layoffs. However, government interventions, such as minimum wage laws and union regulations, distort this natural adjustment process. As Rothbard further emphasizes, "Government interference, in the form of minimum wage laws and compulsory unionism, creates compulsory unemployment, while welfare payments and unemployment 'insurance' subsidize unemployment and make sure that it will be permanently high. We can have as much unemployment as we pay for" (Rothbard, 2006, p. 44). This statement underscores the paradox of interventionist labor policies: rather than protecting workers, they entrench long--term joblessness by making employment less flexible and responsive to market conditions.

The COVID-19 crisis provides a clear example of how rigid labor market policies can exacerbate economic downturns. In France, extensive furlough schemes and wage subsidies prevented the natural reallocation of labor, keeping workers in industries that were no longer viable. While these measures provided short-term relief, they also created long-term vulnerabilities by discouraging workforce mobility and delaying necessary structural changes. In contrast, countries with more flexible labor markets, such as the United States, experienced a faster employment recovery as businesses quickly adapted to changing economic conditions. This contrast illustrates the Austrian critique of interventionism: policies designed to protect jobs in the short term often result in prolonged economic stagnation and weaker long-term employment prospects.

Another consequence of inflexible labor markets is the suppression of entrepreneurial activity. When businesses face stringent employment regulations and high wage floors, they become more reluctant to hire, reducing job creation and innovation. Entrepreneurs, who play a critical role in reallocating labor to its most productive uses, are constrained by rigid hiring and firing laws that discourage risk-taking. This creates an economic environment where job opportunities are scarce, particularly for younger and lower-skilled workers who struggle to enter the labor market. By contrast, flexible labor markets encourage entrepreneurship and job dynamism, allowing businesses to respond efficiently to changing consumer demands.

In conclusion, labor market flexibility is essential for economic resilience, enabling workers and businesses to adapt swiftly to economic shocks. When wages are allowed to adjust freely, employment remains more stable, and labor resources are allocated efficiently. However, interventionist policies that impose wage controls, job protections, and excessive labor regulations disrupt this process, leading to higher unemployment and slower recoveries. The Austrian perspective offers a clear warning: while government intervention may seem beneficial in the short term, it ultimately creates rigidities that prolong economic hardship. To foster long-term economic growth and job creation, policymakers must prioritize flexibility over intervention, ensuring that labor markets remain dynamic and responsive to real economic conditions.

II. WHAT IS SEEN: IMMEDIATE IMPACTS OF COVID-19 INTERVENTIONISM ON THE LABOR MARKET

The COVID-19 crisis led to significant government intervention in labor markets, with measures such as wage subsidies and unemployment benefits to preserve jobs and prevent a rapid unemployment rate. However, as Ludwig von Mises emphasized in Human Action (1949), such interventions, while appearing beneficial in the short term, often result in long-term unintended consequences [4]. Mises argued that government interference in markets disrupts natural economic signals, leading to inefficiencies and rigidities that can hamper recovery.

[4] Unlike Keynesian or neoclassical frameworks, which tend to focus on aggregate outcomes and short-run stabilization, the Austrian approach emphasizes the dynamic processes of market coordination, capital structure, and entrepreneurial discovery, making it particularly suited to uncovering long-term distortions introduced by interventionist policies (De Soto, 2010; Landmann, 2014; Hoppe, 1995; Uzawa, 1974).

In the case of the COVID-19 pandemic, government policies that temporarily protected jobs masked deeper structural issues in the labor market, particularly in sectors such as hospitality and retail. These interventions delayed necessary adjustments by artificially maintaining employment in industries with declining productivity and demand, perpetuating inefficiencies. At the same time, the immediate effect of these policies was to stabilize incomes and limit job losses; the unseen consequences — such as resource misallocation and delayed labor reallocation — present long-term challenges for economic recovery.

A. Government Interventions: Wage Subsidies, Furlough Schemes, and State-Guaranteed Loans

In response to the sharp economic downturn triggered by the COVID-19 pandemic, the French government implemented various interventions to mitigate the impact on the labor market. One of the most significant measures was the introduction of partial unemployment schemes, which aimed to prevent mass layoffs during periods of reduced economic activity. By April 2020, over 8.4 million workers were placed in partial unemployment, representing unprecedented government support. This scheme allowed businesses to reduce employees' working hours while ensuring they still received partial wage payments, with the state covering a significant portion of the cost.

The government also introduced a range of policies to safeguard employment. Van Barneveld et al. argue that while these interventions provided crucial short-term relief, they posed complex long-term consequences for labor markets. Subsidies were provided to struggling businesses to help them weather the economic storm, with specific support directed at sectors hardest hit by the pandemic, such as hospitality and tourism. Wage protection measures ensured that workers continued to receive income despite the reduction in economic activity. In addition, programs such as reduced working hours and furlough schemes were extended to minimize job losses. These policies were designed to maintain employment relationships between businesses and their employees, reducing the risk of permanent job separations while supporting workers' income.

However, as Rothbard asserts in America's Great Depression, “government intervention is not the proper road to achieving proper affluence” (Rothbard, 1995, p. 21). While successfully preventing an immediate surge in unemployment, these interventions had complex, longer-term implications for the labor market. Artificially sustaining employment delayed necessary market adjustments and may have prolonged the economic recovery process. Rothbard warned about such measures, stating that "every government intervention creates new problems in the course of vain attempts to solve the old" (Rothbard, 1995, p. 70). As with historical examples of interventionism, these policies risk compounding inefficiencies, stifling productivity, and ultimately harming businesses and workers.

