

Employment and labour markets
**Recovery from COVID-19:
The changing structure of employment
in the EU**



Recovery from COVID-19: The changing structure of employment in the EU



When citing this report, please use the following wording:

Eurofound (2022), *Recovery from COVID-19: The changing structure of employment in the EU*, Publications Office of the European Union, Luxembourg.

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Research project: Reporting on structural change in the labour market

Luxembourg: Publications Office of the European Union, 2022

Print: ISBN 978-92-897-2287-2 doi:10.2806/70694 TJ-09-22-521-EN-C

PDF: ISBN 978-92-897-2286-5 doi:10.2806/321685 TJ-09-22-521-EN-N

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Executive summary

Introduction

The COVID-19 pandemic disrupted European labour markets, bringing the protracted recovery from the Great Recession (2007–2009) to a halt. The slowdown in business activity since the onset of the pandemic in 2020 resulted in sharp declines in employment and working hours. The pandemic also accelerated the digitalisation of European workplaces, pushing companies to adapt to the ‘new normal’ much faster than was considered feasible before the crisis. The recovery phase has been swift, with employment levels and working hours almost reaching pre-pandemic levels by the end of 2021.

Yet, as this report highlights, the recovery from the pandemic has been uneven across sectors, occupations and labour market groups. Employment and working hours for categories of workers that were most affected by the pandemic – young workers, low-paid female workers and workers in contact-intensive sectors – remained at lower levels than before the pandemic. In contrast, the opportunity to telework in some sectors and occupations has contributed to preserving jobs during the pandemic and to a rapid recovery of employment levels.

Policy context

The negative labour market impacts of the crisis have been partially alleviated by the unprecedented levels of government support, funded through the temporary Support to mitigate Unemployment Risks in an Emergency (SURE) scheme by the European Commission. The Recovery and Resilience Facility was set up by the European Commission to address, in the medium and long term, the structural changes brought about by the green, digital and demographic transitions. By July 2022, all Member States had submitted national recovery and resilience plans, and 22 plans had been approved by the Council of the EU. Around 40% of the fiscal allocations under approved plans relate to measures supporting climate policies, while 26% are earmarked for digitalisation investments.

Together with the goals set out in the European Pillar of Social Rights and the associated action plan, these investments aim to contribute to broadening labour market participation, increasing productivity through reskilling and upskilling and overall labour resilience. The targets of 78% employment and 60% of adults participating in training every year by 2030 will be achieved through a variety of social investment policies and reforms, which include a directive on adequate

minimum wages, a reinforced youth guarantee and revised European mobility regulations. Concrete actions also include the Recommendation on Effective Active Support to Employment (EASE) following the COVID-19 crisis, which incentivises Member States to develop active labour market policies with funding from the Recovery and Resilience Facility. These plans are vital in the context of the COVID-19 adjustments to European labour markets, and new pressures stemming from geopolitical transformations and supply chain bottlenecks.

Key findings

- Following a sharp fall in employment caused by the pandemic, by 2021 employment levels in the EU had almost fully recovered to pre-pandemic levels.
- The recovery in employment levels was faster for women than for men. In the last quarter of 2021, there were an additional 2.5 million women in employment compared with the same quarter of 2020.
- The use of furloughing schemes sharply declined, with the share of workers on furlough returning to work close to pre-crisis levels in late 2021.
- Growing labour market shortages are affecting production and service delivery across the EU. While such shortages are affecting a range of economic sectors, including construction, healthcare, and information and communications, they are most severe in the accommodation and food service activities sector.
- There were 1.4 million fewer workers in three key sectors – wholesale and retail trade, accommodation and food service activities, transport and storage – in the last quarter of 2021 compared to the last quarter of 2020.
- Professionals remain the fastest-growing occupational group in the EU, with a 6% year-on-year growth in employment in the last quarter of 2021.
- Employment loss continued to be concentrated in the lowest job–wage quintile and was especially high among low-paid female workers.
- In terms of aggregate job quality, both male and female employment grew sharply in well-paid, knowledge-intensive sectors and declined in low-paid, in-person service sectors over 2019–2021, implying an ‘upgrading’ reallocation of labour. Employment losses in low-paid jobs have been compensated for by employment gains in well-paid jobs.

- Service sectors account for nearly all of the net employment growth at the top of the wage distribution. Private service sectors were responsible for most new top-quintile jobs, while state-paid service sectors were predominantly responsible for the growth in the second-top wage quintile.
- Retail salespersons – the job employing the most people in the EU, accounting for more than 1 in 20 workers – have been most affected by the pandemic. Around two in three job losses were among female workers in this predominantly female job. The combined category of personal service workers/sales workers in the accommodation and food service activities sector shed 649,000 jobs.
- Teleworking continued to spread in 2021. However, the incidence of teleworking continued to be unequally distributed across occupational groups. The share of employees working remotely remained high in white-collar occupations and low in blue-collar occupations, a trend already visible at the peak of the pandemic.

Policy pointers

- The increase in labour market shortages in the aftermath of the pandemic highlights the need for effective social investment and active labour market policies that build skills and enhance access to employment. Ensuring good-quality jobs, either through regulatory instruments or collective bargaining, can contribute to alleviating labour shortages.
- Youth employment and employment for workers in low-paid jobs have still not returned to pre-pandemic levels. These groups are more likely to experience poor living conditions and to be at risk of material deprivation and social exclusion. Given the current inflationary pressures, the policy focus should be on providing support through social protection and assistance schemes.
- Given the long-term shift to teleworking, national regulations around the use of telework need to be updated and modernised. As of July 2022, the European social partners have pledged to review and update the 2002 Framework Agreement on Telework and to work towards a legally binding agreement implemented through a directive.

Introduction

This report takes stock of the impact of the recent public health crisis on European labour markets and on workforce composition two years after the emergence of COVID-19 in 2020.

European labour markets have recovered strongly from the COVID-19 pandemic. By the end of 2021, little more than 18 months after the start of the pandemic, employment levels in the EU had almost returned to pre-crisis levels. The recovery from the crisis has been largely ‘V-shaped’, and the main labour market performance indicators in July 2022 – employment and unemployment rates – were at their most positive levels since the beginning of the century. For perhaps the first time in a generation, labour shortages rather than unemployment – that is, labour supply rather than demand – is the more pressing policy concern.

