



# **EFFECTS OF THE PANDEMIC ON EU LABOUR MARKETS, NOTABLY LOW-WAGE SECTORS**

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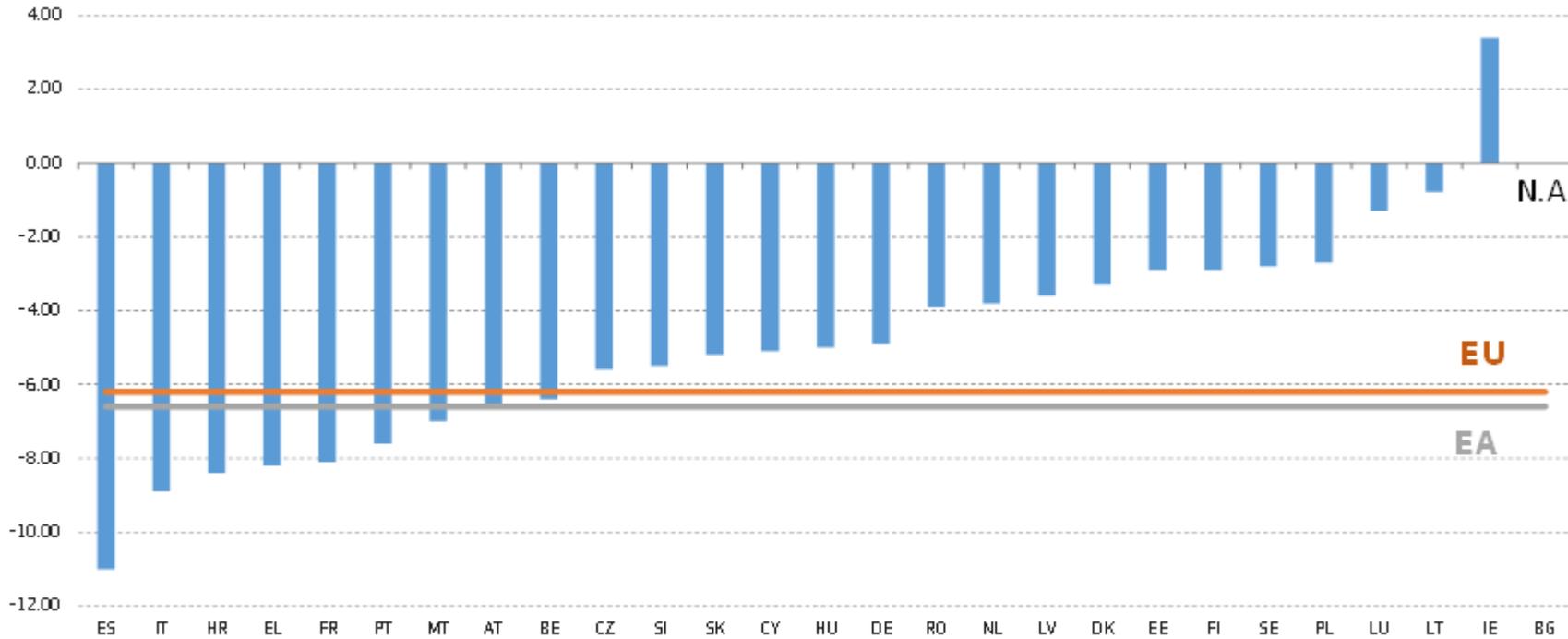
EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, LABOUR MARKET OBSERVATORY, 21 MAY 2021



- Covid-19 led to a **dramatic decline in economic activity**, while the **decrease in employment** has been **contained** ...
- ... thanks to **exceptional policies** supporting employment (STW, layoff moratoria, paid sick leave)...
- ... These policies led to '**labour market adjustments**': i.e. temporary layoffs and working hours reduction
- These exceptional policies also helped **inequality to remain stable**, although ...
- ... **Low-paid workers and sectors** have been among the **most hit** by the COVID-19 shock.

### Real GDP fell in almost all the Member States

Real GDP growth in the EU (2020, percentage change on previous year)



- Stark reduction in economic activity
- Inevitable repercussions on labour: intensive (working hours) or extensive margin (unemployment)?