These observations align with the Austrian School’s critique of interventionism, as Rothbard further elaborates in Man, Economy, and State: “One intervention leads inexorably to another intervention,” which can either move the economy towards full socialism or necessitate a return to a free-market economy (1962, p. 1368). In the French labor market context, while these interventions provided essential short-term relief, they may have set the stage for future economic distortions that will only become visible in the long term.

B. Short-Term Consequences for Employment and Unemployment Rates

The COVID-19 pandemic brought about profound changes in France's labor market, leading to significant job losses and economic uncertainty. According to the INSEE, by the end of 2020, approximately 2.4 million individuals were unemployed, marking a sharp increase in the unemployment rate, which had initially dropped to 7.1% in the second quarter before rising again to 8% by the year's end. This rise underscores the substantial economic disruptions caused by the pandemic and the stringent containment measures implemented by the French government (Carraro et al., 2022). Among the most severely affected sectors were hospitality and services, disproportionately impacted by restrictions on movement and business operations (Baum & Hai, 2020; Mrozek, 2022, Williams & Kayaoglu, 2020). Despite efforts by the government to mitigate economic damage through furlough schemes and financial support, the precarious state of these sectors exposed the fragility of those reliant on face-to-face interactions.

In particular, the hospitality industry experienced a steep decline, with widespread layoffs and the temporary closure of countless establishments. Similarly, the services sector faced significant retail, personal services, and tourism setbacks — heavily reliant on consumer spending and in-person interactions. The abrupt halt in demand caused by lockdowns crippled these sectors, resulting in massive employment disruptions. A closer examination of labor market data highlights key trends: by 2020, unemployment rates in France had dropped below the threshold of 2.4 million, reaching levels not seen since 2008. On the other hand, employment in agriculture reached an all-time low during the pandemic, reflecting the vulnerability of this sector. At the same time, unemployment in the industry (excluding construction) continued its long-term decline, reflecting the deepening deindustrialization of the French economy.

Despite these sectoral setbacks, employment in services proved more resilient, with a slight increase in 2020 compared to 2019, reaching 21 million jobs and surpassing 22 million by 2022. Moreover, the average net salary for full-time equivalent positions in private and public sectors reached its highest levels during the COVID-19 crisis, driven by the demand for healthcare workers and public sector services. However, while these short-term measures provided immediate relief, they masked deeper inefficiencies in the labor market and delayed necessary adjustments. This complex picture of France’s labor market during the pandemic shows that while government interventions stabilized employment in the short term, they also created long-term distortions that are only now beginning to surface.

Further analysis shows that labor productivity fell sharply as measured by GDP per hour worked. France lagged behind other OECD countries in 2020, with productivity levels below the OECD average. France performed even worse in a European context, with GDP per hour working trailing other European countries by over 20 points, particularly behind

Ireland. At the same time, business climate indicators paint a bleak picture. In 2020, the business climate index for France dropped to an annual average of 86.4, its lowest level since the subprime mortgage crisis in 2009 (INSEE). Similarly, the employment climate in France averaged 83.2 in 2020, reflecting the strain on the labor market despite government efforts to cushion the blow.

Long-term data trends illustrate broader structural shifts in France's labor market. Employment in agriculture declined from 1.9 million jobs in 1980 to just 0.8 million in 2020, while the industrial sector saw a similar contraction, shrinking from 5.1 million to 3.1 million jobs during the same period. By contrast, service-based sectors experienced substantial growth, with employment in commercial services nearly doubling from 8.5 million to 14.8 million jobs and services for businesses tripling in size. These shifts underscore France's broader transition from an industrial to a service-based economy, further accelerated by the pandemic. However, this transition has not been without challenges, as the growth in part--time and temporary employment indicates increasing labor market flexibility at the cost of job quality and security.

Part-time employment grew from 11.8% of total employment in 1990 to 17% in 2020, while temporary employment increased from 10.4% to 15.3% during the same period. These changes suggest that while flexibility has increased, it has also led to greater precarity for workers. Furthermore, the pandemic exacerbated existing disparities in unemployment, particularly among young people and low-skilled workers. Youth unemployment for those aged 15-24 in France stood at 20.2% in 2020, far exceeding the European Union average of 16.8%. This indicates significant challenges in integrating younger workers into the labor market, a problem that predates the pandemic but has worsened due to the economic fallout.

Similarly, the unemployment rate for low-skilled workers in France was 14.2%, above the European Union average, reflecting issues related to educational attainment and skill mismatches. Meanwhile, long-term unemployment rates remained high, with 40% of those unemployed having been out of work for extended periods, particularly affecting women and younger workers. These figures highlight the persistent structural weaknesses in France's labor market, amplified by the pandemic and government interventions. While state policies provided a safety net for many workers, they also created dependency and entrenched inefficiencies, leaving the labor market vulnerable to future shocks.

In conclusion, while the French government's interventions during the COVID-19 pandemic successfully mitigated some of the immediate impacts on employment, they also led to deeper market distortions that are only now becoming apparent. The rise in part-time and temporary jobs, coupled with high youth unemployment and declining productivity, points to a labor market needing structural reform. Although the pandemic response stabilized employment in the short term, the long-term consequences of these interventions must be addressed to ensure sustained economic recovery. The Austrian economic perspective, mainly the focus on the unseen costs of interventionism, provides a valuable lens through which to critique these policies and offers insights into how future crises should be managed to avoid similar distortions.

C. The Rise of Teleworking: An Adaptation to Lockdowns with Long-Term Implications

The COVID-19 pandemic fundamentally reshaped labor markets, accelerating the shift towards teleworking as a means to mitigate health risks and sustain economic activity (Batut, 2022). Before the pandemic, remote work was a marginal practice in France, with only about 3% of employees working remotely on a regular basis. However, lockdowns and mobility restrictions forced businesses to rapidly adapt, leading to a dramatic increase in teleworking rates. During the first lockdown in early 2020, nearly 25% of employees worked remotely, a trend that remained significant throughout subsequent waves of the pandemic. This shift demonstrated the potential of teleworking not only as a temporary crisis response but also as a long-term evolution in workplace organization.