Given the sharpness of the employment and economic shocks that COVID-19 presented, the limited duration and severity of the employment downturn is a testament to the resilience, at least in the short-term, of European labour markets. This relates in part to the quality of the policy response to the crisis and the scale of state resources, both devoted to combating the pandemic’s employment effects. In particular, the widespread implementation of national short-time working schemes (or similar schemes), along with EU-level support through the Support to mitigate Unemployment Risks in an Emergency (SURE) mechanism, preserved many jobs that would otherwise have been lost. The recovery, in turn, has been supported by expanded EU-backed fiscal measures, notably through the Recovery and Resilience Facility.

Though the standard labour market indicators (at EU Member State level) suggest a healthy recovery, it is important to look beyond averages to see how selective the crisis has been in its negative effects. It has mostly affected those whose work activities require or involve human contact and interaction and mobility. This covers a wide range of service sectors, from arts, entertainment and recreation to transport, retail and accommodation. Employment in knowledge-intensive sectors – such as information and communications, computer programming/consultancy and telecommunications – has increased, as the pandemic has accelerated pre-existing trends towards digitalisation.

As Europe begins to emerge from the COVID-19 pandemic, it faces a new set of challenges. Some are new or unexpected, for example the war in Ukraine and high inflation; others are structural, but no less urgent, including climate change, digitalisation and demographic ageing. Each will motivate changes in economic policy and decision-making, favouring investment in some sectors and undermining supply chains in others. Each will differentially affect demand for labour across sectors and occupations in tandem with long-standing trends such as the increasing role of the service sector in terms of aggregate production and employment and educational/occupational upgrading. For employment policy to meet these structural challenges, an early assessment of their first-order impacts is beneficial, even if its conclusions are largely provisional and provide only a snapshot of the challenges that European labour markets faced in the immediate aftermath of the COVID-19 pandemic. This short report provides a preliminary analysis of how the COVID-19 pandemic has affected the employment structure in the EU. The analysis relies on data published before the start of the war in Ukraine. Therefore, the consequences of the war for European labour markets are outside the scope of this report.

The report is structured as follows. The first chapter summarises the main indicators of labour market performance between the last quarter of 2019 and the last quarter of 2021, emphasising the sharpness of the initial impacts of COVID-19 in early and mid-2020, but also the relatively rapid recovery thereafter. The main question addressed in this section is: What changes in employment structure occurred during or were induced by the COVID-19 pandemic and what were the policy and labour market responses to it? The second chapter applies the ‘jobs approach’ methodology, developed in Eurofound’s European Jobs Monitor over the last decade or so, to employment shifts during the crisis at aggregate EU level. It finds that employment grew sharply in well-paid, knowledge-intensive sectors and declined in low-paid, in-person service sectors over 2019–2021, implying an ‘upgrading’ reallocation of labour. This is quite distinct from the polarisation of employment that occurred during the last crisis of comparable severity, the Great Recession (2007–2009).

The third chapter uses recent annual Labour Force Survey data from 2021 to show the variations in the uptake of teleworking during the crisis. Working from home proved one of the more important sources of labour market resilience in all advanced economies as they responded to COVID-19. This was largely due to the growing share of knowledge-intensive service sector employment in developed labour markets, but its protective buffer was highly selective, notably by

occupation and sector, with well-paid jobs much more likely to benefit than lower-paid jobs. Given that companies' human resources policies, and employment policies more generally, are making some of the teleworking provisions adopted ad hoc during the crisis permanent – including broad-based hybrid working – the selective nature of remote working capability has the potential to introduce a new dimension of inequality to workplaces.

1 European labour markets rebound from the pandemic: An uneven recovery

This chapter provides a general overview of the labour market developments in the EU between the last quarter of 2019 and the last quarter of 2021. It aims to capture the impact of the pandemic on European labour markets and to describe the initial phases of the recovery. In June 2022, the initial shock of the pandemic was gradually waning, as resulting public health measures and policies to address its short-term impacts had been largely phased out. The sizeable policy support during the pandemic helped labour markets to recover faster than anticipated given the sharp decline in economic activity at its outset (Eurofound, 2021a). The decline in unemployment levels to a record low coupled with the growth in employment suggests that labour market activity is resuming its pre-pandemic trend. Notably, European labour markets have recovered faster from the pandemic than from the global financial crisis, when it took eight years (2008–2016) for employment to recover to its pre-crisis levels.

Public policy is increasingly focused on deficiencies in labour supply rather than on demand for labour. Vacancy data indicate that labour shortages are re-emerging and increasing at a faster rate than before the pandemic. Shortages are related to both skill mismatches and the lack of attractiveness of certain jobs. While the scale of shortages varies by country, on aggregate the sectors with the greatest shortages in the aftermath of the pandemic in the EU are accommodation and food service activities and wholesale and retail trade. The severe shortage of labour in these two sectors is driven by quality of work factors rather than being solely due to skill mismatches (EFFAT, 2022). In this sense, the disruption brought by the pandemic has highlighted the importance of job quality and the discrepancy that exists between the quality of work and jobs that are deemed ‘essential’ for the functioning of our societies. At individual level, the pandemic has also contributed to shifting workers’ perceptions of the quality of work and the relative

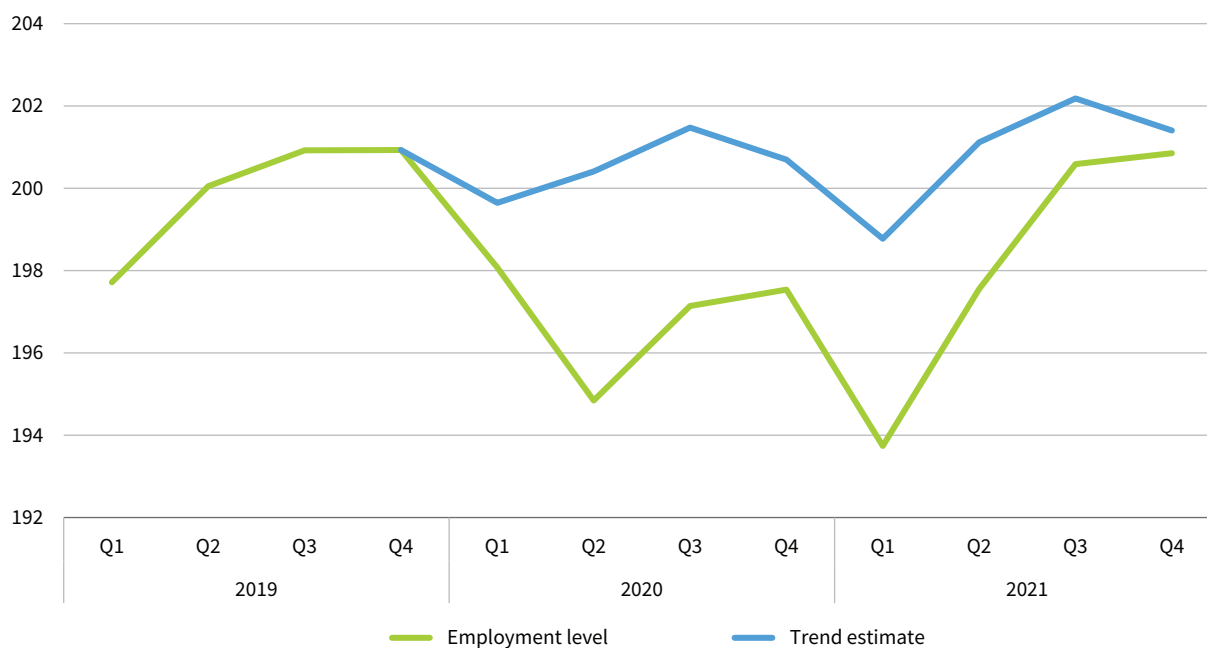
importance that they attach to pay, job security and the quality of their working environment. This has implications for individual decisions and, on aggregate, for labour reallocation between sectors in the aftermath of the pandemic.