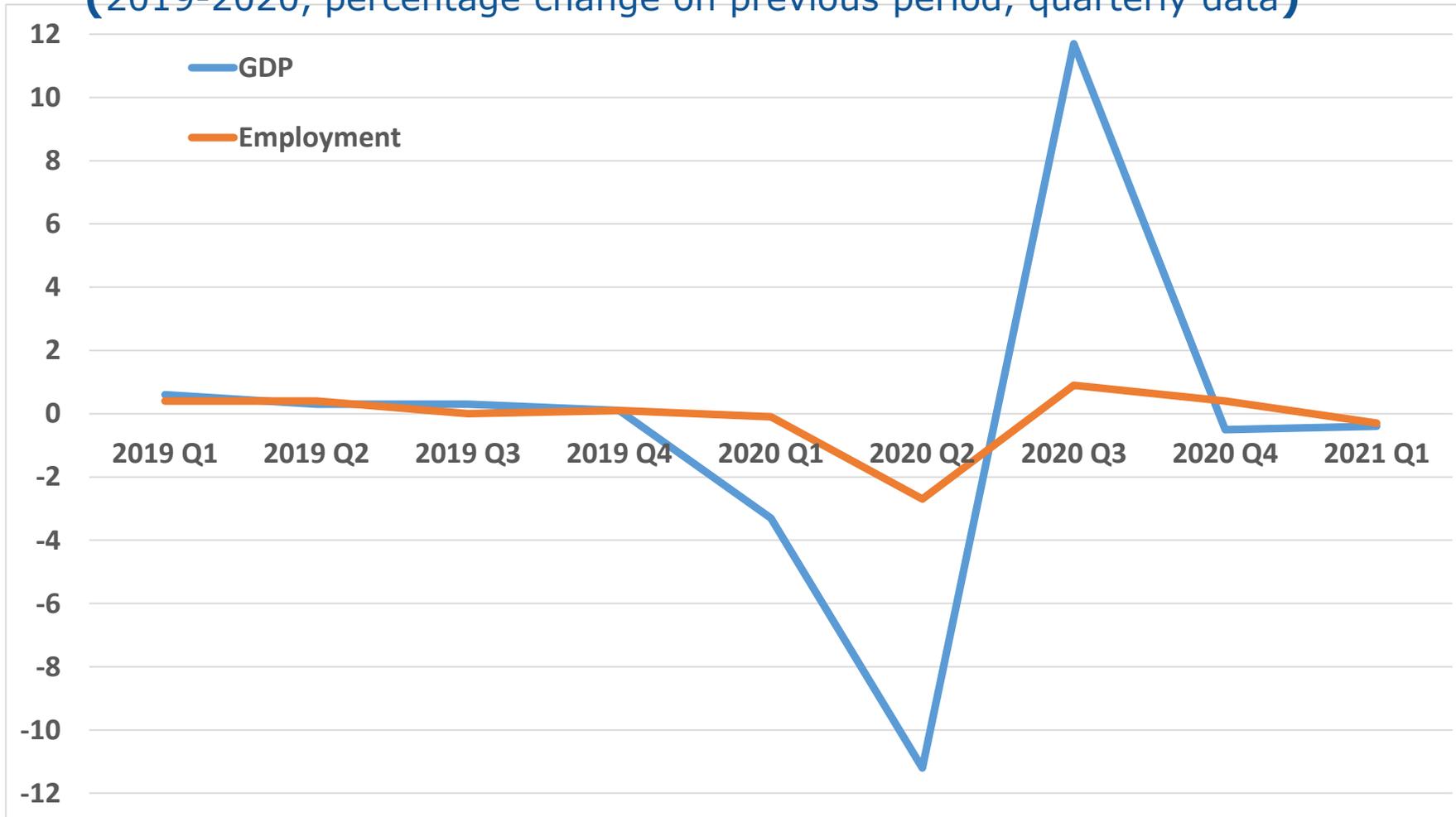
Source: Eurostat, table [nama\_10\_gdp],