One of the primary advantages of teleworking during the pandemic was its role in ensuring business continuity (Colbert, 2011; Sanchious, 2022). Many sectors, particularly knowledge-based industries such as finance, information technology, and professional services, successfully transitioned to remote operations with minimal disruption. Studies indicate that businesses with higher teleworkability experienced fewer closures and lower rates of workforce reductions compared to sectors where remote work was not feasible, such as hospitality and retail. By reducing reliance on physical office spaces and enabling employees to work from home, firms maintained productivity levels while adhering to public health measures. However, this shift also exposed disparities between industries, as workers in non-teleworkable jobs faced greater economic insecurity.

Teleworking was also a critical tool in limiting the spread of COVID-19. By reducing mobility and workplace interactions, remote work contributed to lowering infection rates, particularly in urban areas where population density facilitated virus transmission. Empirical data suggests that regions with a higher proportion of teleworkable jobs witnessed slower epidemiological rebounds following lockdowns. If teleworkability rates had been just 10 percentage points higher, mobility levels in France would have been significantly lower, reducing the likelihood of virus transmission. Additionally, the widespread adoption of teleworking helped to decrease reliance on government short-time work schemes, reducing the financial strain on public budgets.

Despite its advantages, the expansion of teleworking also revealed structural inequalities in labor markets (Hou et al., 2024; Piacentini et al., 2022). Access to remote work was highly dependent on job type, digital infrastructure, and socio-economic status. White-collar workers were far more likely to transition smoothly to telework, while blue-collar and service-sector employees often lacked the same flexibility. Moreover, disparities in home working conditions — such as access to private workspaces, reliable internet, and ergonomic setups — created additional challenges for lower-income workers. Policymakers and businesses recognized these inequities and implemented measures such as employer subsidies for home office equipment and investments in digital infrastructure to address some of these gaps.

As the immediate crisis of the pandemic subsides, teleworking remains an enduring feature of the labor market. Many companies have adopted hybrid work models, blending remote and in-office work to balance flexibility with operational efficiency. However, debates continue regarding productivity impacts, employee well-being, and the implications for urban planning and office real estate. The shift towards teleworking has also prompted discussions on labor rights, with unions advocating for clearer regulations on work-from-home conditions, including the right to disconnect and employer responsibilities for remote work expenses. Ultimately, the development of teleworking during the pandemic was a crucial adaptation to an unprecedented crisis, and its long-term impact on labor markets and workplace organization will continue to evolve in the years ahead.

III. WHAT IS NOT SEEN: CONSEQUENCES OF INTERVENTIONISM FOR THE LABOR MARKET

While government interventions during the COVID-19 pandemic provided immediate relief, the Austrian School of Economics warns of the long-term consequences often hidden from view. These unseen effects manifest over time stem from the disruption of natural market processes. As Hayek explains in The Constitution of Liberty (1960, p. 83), interventions erode economic liberty, constraining the ability of individuals and businesses to make autonomous decisions based on market signals. Over time, this leads to inefficiencies, reduced innovation, and the stifling of entrepreneurial discovery. One of the critical unseen effects of interventionism, as described by Kirzner in Competition and Entrepreneurship (1973), is how it hampers the entrepreneurial process. Interventionist policies disrupt the price mechanism, essential for entrepreneurial discovery and market corrections. With clear market signals, businesses can allocate resources efficiently, leading to the misallocation of capital and labor. Kirzner emphasizes that when government actions artificially influence the market, it distorts the competition process, leading to suboptimal outcomes for businesses and consumers. While the immediate impacts of interventions may seem beneficial, the unseen, longer-term effects pose significant risks to the economy. These include the misallocation of resources and the stifling of the entrepreneurial spirit, which is crucial for innovation and long-term economic growth. As we move further away from the crisis, the actual costs of interventionism, as predicted by Hayek and Kirzner, will become more apparent, particularly in the form of decreased productivity and inhibited market recovery.

Figure 1

Unseen Labour Market Consequences of COVID-19 Interventionism: An Austrian Economic Perspective

This table outlines the long-term, unintended consequences of state intervention in the French labor market during the COVID-19 pandemic. Grounded in Austrian economics, it highlights how policies designed to offer immediate relief distorted market signals, reduced entrepreneurial adaptability, and fostered inefficiencies. These hidden effects, though less visible than unemployment figures or wage trends, may ultimately prove more damaging to long-term productivity and economic dynamism.

Unseen Consequence	Description	Example
Distortion of market signals	Intervention disrupted price signals that normally guide economic decisions.	Industrial employment sustained despite long-term decline and automation.
Misallocation of resources	Capital and labor were kept in unproductive sectors due to subsidies and support.	Service sector jobs maintained despite declining demand during lockdowns.
Stifling of entrepreneurial discovery	Entrepreneurs were unable to identify real opportunities due to artificial stability.	Low business creation rates during crisis despite high unemployment.
Delayed structural adjustments	Government support postponed necessary changes in struggling sectors.	Delayed exit of retail businesses that lost competitiveness years earlier.
Artificial maintenance of wages	Wages increased despite productivity losses, leading to inefficiency.	Hospital wages increased significantly while output per worker fell.
Zombie firms kept alive	Firms that would have failed were artificially supported, distorting competition.	Bankruptcies declined 24.3% despite GDP falling 7.4%.
Unequal skill development	Workers missed opportunities to upgrade their skills during furloughs.	Workers on furlough lacked opportunities for training or reskilling.
Increased dependency on the state	Financial aid led some workers to rely more on state support than labor markets.	Some refused job offers, expecting continued public aid.
Sectoral inequalities in aid	More aid was directed toward politically connected sectors, increasing imbalance.	Tourism received more support than freelance sectors like culture or arts.
Post-pandemic inflation	Supply shocks and reduced production led to price hikes, reducing purchasing power.	General rise in food and energy prices in 2021–22 hit lower earners hardest.
Long-term psychological impacts on workers	Mandated health policies caused lasting trauma among some employees.	Rise in burnout and absenteeism after mandatory vaccine policies in hospitals.