The chapter draws on EU-level data to describe the key labour market developments in the EU. It uses two indicators, employment levels and weekly working hours, to describe employment dynamics before and in the aftermath of the initial shock of the COVID-19 pandemic, up to the end of 2021. The key questions guiding the chapter are as follows. To what extent did European labour markets maintain the recovery in aggregate employment that began in the last quarters of 2020? Has the recovery in aggregate employment been similar across countries, sectors and labour market subgroups? How has the recovery in employment levels varied by age and gender?

Movements in labour market indicators

Figure 1 demonstrates that following strong growth registered for three consecutive quarters in 2021, EU aggregate employment among workers aged 15 and older had almost fully recovered to pre-pandemic levels. By the fourth quarter of 2021, the estimated difference between actual and predicted employment levels was only about 0.5 million workers, equating to less than 0.25% of total employment.

Growth in aggregate employment has been faster for women than for men – a continuation of the trend that characterised European labour markets before the onset of the pandemic. The year-on-year growth rate of employment in the last two quarters of 2021 was 3% for women and only 1% for men. In absolute terms, in the last quarter of 2021 there were an additional 2.5 million women and 1.4 million men in employment compared with the same quarter in 2020.

Figure 1: Actual and trend estimates of employment levels among workers aged 15 and older, 2019–2020, EU27 (millions)

Note: Data have not been seasonally adjusted. The trend estimate uses the Holt–Winters estimator, which accounts for the seasonality of employment data.

Source: Eurostat [lfsq-eisn2] and authors' calculations

Declines in furloughing

One of the most important labour market policy responses to the crisis was the widespread implementation of subsidised short-time working or temporary lay-off schemes. During the first wave of the pandemic, approximately 20% of the workforce benefited from such furloughing measures at some stage, amounting to around 40 million European workers. In comparison, fewer than 1.8 million workers benefited from furlough schemes at the height of the global financial crisis (Eurofound, 2021a), when implementation had been limited to a smaller number of Member States with an established tradition of rolling out such policies during economic downturns (for example Austria, Belgium, France and Germany). During the first wave of the COVID-19 pandemic in spring 2020, all Member States adopted such job retention policies in one form or another. Levels of state support were more generous than before, with funding coming from direct subsidies rather than employer contributions, as traditionally had been the case. Coverage in many cases was extended not just to employees but also to self-employed workers or those on temporary contracts (Eurofound, 2021a).

Fiscal support from the EU through the Support to mitigate Unemployment Risks in an Emergency (SURE) funding mechanism contributed to the generalisation of this measure. Partially as a result of SURE funding,

expenditure on these schemes was close to 10 times higher in the first wave of the pandemic than during the whole of the 2008–2010 crisis.

The main objective of these schemes is to ensure the preservation of the employment relationship. Breaking the link between employers and employees is costly and inefficient, especially in situations where an unanticipated labour market shock (such as that arising from COVID-19) is likely to be temporary and short term. Preserving these relationships through short-term working schemes is a policy that has been evaluated positively in terms of short- and medium-term employment outcomes, especially in countries where experience in operating those schemes throughout various recessions has allowed fine-tuning (Hijzen and Martin, 2013; Cahuc et al, 2018; Scarpetta et al, 2022).

In 2020, these policies successfully limited the rise in unemployment rates, which could be considered one of the main measures of the success of such policies. Unemployment peaked at 7.8% (EU27), just over one percentage point higher than its pre-crisis level despite a much sharper fall in output. In comparison, unemployment rates increased by over 10 percentage points to over 14% in the United States during the first wave of the COVID-19 pandemic (Bruegel, 2020; Gros and Ounnas, 2021), where the policy approach focused instead on resourcing the unemployment safety net and cushioning the financial impact of workers losing their jobs.

Figure 2: People employed but not working, EU27 (percentage point difference from pre-COVID-19 baseline – same quarter in 2019)



Source: EU Labour Force Survey (EU-LFS) (authors' elaboration)