# The impact on jobs remains moderate



## GDP and employment in the EU

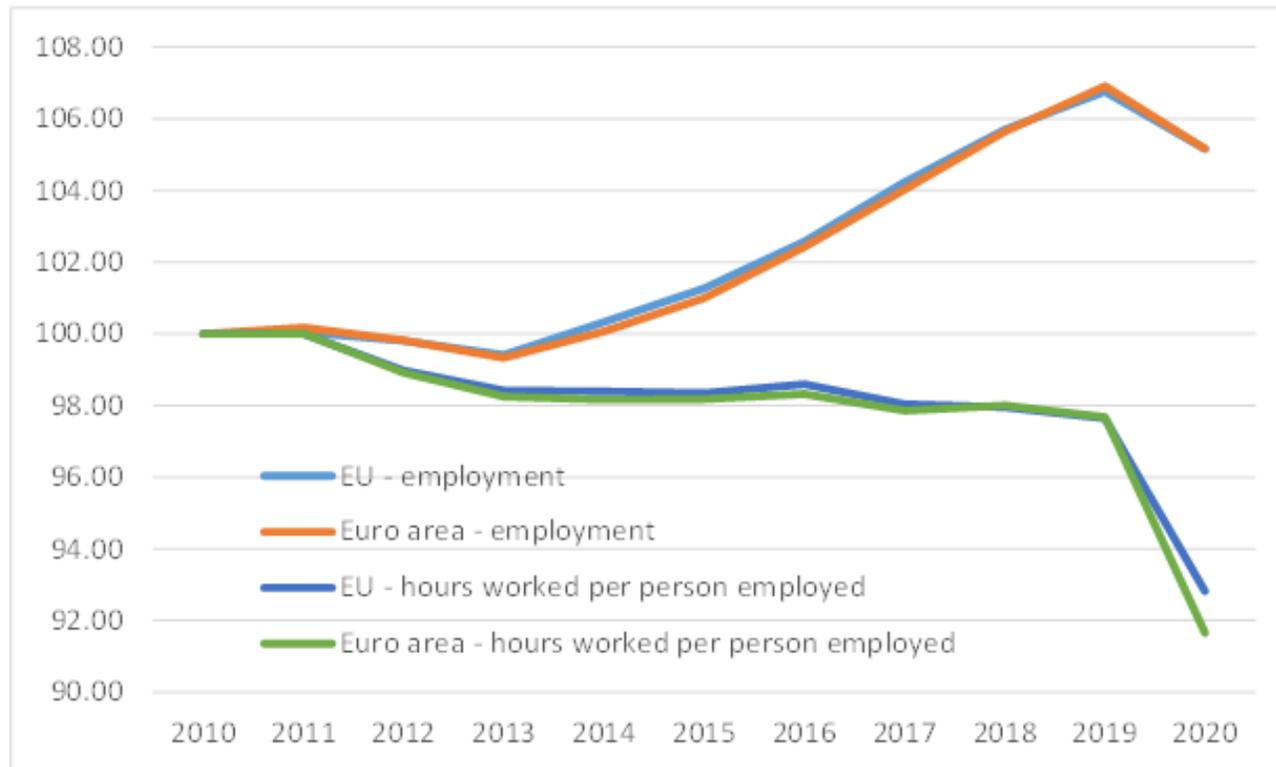
(2019-2020, percentage change on previous period, quarterly data)



- Sharp decline in economic activity, moderate decrease in employment
- Exceptional policies (STW; layoff moratoria; paid sick leave)

### Employment and total hours worked per person employed dropped in 2020

Employment and total hours worked per person employed in EU and euro area (Index 2010 = 100)



Source: Eurostat, table [nama\_10\_a10\_e]

- Steep decline in working hours
- Employed workers experienced three kinds of transition: unemployment; inactivity or **reduced working time.**

# Key features of Short Time Work schemes

Public programmes aimed at **avoiding excessive job destruction** in a downturn through a subsidised reduction of working time



## Firms

- Reduced labour costs
- Increased flexibility
- No firing costs
- Human capital preserved



## Workers

- Sustained incomes
- Lower unemployment risk
- More equal burden sharing



## Society

- Lower unemployment
- Sustained consumption
- Faster resumption of economic activities