Created with Datawrapper

A. Distortions in Market Signals: How State Support Delayed Necessary Adjustments

The wage subsidies and various support mechanisms introduced by the French government during the pandemic significantly distorted the natural market signals that typically guide economic adjustments. In a free-market system, wages and employment levels are a reflection of productivity and demand, steering resources toward the sectors where they can be used most effectively. However, the artificial maintenance of wages through government intervention disrupted this equilibrium

The manufacturing sector, which had already been grappling with challenges such as automation and global competition, provides a clear example of this distortion. Subsidies intended to prevent layoffs preserved jobs that may no longer have been viable in the long term. Similarly, in the services sector, where rapid adaptations are key to responding to shifting market dynamics, wage subsidies led to the artificial retention of labor. This, in turn, created a mismatch between labor supply and demand, distorting productivity cycles that normally drive recovery following economic shocks.

For instance, unemployment in industry (excluding construction) fell to its lowest levels during the pandemic, dipping below 5.3 million. While this might appear as a positive outcome, it reflects the broader trend of government policies delaying market corrections that were already necessary due to deindustrialization. At the same time, employment in services continued to increase slightly in 2020, reaching nearly 22 million by 2021. This resilience in the services sector was largely driven by state support, masking the underlying structural issues within the sector.

By artificially sustaining sectors that might otherwise have contracted or undergone restructuring, the government postponed essential economic adjustments. Although these policies offered short-term relief, they contributed to a less dynamic labor market in the long run, with slower productivity gains and a delayed recovery process. As Mises (1944) argues in Bureaucracy, real wage growth is only achievable through capital accumulation and improvements in production techniques. Government interventions, by distorting these natural processes, reduce the economy's agility and hinder its ability to respond efficiently to crises.

The wage increases seen during the pandemic, particularly in the private sector, further highlight the distortions in market signals. Despite the declining productivity in several industries, wage levels remained artificially high, adding to the inefficiencies in the labor market. Similarly, the public sector, especially in healthcare, experienced record salary increases during this period, driven by the heightened demand for healthcare services rather than an organic response to market conditions.

These disruptions underscore the Austrian critique of interventionism: when governments interfere with market signals, they hinder the efficient flow of resources and prolong economic recovery, leaving the market less capable of adjusting to future challenges.

Figure 2

Economic and Employment indicators in France: Impact of the 2019-2020 Crisis

Despite a historic GDP contraction (-7.4%) and a sharp decline in business confidence (-18.4%), annual bankruptcies paradoxically fell by 24.3%, revealing a major distortion caused by government support measures. This disconnect between negative economic indicators and artificially stable employment illustrates the "unseen" effects of interventionism: delaying necessary market adjustments at the cost of a sharply rising public debt (+17.4%).

Variables	Change Between 2019 and 2020
GDP Growth Rate	-7.4
Public Debt/GDP	+17.4
Business Climate in France	-18.4
Employment Climate	-22.2
Average Annual Bankruptcies	-24.3
Unemployment Rate	-4.8
Public Sector Salaries	+1,92
Private Sector Salaries	+3.1

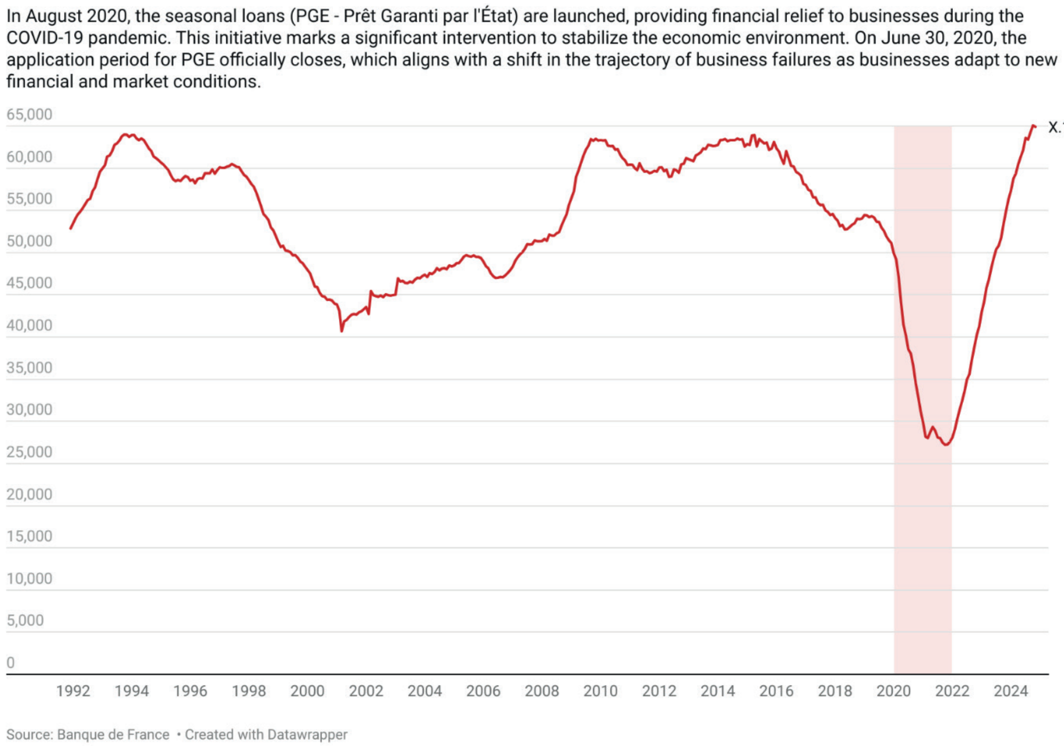
Table: Figures based on author's calculations using official data from INSEE (GDP, business confidence, employment climate, bankruptcies) and IMF (public debt levels). The 17.4% increase in public debt corresponds to a rise from approximately €2,380 billion in 2019 to over €2,890 billion in 2020, amounting to roughly €500 billion in additional liabilities. Percentage variations were computed using annual averages and official quarterly series, visualized with Datawrapper. • Source: INSEE, IMF • Created with Datawrapper