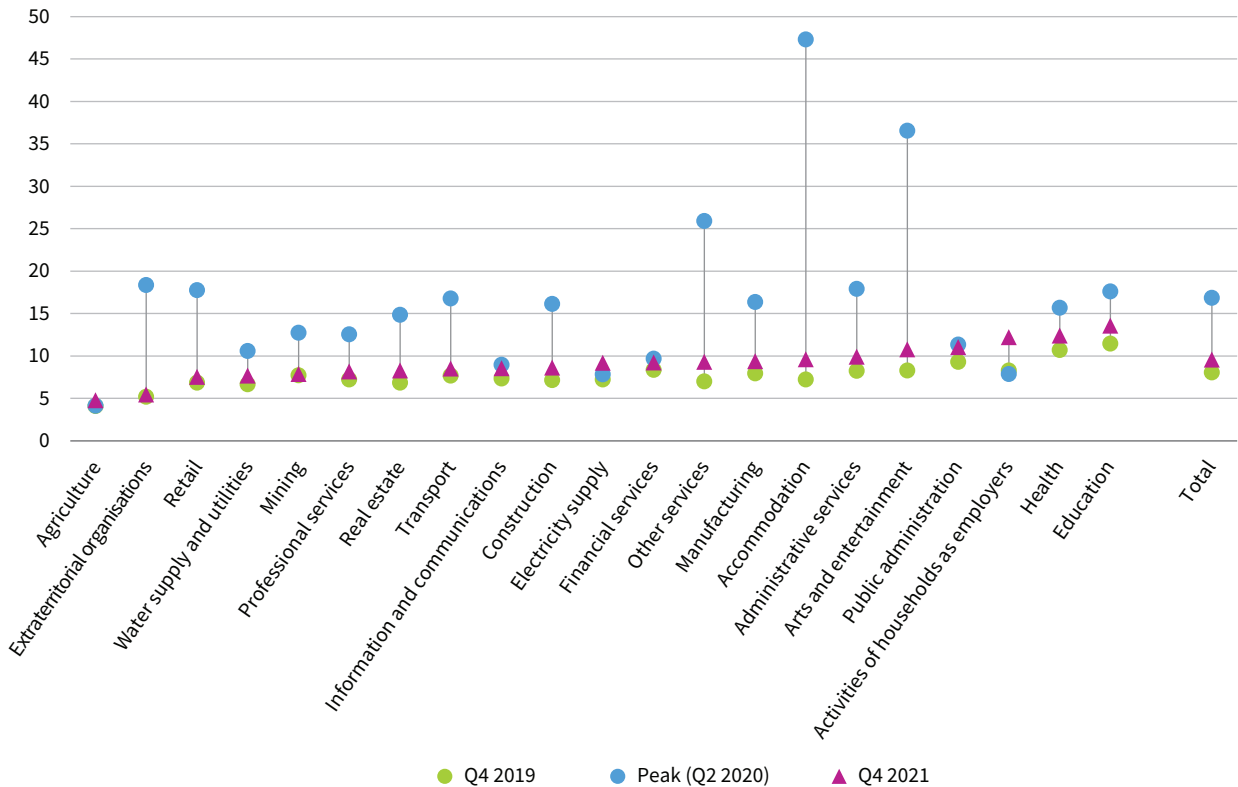
Reliance on furlough schemes diminished sharply after its peak use at the height of the first wave of the pandemic in mid-2020. Figure 2 builds on earlier research (Eurofound, 2021a; Eurofound and European Commission Joint Research Centre, 2021) on interpreting the change in the share of those who are employed but who report not working at all in the reference week as they are on furlough. When the customary share of workers in this category who are not working for other reasons – notably holiday, illness and labour disputes, among others – is subtracted, the resulting share can be interpreted as a proxy of the share on furlough.

At its peak in Q2 2020, the share of those employed but not working was 17% (compared with a Q2 2019 baseline of 7.4%, a near 10 percentage point increase). This year-on-year difference rapidly disappeared in Q3 2020 because of characteristically higher summer shares of employees not working because they were on holiday but also owing to the waning of the first wave of the COVID-19 pandemic during the same period. The second wave of the COVID-19 pandemic in late 2020 was marked by an increase in furloughing but at much more marginal levels than in the first wave. This decline in furloughing continued until the end of 2021, but there

were still around 2.9 million more workers (1.5 percentage points) employed but not working in Q4 2021 than in Q4 2019, before the crisis. According to Scarpetta et al (2022), the wind-down of job retention schemes during 2021 across countries during the COVID-19 crisis 'stands in contrast with the experience during the global financial crisis when country differences in the persistence of take-up tended to be more pronounced', although some countries, such as Ireland and the Netherlands, continued to operate schemes late into 2021 and in early 2022.

Figure 3 breaks down the percentage of employees not working by sector in the start period, Q4 2019, and the end period, Q4 2021, as well as in Q2 2020, at the peak of the first wave of the COVID-19 pandemic. The sectors with the highest peaks of furloughing during the pandemic – accommodation, and arts and entertainment – had largely returned to more normal levels by Q4 2021, although levels were still somewhat higher than before the crisis in all sectors. The gaps compared with before the crisis were greatest in the following sectors: activities of households as employers (3.9 percentage points), accommodation (2.4 percentage points), and arts and entertainment (2.5 percentage points).

Figure 3: People employed but not working, by sector, Q4 2019–Q4 2021, showing peak incidence in Q2 2020, EU27 (%)



Source: EU-LFS (authors' elaboration)

Unemployment and labour market slack

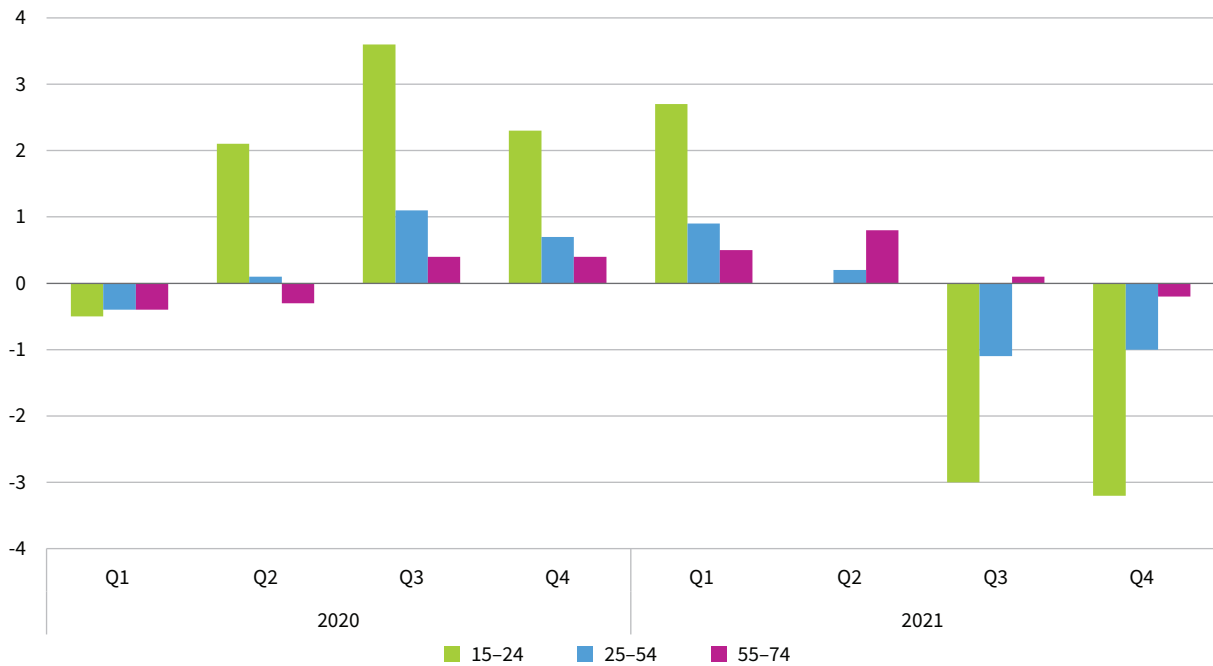
The positive performance of European labour markets was reflected in a drop in unemployment by 2021. It was also evident in the other components of labour market slack.¹ During the COVID-19 pandemic, as previously indicated, the rate of unemployment remained relatively low due to the implementation of short-term working schemes and other business support measures aimed at keeping workers in employment even when they were working zero hours as a result of lockdown restrictions or business closures (Eurofound and European Commission Joint Research Centre, 2021). This was especially the case for prime-age workers (25–54) and older workers (55+), who were more likely to benefit from the assistance provided by government support measures. As Figure 4 demonstrates,

throughout 2020 the unemployment rates for these categories of workers increased only marginally. Interestingly, changes were similar in magnitude for both genders.