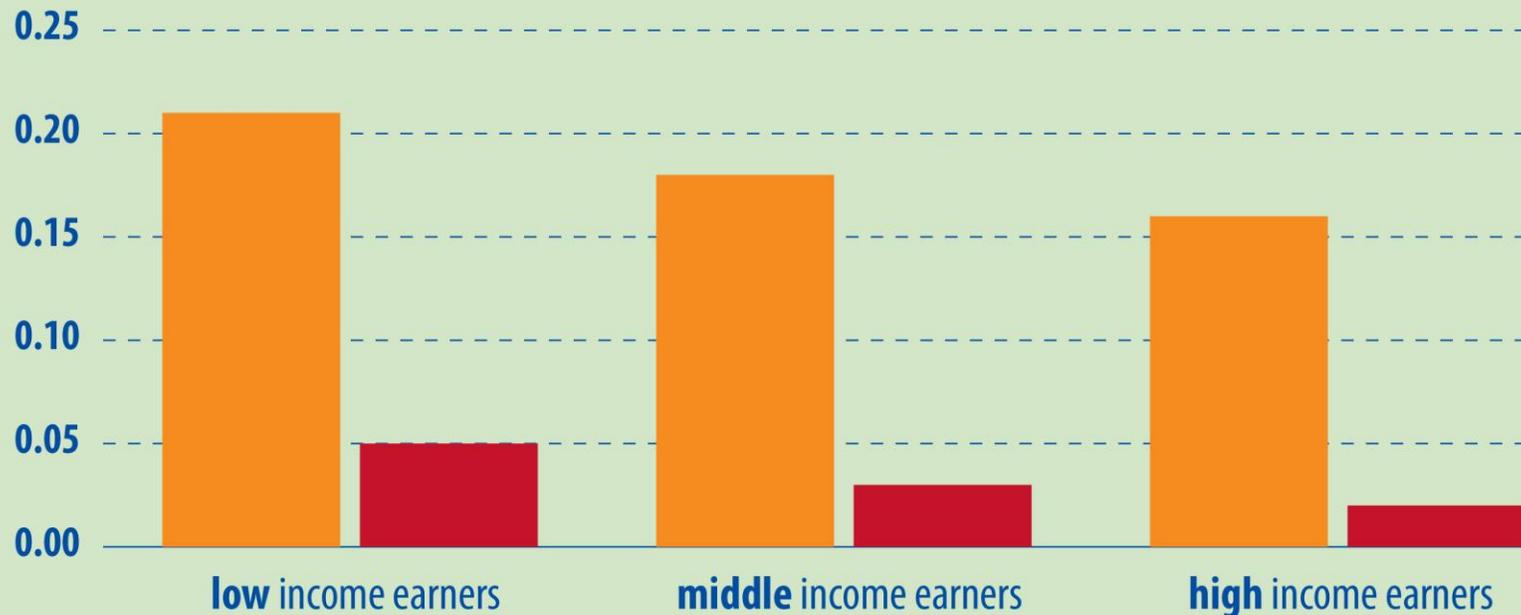


**Effective tool to keep the economy afloat during lockdown**

## Risk of temporary lay off/reduced hours and losing job in the EU in Q2 2020

by income\* from work

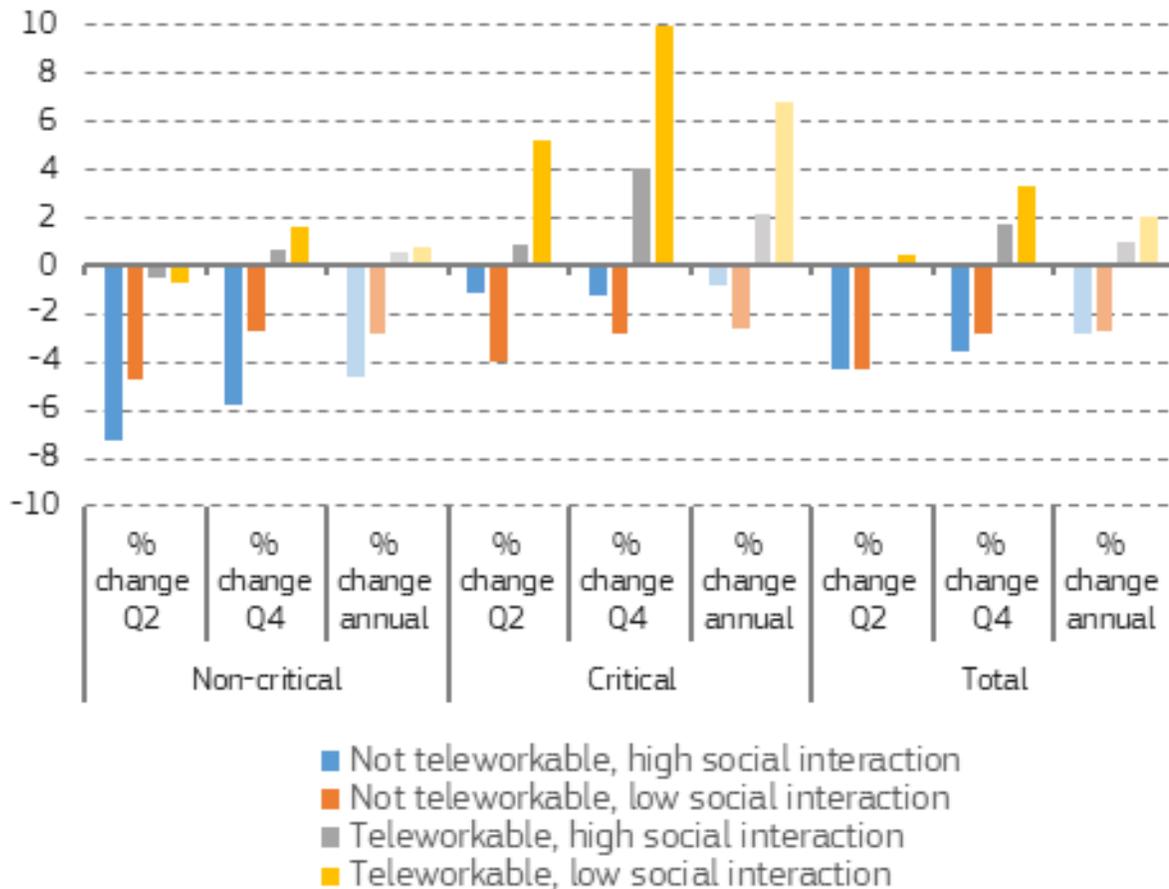
(measured as probability from 0 to 1)