Concretely, The employment climate also suffered a major deterioration, falling by 22.2% between 2019 and 2020, a decline significantly larger than the 7.4% drop in GDP. In a free--market system, business confidence and employment trends typically move in parallel with economic growth. However, the disproportionate decline in business and employment climate indicators suggests that perceived economic uncertainty was exacerbated by interventionist policies. Business confidence declined by 18.4%, illustrating that economic actors reacted not only to the crisis itself but also to the unpredictable regulatory restrictions imposed by the government. These psychological distortions further worsened market inefficiencies, delaying investment and limiting entrepreneurial activity, which in turn prolonged economic recovery.

Moreover, public debt as a share of GDP surged by 17.4%, raising concerns about long--term fiscal sustainability. This rapid debt accumulation is particularly alarming given the lack of economic growth, with GDP contracting by 7.4%. At the same time, public sector salaries decreased by only 1.92%, highlighting the government's reluctance to adjust its expenditures while the private sector faced severe economic hardship. The most paradoxical figure remains the sharp drop in bankruptcies (-24.3%) at a time when economic conditions were deteriorating. This clearly demonstrates how state interventions disrupted normal market processes. Instead of allowing failing businesses to exit the market and freeing up resources, subsidies and emergency loans artificially kept unviable companies afloat, creating a zombie economy (see next graph). These distortions slow down recovery by trapping capital and labor in unproductive sectors rather than reallocating them to more dynamic and growth--oriented industries.

Figure 3

Number of business failures in France (December 1991 to November 2024)



B. Resource Misallocation: Artificial Wage Variations and Productivity Losses

One of the most evident distortions caused by government intervention during the COVID-19 crisis was the artificial variation in wages across different sectors, as illustrated by salary trends in both the public and private sectors. In the private sector, worker wages surged to an index of 118 before declining, while executive wages remained relatively stagnant. This anomaly suggests that wage increases were not the result of increased productivity but rather a consequence of state intervention. These artificial adjustments disrupted the natural wage equilibrium, leading to inefficiencies where some employees received disproportionate salary increases without corresponding gains in output.

The public sector also experienced wage distortions, particularly in the hospital sector, where salaries saw an unprecedented spike. While frontline medical workers were crucial in managing the pandemic, the sharp wage increase relative to other public employees raises concerns about sustainability. The extreme growth of hospital wages, followed by a correction, indicates that emergency funding created imbalances that were not based on long-term economic fundamentals. This misallocation of resources not only strained public finances but also widened disparities between different public sector workers, making future adjustments more challenging.

Ultimately, the interventionist policies that drove wage increases led to inefficiencies in labor market distribution. Instead of facilitating the transition of workers to productive sectors, government policies artificially sustained earnings in industries that might have otherwise required restructuring. The delayed correction in wages post-pandemic, as seen in both private and public sector salary trends, underscores how misallocating resources through state-mandated wage increases does not foster long-term prosperity. Instead, it prolongs necessary market adjustments, making economic recovery more difficult and uncertain.

Figure 4

Evolution of Average Net Salary in the Public Sector (Index Base 100 in 2009, Adjusted for Inflation)