However, the unemployment rate did capture the disproportionate impact of the pandemic on younger workers (15–24). The unemployment rate of younger workers increased substantially, especially during Q3 2020, when it was 3.6 percentage points higher than in the same quarter of 2019. This added to the already high levels of unemployment among young people in Europe. Figure 4 also shows that, during the recovery from the COVID-19 pandemic in the last two quarters of 2021, there was a significant decline in unemployment levels among young workers. Although still more than double the unemployment rate of prime-age workers, at 14.4%, youth unemployment in Q4 2021 was 0.9 percentage points lower than in Q4 2019.

¹ Eurostat defines labour market slack as the total sum of all unmet employment demands and includes four groups: (1) unemployed people as defined by the International Labour Organization (2) underemployed part-time workers (that is, part-time workers who want to work more) (3) people who are available to work but are not looking for it and (4) people who are looking for work but are not available for it. Importantly, this definition of labour slack does not include additional forms of slack that arose during the COVID-19 pandemic, such as those on short-time working schemes or those who were laid off temporarily. These additional categories are included in the broader definition of labour market slack developed by Eurofound (2017) and are captured by the 'employed but not working' group in the analysis that follows.

Figure 4: Year-on-year changes in unemployment levels, by age, 2020–2021, EU27 (percentage points)

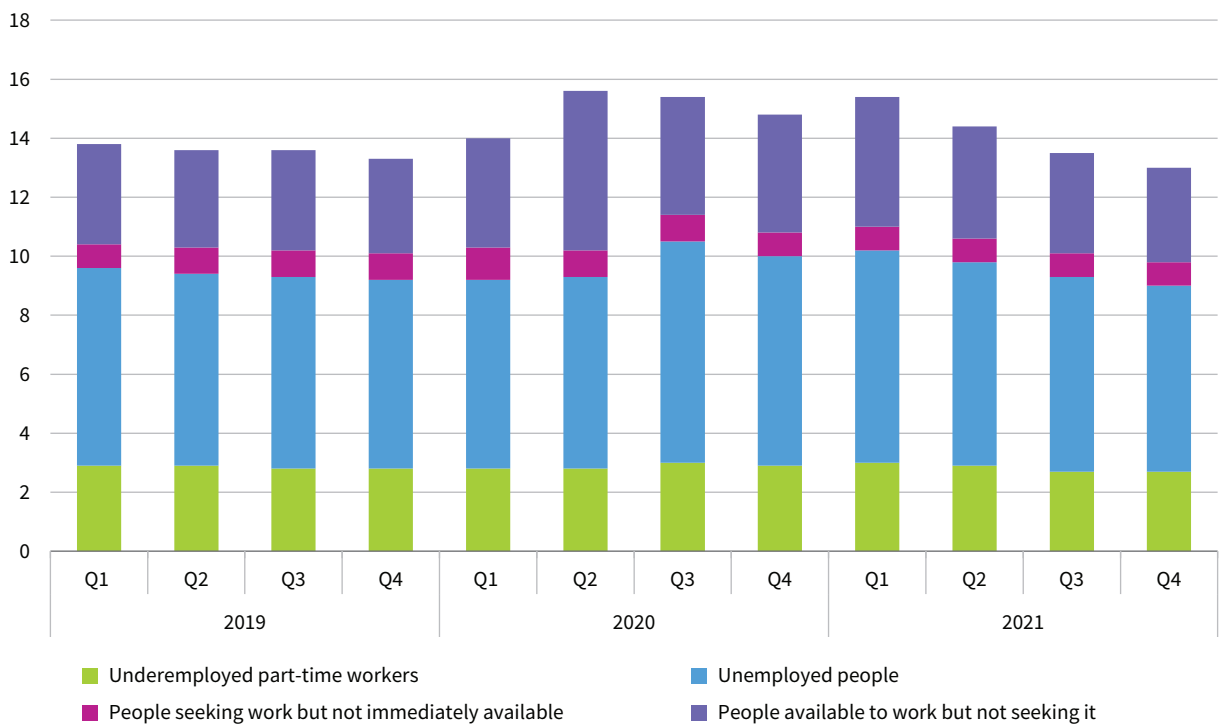


Note: There were no changes in employment levels for 15 – 24 year olds in Q2 2021.
 Source: Eurostat [une_rt_q]

The other components of labour market slack have also declined to pre-pandemic levels. Specifically, in Q4 2021 both the share of underemployed part-time workers