\* based on latest estimates for 2019  
EU totals refer to EU-27 without Germany.

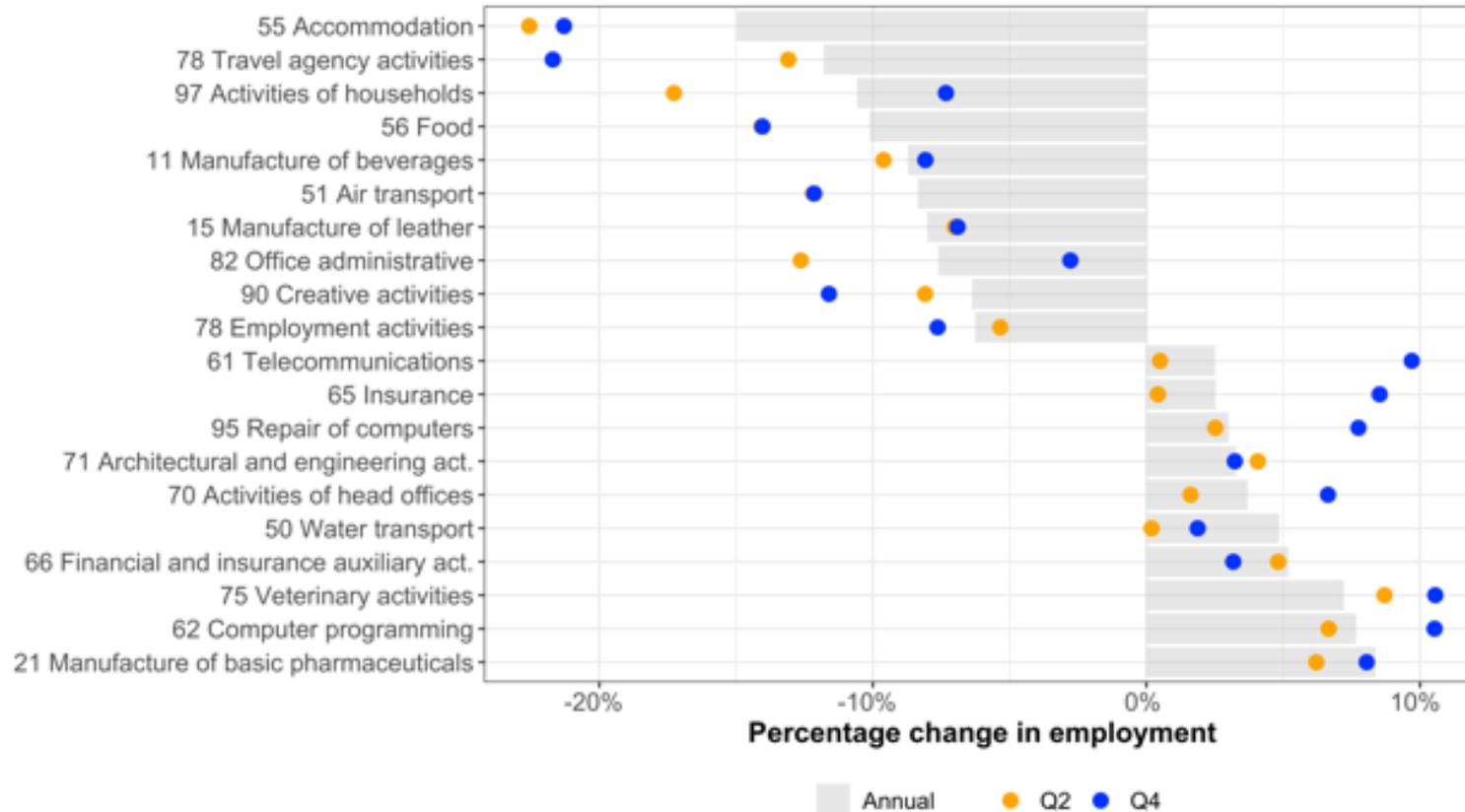
- Decline in GDP mainly absorbed by temporary layoffs or reduced hours
- Low-wage workers more likely to lose their job or have their working hours reduced