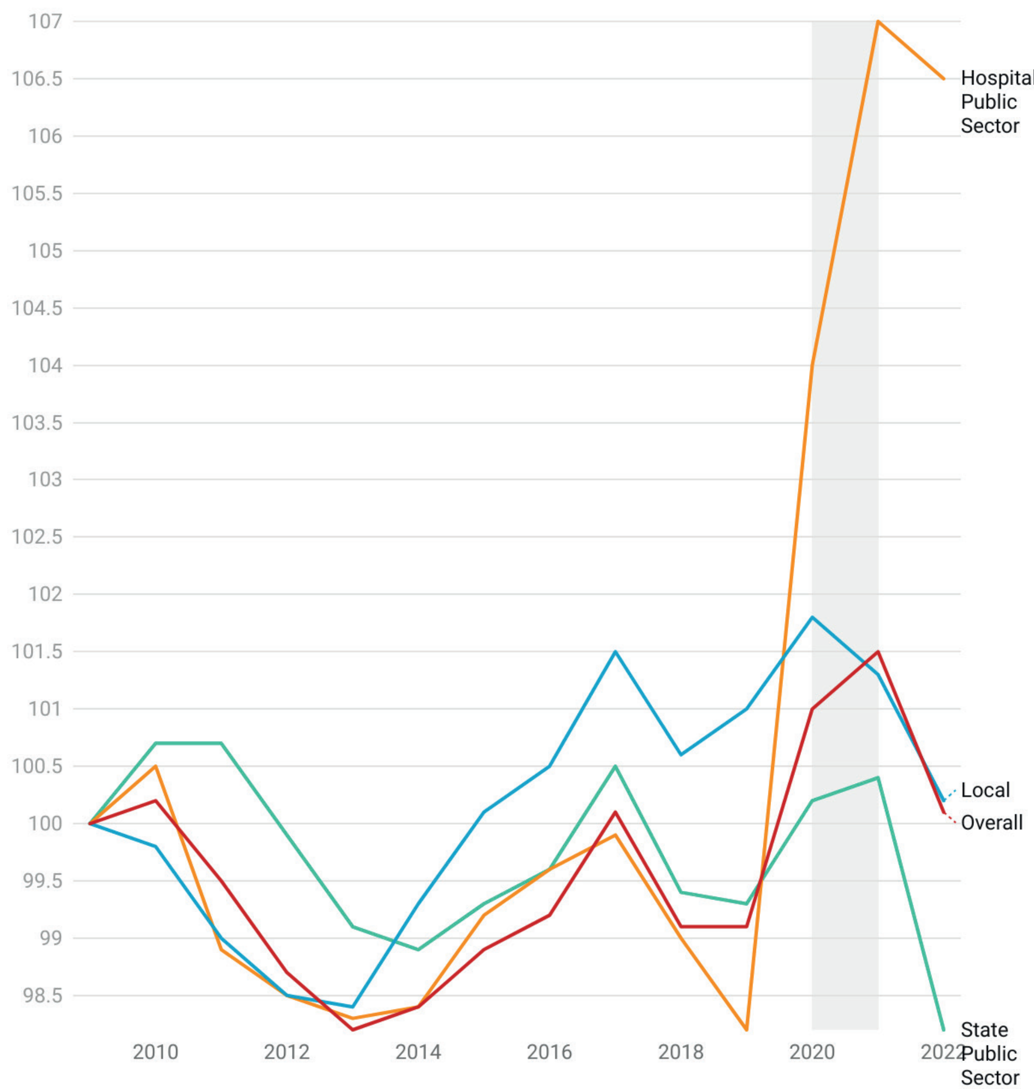


Chart: This graph illustrates the evolution of average net monthly salaries in the French public sector (all branches combined) from 2009 to 2022, in full-time equivalent (FTE) and adjusted for inflation (real euros, base 100 in 2009). The data are taken from INSEE's SIASP database (Système d'information sur les agents des services publics), which provides detailed long-term salary series. The values were converted into an index to better illustrate relative changes over time, with 2009 set as the base year (index = 100). This approach allows for easy comparison of salary dynamics across the different branches of the public sector (State, local government, and hospitals). • Source: INSEE • Created with Datawrapper

Figure 5

Evolution of Salaries by Occupation in the Private Sector (Index Base 100 in 1996, Adjusted for Inflation)

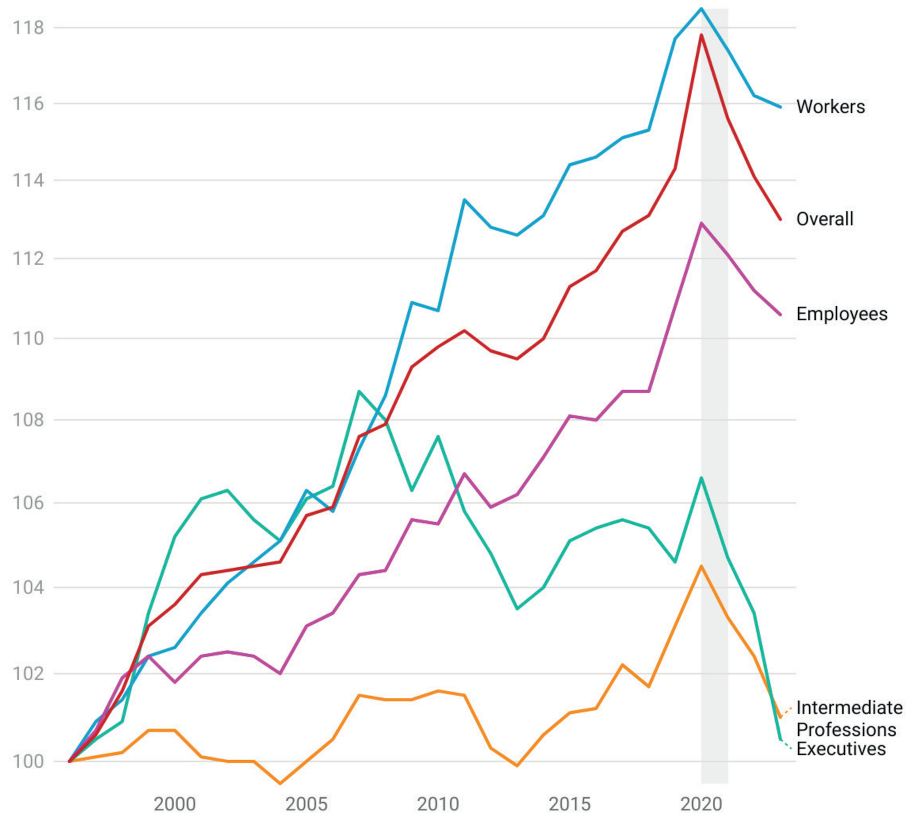


Chart: This graph shows the evolution of average net monthly salaries by occupational category in the French private sector from 1996 to 2023, expressed in full-time equivalent (FTE) and adjusted for inflation (real euros). The index uses 1996 as the base year (index = 100) to facilitate comparison across time and between occupational groups: executives, intermediate professions, employees, and workers. The data were sourced from INSEE's "Tous salariés" database. The values have been converted into an index to emphasize relative salary trends over time, and to highlight how wage growth differs across social categories. • Source: INSEE • Created with Datawrapper

C. The Impact on Entrepreneurial Discovery and Labor Market Adaptability

Excessive government intervention during the COVID-19 pandemic not only distorted market signals but also stifled entrepreneurial discovery, prolonging the economic recovery process. In a free-market economy, entrepreneurs play a crucial role in identifying opportunities, anticipating future consumer demand, and correcting market inefficiencies through innovation. However, interventionist policies such as wage subsidies, furlough schemes, and other forms of state support hindered the market's natural correction mechanisms, preventing entrepreneurs from making necessary adjustments.