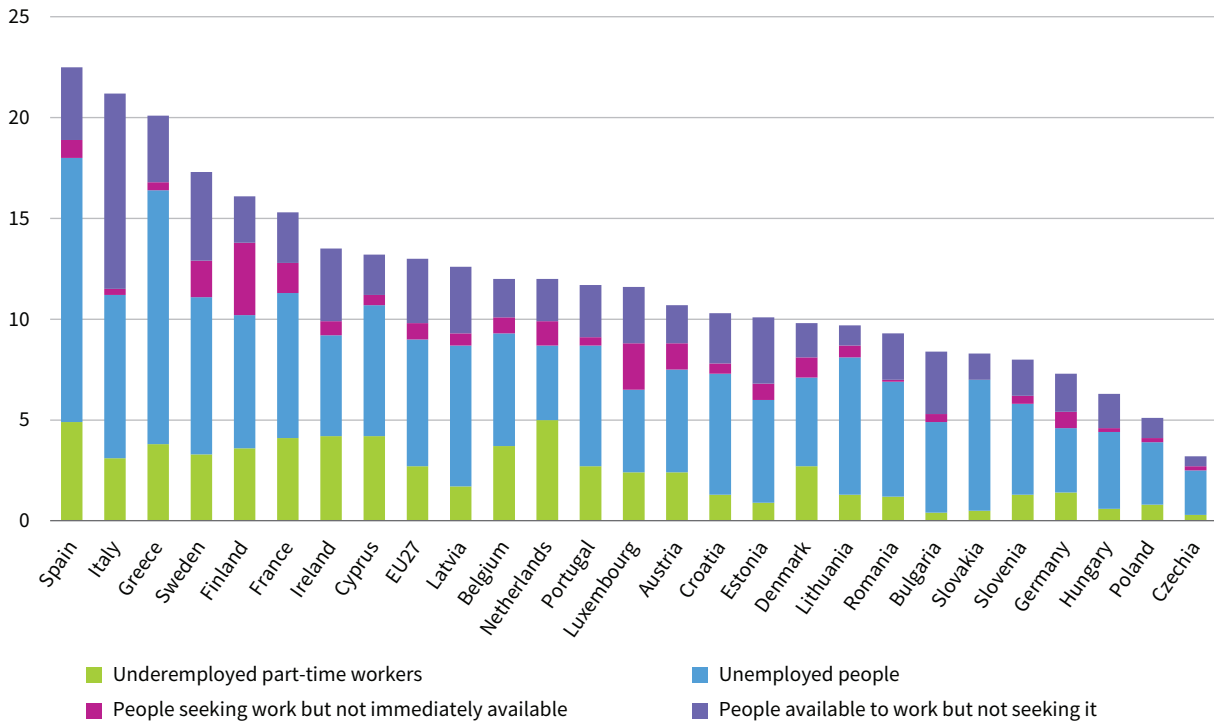
and the share of people available to work but not seeking it were 0.1 percentage points lower than in Q4 2019 (see Figure 5).

Figure 5: Labour market slack, 2019–2020, EU27 (% of the extended labour force)



Source: Eurostat [lfsi_sla_q]

Figure 6: Labour market slack, by country, Q4 2021, EU27 (percentage of the extended labour force)



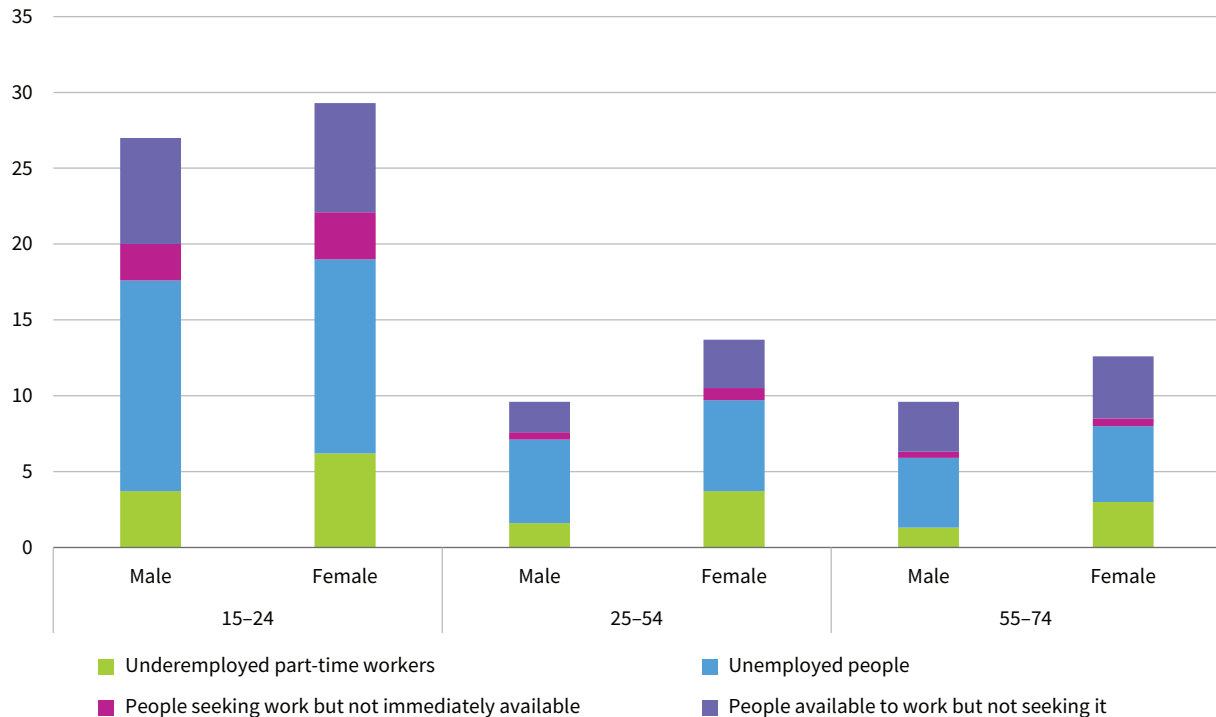
Note: Data for Malta present reliability issues and therefore are not displayed.
 Source: Eurostat [lfsi_sla_q]

Figure 6 further disaggregates the components of labour market slack by country. It shows that in Greece, Italy and Spain, one in five people in the extended labour force faced an unmet demand for employment in the last quarter of 2021. At the other end of the scale, in countries such as Slovenia, Germany, Hungary, Poland and Czechia, the level of slack was below 10%. The weight of each component of slack also varies substantially by country. In Czechia, Lithuania and Slovakia, unemployment accounts for more than two-thirds of labour market slack. In contrast, in Italy people available to work but not seeking it account for almost half (47%) of labour market slack. In this Member State, the unemployment rate is a less reliable indicator of labour market performance owing to the comparatively high share of joblessness attributable to inactivity. In Bulgaria and Estonia, people available to work but not seeking it account for one-third of labour market slack. In comparison, in Belgium, Cyprus and Ireland underemployed part-time workers account for

more than a third of labour market slack. By far, the largest proportion of underemployed part-time work in labour market slack is in the Netherlands, where it accounts for 42% of the total.

The levels of slack also vary by age and gender. In Q4 2021, almost one in three young people aged 15 to 24 (28%) faced an unmet demand for employment. In contrast, the level of labour market slack for prime-age and older workers was much lower and accounted for around 11% of the extended labour force. Figure 7 indicates that, although gender differences are not as pronounced as differences across age groups, generally women face a higher unmet demand for labour than men. The largest differences between men and women are in the 25–54 age group and are driven by the higher share of women in this age group indicating that they are available to work but are not seeking work (4.1 percentage points higher) or that they are seeking work but are not immediately available (2.1 percentage points higher).

Figure 7: The components of labour market slack, by age and gender, Q4 2021 (percentage of the extended labour force)



Source: Eurostat [*lfsi_sla_q*]

Box 1: Labour market shortages in the European Union

In 2021, the persistence of labour market slack was accompanied by a marked increase in the scale of labour market shortages in the EU (see Table 1). The simultaneous presence of labour market slack (unmet demand for employment on the part of workers) and labour market shortages (unmet demand for labour on the part of employers) is an indicator of structural problems in European labour markets, stemming from a mismatch between the supply of and demand for labour.