### Employment change in Q2, Q4 and annual 2020 (compared to the same quarter in 2019) by occupational category, EU26



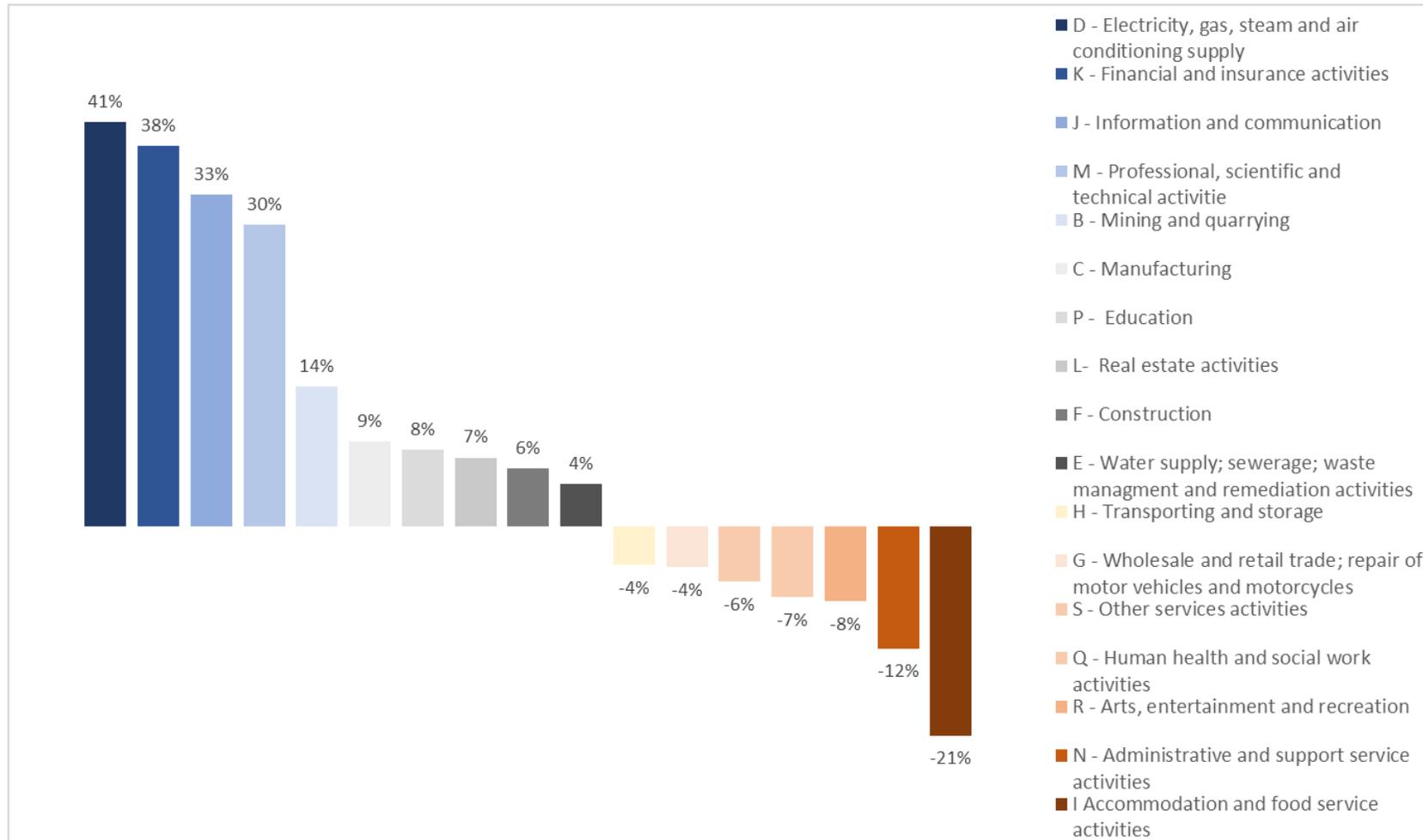
- **Critical and teleworkable** occupations that require **low social interaction** → the only ones with positive employment growth;
- Among **teleworkable** jobs with high social interaction → only critical occupations with positive employment growth;
- **Non-teleworkable** occupations - with both high and low levels of required social interaction → decline in employment;
- Among **non-teleworkable** occupations that require **high social interaction** → critical ones much smaller employment decrease than non-critical ones.