As Kirzner emphasizes in Competition and Entrepreneurship (1973), the entrepreneur's role in a free market is to discover profit opportunities through alertness to changes in consumer preferences and market conditions. However, when government intervention artificially maintains the status quo by propping up unproductive businesses and sectors, it prevents entrepreneurs from responding to true market signals. This leads to a misallocation of resources, where inefficient firms continue to operate without being subjected to the competitive pressures that drive innovation and economic growth.

Mises observed in Human Action that "the only source from which an entrepreneur's profits stem is his ability to anticipate better than other people the future demand of the consumers" (Mises, 1996, p. 288). During the pandemic, state intervention effectively muted these entrepreneurial signals, as businesses were shielded from the competitive environment where they would typically have to adapt or exit the market. Entrepreneurs who might have otherwise identified opportunities to innovate or reallocate resources were constrained by the artificial market environment created by government intervention. This lack of entrepreneurial discovery slowed the process of market correction and economic recovery.

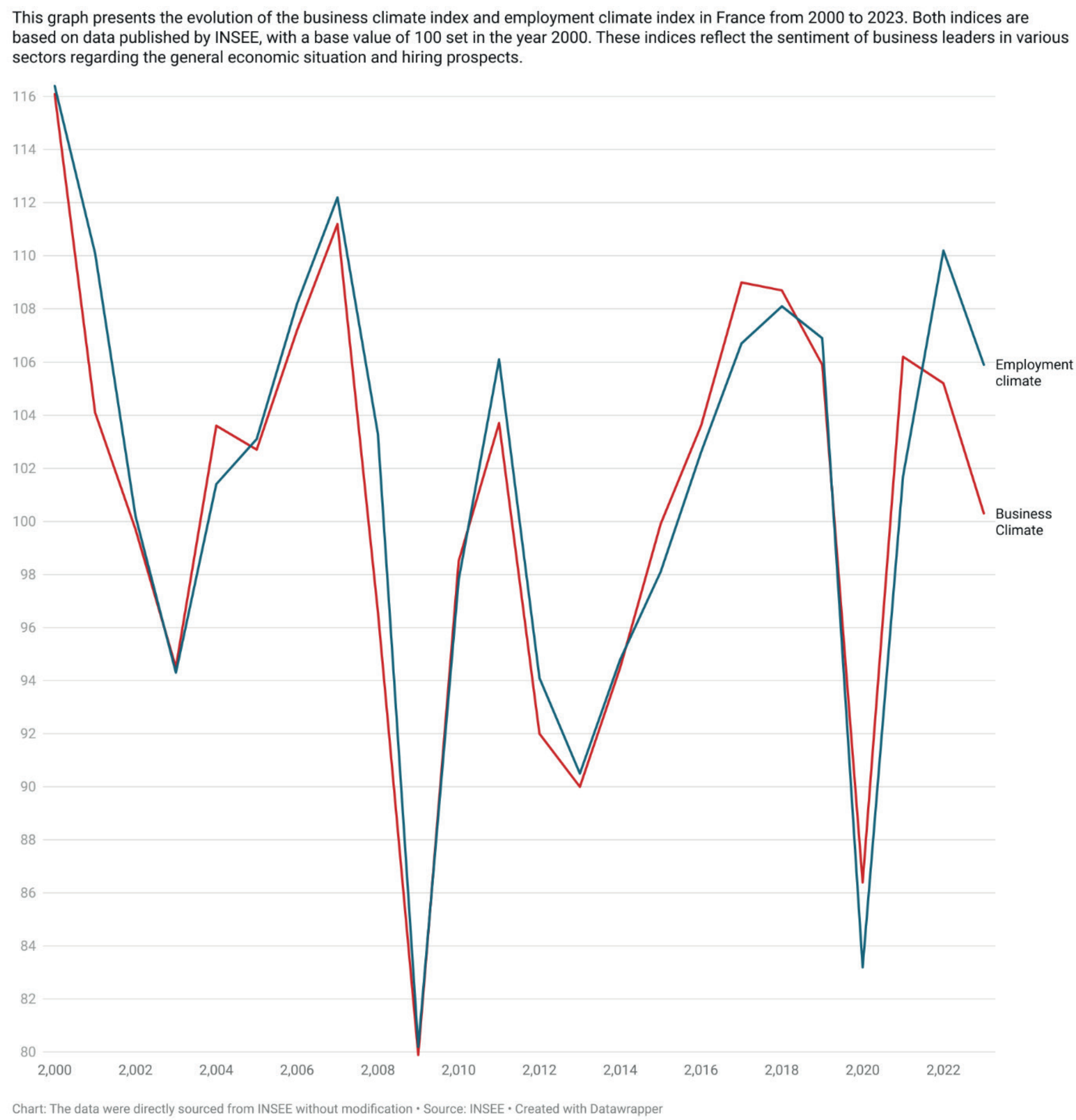
Mises further explains that "the task of the entrepreneur is to select from the multitude of technologically feasible projects those which will satisfy the most urgent of the not yet satisfied needs of the public" (Mises, 1974, p. 117). However, during the pandemic, government intervention delayed the necessary reallocation of capital and labor to more productive sectors. Instead of fostering an environment where entrepreneurs could address unmet consumer needs, interventionism preserved outdated business models, reinforcing inefficiencies in the market.