Labour shortages are not a new phenomenon in the EU. In the aftermath of the global financial crisis, in the context of the economic recovery and a rise in employment rates, shortages began to appear in sectors such as information and communications, construction, manufacturing and healthcare. The job vacancy rate² in the EU27 rose from 1.2% to 2.2% between 2012 and 2019, its highest level since 2006. During this period, labour shortages became particularly severe in eastern Europe, a region where strong economic growth in the aftermath of the global financial crisis was accompanied by high levels of emigration to western Europe and an ageing population, significantly reducing labour supply. Between 2016 and 2019, labour shortages became increasingly pressing in western and southern Europe, where marked shortages began to emerge, especially in the services and construction sectors (Eurofound, 2021b).

While the pandemic led to a temporary reduction in labour shortages in the EU, with shortages decreasing in almost all EU Member States, the swift resumption of economic activity in 2021 reversed this trend. In Q4 2021, the scale of labour shortages in the EU exceeded pre-pandemic levels.

² Eurostat defines a job vacancy as a paid post that is newly created, unoccupied or about to become vacant for which the employer is taking active steps, and is prepared to take further steps, to find a suitable candidate from outside the enterprise concerned and that the employer intends to fill either immediately or within a specific period. The job vacancy rate is calculated as follows: $\text{job vacancy rate} = \frac{\text{number of job vacancies}}{\text{number of occupied posts} + \text{number of job vacancies}} \times 100$.

As Table 1 shows, vacancy rates increased in the majority of economic sectors in the EU in the last three quarters of 2021. However, unlike sectoral patterns of growth in the vacancy rate prior to the onset of the pandemic, there are disproportionately high vacancy rates in sectors such as administrative and support service activities, information and communications, construction and accommodation and food service activities. In the accommodation and food service sector, by Q4 2021 the vacancy rate had doubled compared with the last quarter of 2020, when it was 1.7%. The significant increase in the vacancy rate is likely to have been driven by inferior employment and working conditions in some of the occupations in the sector compared with other occupations, which led workers to permanently switch jobs given the tight labour market conditions and the availability of jobs elsewhere.

Table 1: Job vacancy rates, by sector, EU27, 2021 (%)

Sector	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Accommodation and food service activities	2.4	3.8	3.6	3.4
Manufacturing	1.5	1.8	2.0	2.2
Transport and storage	1.7	1.8	2.1	2.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.5	1.7	1.9	2.0
Mining and quarrying	0.6	0.7	0.7	0.9
Administrative and support service activities	3.3	3.5	4.3	4.5
Information and communications	3.1	3.2	3.4	3.9
Professional, scientific and technical activities	2.7	2.9	3.2	3.4
Financial and insurance activities	1.4	1.4	1.6	1.8
Construction	3.3	3.5	3.8	3.8
Electricity, gas, steam and air conditioning supply	1.0	1.2	1.2	1.3
Real estate	2.2	2.2	2.2	2.2

Source: Eurostat [jvs_q]

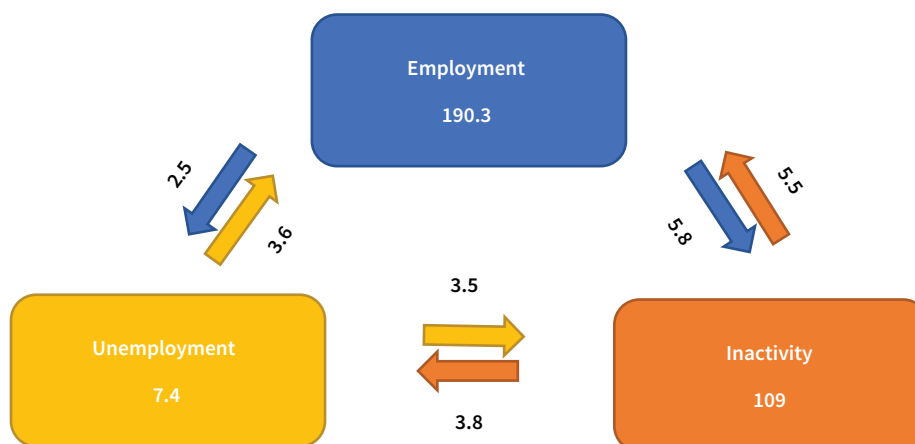
Labour market transitions and inactivity

Labour market transitions describe the movement between the three main labour market statuses: employment, unemployment and inactivity. The labour market transitions data for the last two quarters of 2021

reveal that there was a net flow of 1.1 million workers from unemployment into employment. However, this was partially offset by a net 0.3 million workers moving out of employment into inactivity.

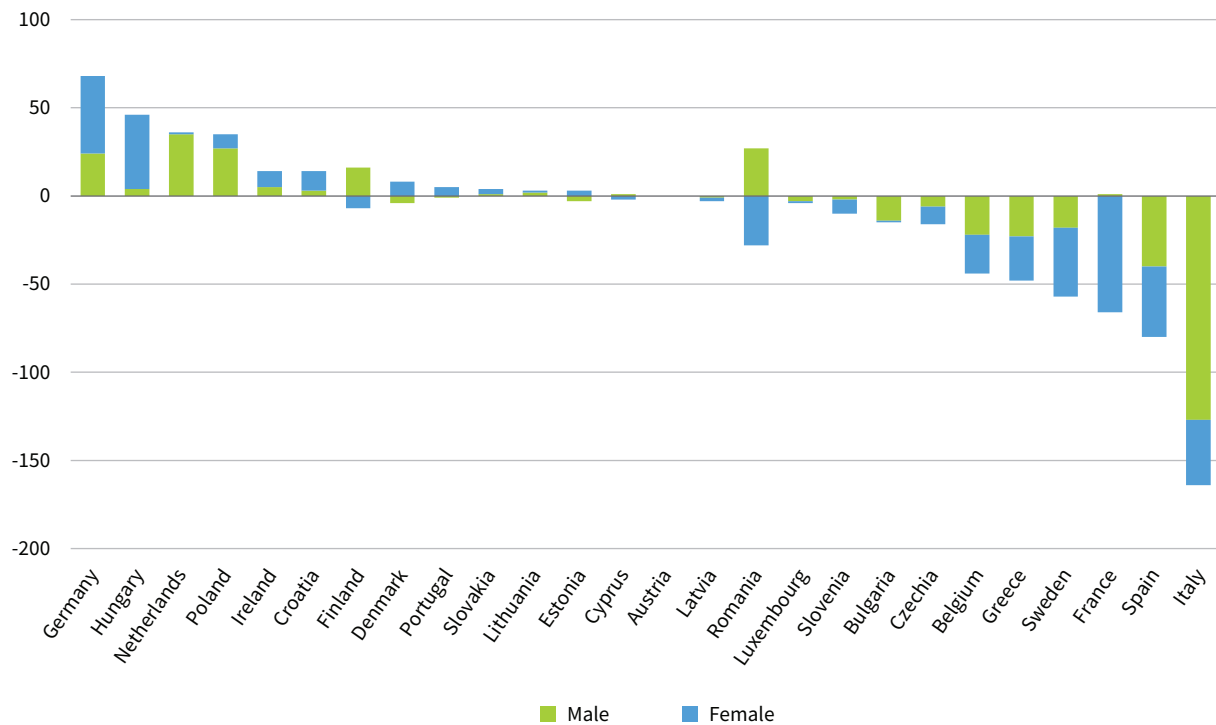
Figure 8 shows that out of those who were unemployed in Q3 2021, 7.4 million remained unemployed in Q4. While 3.5 million moved into inactivity, the number of