### Growth rate of in employment in the EU26: top and bottom 10 sectors (NACE 2-digit), Q2/Q4/annual level of 2020 compared to Q2/Q4/annual level of 2019



The sharpest decline in employment was in sectors most affected by lockdown measures: accommodation, food, travel agency activities

### Wage gaps compared to median wage at NACE 1-digit level, EU, 2019



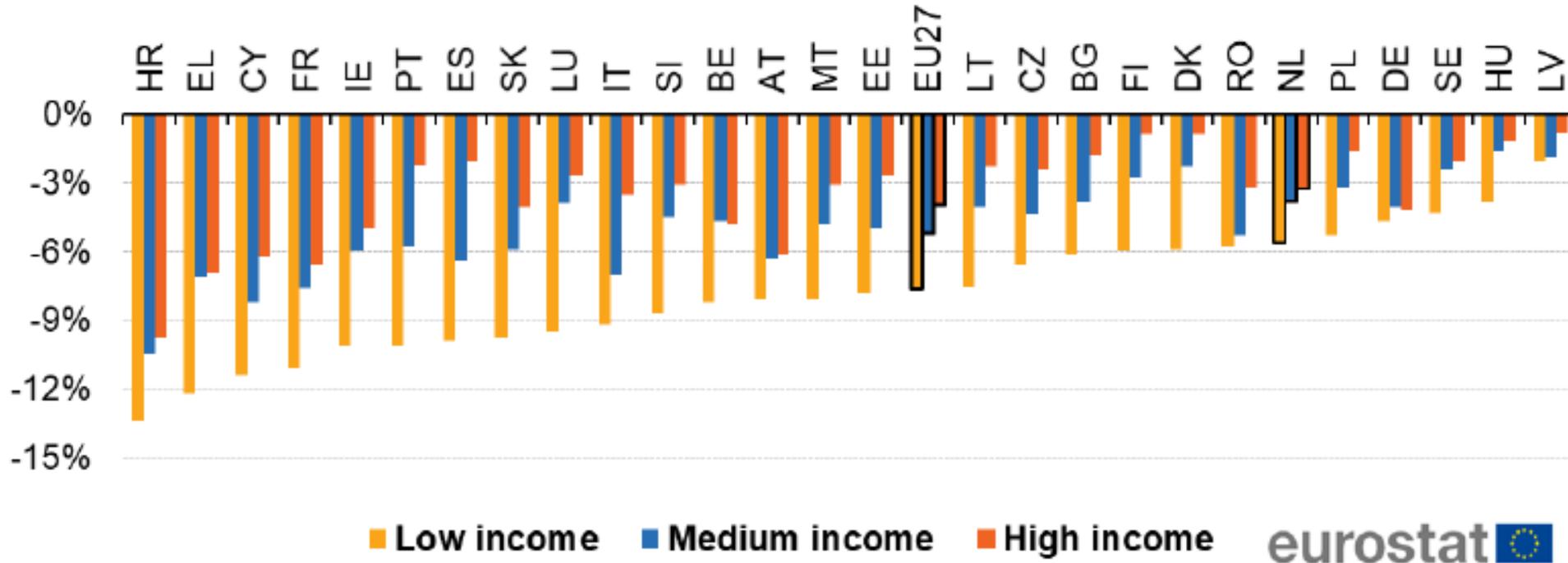
- **Low-paid sectors** have been among the most hit by the COVID-19 shock.
- Among low-paid activities, some played a crucial role in the management of the COVID-19 pandemic.