Factually, the business and employment climate in France reached historic lows during the COVID-19 crisis, rivaling only the 2008-2009 subprime crisis in terms of severity. The uncertainty and restrictions prevented entrepreneurs from engaging in market discovery, which typically allows for economic adjustments and the reallocation of labor. Moreover, the interventionist response to the crisis distorted market signals, making it even more difficult for entrepreneurs to navigate the landscape. Public interventions led to an unsustainable expansion of public debt by 17.4%, nearly a fifth of France's total debt added in a short period, further limiting long-term entrepreneurial growth.

Additionally, the paradoxical nature of economic data during this period highlights the extent to which state interventions distorted economic reality. Despite a 7.4% contraction in GDP, average annual bankruptcies (AEB) declined by 24.3%, an unprecedented contradiction in a major economic crisis. In a natural market cycle, a severe contraction should lead to an increase in bankruptcies as unviable businesses exit the market, allowing for more efficient resource reallocation. However, state subsidies and financial support artificially preserved struggling businesses, preventing the entrepreneurial discovery process from functioning properly. As a result, instead of a dynamic market where new businesses emerge and industries adapt, the French economy faced stagnation and increased long-term vulnerabilities.

Figure 6

Business and Employment Climate in France (2000-2023, Index Base 100)



D. Other Unseen Consequences for Workers:

The Austrian School of Economics teaches us that the "unseen" consequences of government intervention can be just as impactful, if not more so, than the immediate, visible effects (Bastiat, 1850/2007; Bylund, 2015). In the case of the COVID-19 pandemic, many long-term consequences emerged that were not immediately apparent at the time of the interventions and not yet obvious and quantifiable. These unseen consequences have affected workers, companies, the state, and banks, leading to significant distortions in the labor market and broader economy.

1. Lack of Skill Development: Due to furlough schemes and wage subsidies, many workers did not continue developing their human capital. While they may have remained employed or financially supported, they missed opportunities to gain experience, acquire new skills, or adapt to a rapidly changing market environment.
2. Dependency on Government Assistance: Workers, particularly those who were heavily supported by subsidies, became accustomed to receiving financial aid during economic crises (Sémanne, 2025b, p. 6). This dependency can reduce motivation for some workers to seek alternative employment or invest in skill development, which in turn could slow down recovery and innovation in the labor market.
3. Perception of Inequality: Employees who benefited from government support may have been seen as favored compared to independent workers or freelancers who did not receive the same level of aid. This perception of inequality has created tension and dissatisfaction in certain segments of the workforce, leading to a less cohesive labor environment [5].
4. Sectoral Disparities: Government assistance was not uniformly distributed across sectors. Certain industries, particularly those deemed essential or more politically connected, received disproportionate support, while others were left struggling, further distorting the labor market.
5. Post-COVID Inflation: The supply shock caused by the pandemic, particularly due to reduced production, resulted in higher prices for many products, disproportionately affecting workers' purchasing power (Knicker et al., 2025; Plane & Vermersch, 2024). This inflationary pressure compounded the economic difficulties faced by the labor force, particularly for lower-income workers.
6. Post-Traumatic Issues: Workers who were forced to comply with vaccination mandates or other health policies against their will may have experienced long-term psychological and emotional stress (suicide, depression, divorce rate, domestic violence, etc.) (d'Ettorre et al., 2021; Kathirvel, 2020). These issues can have a lasting impact on workplace productivity and morale.

CONCLUSION

The COVID-19 pandemic prompted unprecedented government interventions in labor markets worldwide, with France implementing extensive wage subsidies, furlough schemes, and business support measures to mitigate the economic shock. While these policies provided immediate relief by stabilizing employment and incomes, an Austrian economic perspective reveals their long-term unintended consequences, particularly the distortion of market signals, the misallocation of resources, and the suppression of entrepreneurial discovery.

By artificially sustaining employment in declining sectors and preventing necessary labor reallocation, these interventions delayed structural adjustments crucial for long-term economic resilience. Instead of allowing wages and employment levels to reflect productivity and market demand, government support created rigidities that entrenched inefficiencies and prolonged recovery. The dependency on state intervention not only hindered economic flexibility but also raised concerns about fiscal sustainability, as rising public debt and prolonged state support programs threaten future economic stability.

[5] We lack comprehensive data on this issue; however, a notable paradox during the COVID-19 pandemic was that wages reached unprecedented levels. Despite this, the most entrepreneurial individuals — particularly independent workers — were penalized by the lack of adequate government support. While we do not have specific data on independent workers' wages during this period, the disparity in aid distribution between employees and freelancers has likely exacerbated feelings of inequality.

Furthermore, the shift toward teleworking and the increasing dualization of the labor market illustrate the broader transformations accelerated by the pandemic. However, the reliance on temporary government measures rather than market-driven adaptation has exacerbated disparities between protected and precarious workers, reinforcing labor market rigidities. From an Austrian perspective, this crisis serves as yet another illustration of the perils of interventionism: while well-intentioned, government measures often disrupt the spontaneous order of the market, creating long-term stagnation rather than recovery.

State interventions in labor markets frequently obstruct this entrepreneurial discovery process by distorting market signals. Policies such as wage subsidies and hiring restrictions create artificial incentives, preventing entrepreneurs from responding effectively to real consumer demands. When businesses are compelled to retain workers in unproductive sectors due to government intervention, labor misallocation occurs. This results in a stagnating economy where market efficiency is compromised, as firms that would otherwise adapt to changing economic conditions are shielded from competitive pressures. As a result, interventionist policies not only inhibit entrepreneurship but also reduce overall labor market dynamism.

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