# Labour income losses by wage group



ESDE Quarterly Dec 2020

Chart 13: Employment-income losses (% on 2019) by income group

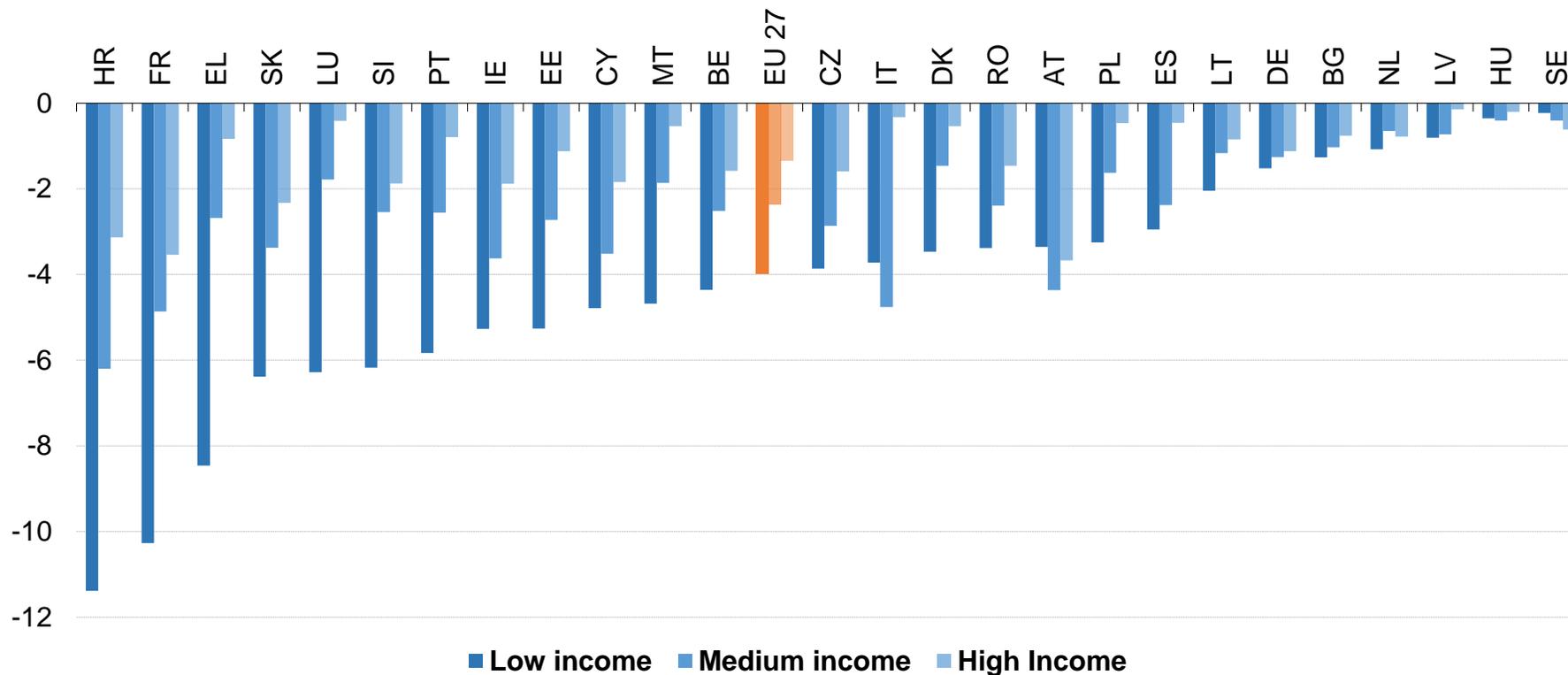


- Severe labour income losses for low-paid workers
- Difference in labour income loss between wage groups the highest in PT, ES and LU

Source: Eurostat calculations

Reading note: low-income group: deciles [1-3]; medium-income group: deciles [4-7]; high-income group: deciles [8-10]. Employment income.

### Total wage compensation (in pps) - Difference between labour income losses before and after wage compensation by labour income group



- Wage compensation policies cushioned wage loss
- Wage compensation highly progressive (HR, FR, EL)

\* only employees included



- COVID-19 shock was relatively well managed thanks to exceptional policies (e.g. STW): GDP loss absorbed via temporary layoffs and reduced hours rather than rising unemployment;
  - Low-wage workers were disproportionately hit (as they are employed in some of the most affected sectors);
  - Income support policies smoothed income labour losses;
- **Main challenge:** Need to tackle possible future inequality increase once these policies are withdrawn.



**Thank you for your attention**