Figure 8: Transitions in labour market status, EU27, Q3 2021–Q4 2021 (million people)



Source: Eurostat [lfsi_long_q]

Figure 9: Net flows between employment and inactivity, by country and gender, Q3 2021–Q4 2021, EU27 (thousands)



Note: Data for Malta are not available.

Source: Eurostat [lfsi_long_q]

inactive people remained stable between the two quarters, as the net flow from employment into inactivity was accompanied by a net flow of similar magnitude from inactivity to unemployment.

Flows between employment and inactivity vary significantly by country. Figure 9 presents net flows between employment and inactivity by country and gender. Positive values indicate net gains in employment as a result of movements from inactivity into employment, while negative values indicate a net flow from employment into inactivity. Values at or near 0 indicate that flows between the two statuses are employment neutral. The first result worth noting is that Italy stands out in terms of the scale of net flows from employment into inactivity in the last two quarters of 2021. Around 127,000 men and 27,000 women moved from employment into inactivity, accounting for almost half of the total flow between these statuses in the EU. This is consistent with the high level of informality that characterises the Italian labour market. Furthermore, in three countries, Finland, France and Romania, women accounted for all net flows from employment into inactivity, while men accounted for all net movement from inactivity into employment. On the contrary, in Germany and Hungary, the two countries with the greatest net movement from inactivity to employment, women accounted for most of the increase in the rate of employment.

Changes in aggregate employment and working hours

Table 2 shows the changes in aggregate employment and in working hours for all EU Member States. The two indicators capture changes in labour input at extensive (employment) and intensive (average weekly working hours) margins. The table demonstrates that, in most countries, changes after the phasing out of the pandemic lockdowns have predominantly taken place at the extensive margins. Relative to 2019, employment levels in Q4 2020 declined in most Member States, except for Luxembourg, where employment increased by almost 3%. The magnitude of employment declines was similar across countries, ranging from around 3% in Bulgaria and Spain to around 1% in Austria, Belgium, Cyprus, Finland, France, Greece, Hungary and Sweden. In several countries, including Malta, the Netherlands, Poland and Slovenia, year-on-year changes in employment levels in Q4 2020 were negligible.

Employment levels recovered strongly in 2021. In most of the EU Member States, employment growth exceeded the decline observed in the previous year. Cyprus, Greece, Hungary, Malta, the Netherlands and Spain saw increases in employment levels of between 4% and 6% compared with the same quarter in 2020 (Table 2). In five countries (Bulgaria, Italy, Latvia, Romania and Slovenia) employment levels marginally declined.

Table 2: Year-on-year changes in employment levels and actual weekly hours worked, 2019–2021, EU27

Member States	Employment (%)		Working hours (hours)	
	Q4 2020	Q4 2021	Q4 2020	Q4 2021
Austria	-1.1	1.2	-1.9	-0.7
Belgium	-1.0	3.1	-0.3	-1.5
Bulgaria	-3.0	-1.3	-0.4	0.1
Croatia	-2.3	3.3	0.2	-0.1
Cyprus	-0.6	5.3	-0.5	0.5
Czechia	-1.6	0.8	-2.5	0.8
Estonia	-3.1	1.7	-0.7	0.1
Finland	-1.4	1.8	0.1	-0.9
France	-0.5	3.0	0.1	-0.3
Greece	-0.8	4.2	-0.3	-0.6
Hungary	-0.9	4.1	-0.6	0.0
Italy	-1.9	-0.2	-0.9	0.0
Latvia	-2.8	-2.9	-0.5	0.6
Lithuania	-2.5	1.9	-0.6	0.7
Luxembourg	2.9	2.5	-0.4	-1.7
Malta	-0.2	4.9	-1.2	-0.7
Netherlands	-0.4	4.6	-0.3	-1.0
Poland	0.3	1.2	-0.1	1.1
Romania	-1.6	-7.3	-0.2	0.5
Slovakia	-1.9	2.9	-0.7	-0.9
Slovenia	0.3	-0.7	1.0	-0.2
Spain	-3.4	4.2	-0.4	-0.7
Sweden	-1.4	0.3	-0.9	0.4
EU27	-1.8	1.6	-0.6	-0.2

Note: Data for Malta are not available.

Source: Eurostat [lfsi_long_q]

In Romania, the significant drop in employment levels between Q4 2020 and Q4 2021 is a statistical artefact driven by the reclassification of family workers, which led to a significant reduction in employment in agriculture (of 650,000 workers). Therefore, the large decrease of over 7% should not be interpreted as a decline in aggregate employment in the country. When this major change is excluded from the yearly average, the year-on-year employment level remains stable.

Changes in actual weekly working hours also capture the impact of the pandemic. In 2020, this indicator declined in the majority of countries (Table 2). In the last quarter of 2020, the largest year-on-year declines in actual working hours took place in Czechia (2.5 hours), Austria (1.9 hours) and Malta (1.2 hours). In contrast, the pattern of changes in working time in the last quarter of 2021 is less straightforward, with weekly working hours recovering in nine countries, declining in thirteen and remaining stable in two.

Employment shifts by demographic and employment variables

Age and gender

The pandemic disproportionately affected the employment prospects of young people, as generally occurs during economic downturns (Eurofound, 2021a). This is a consequence of this age group's more precarious position in the labour market and of the employment of young workers in non-essential sectors, which were forced to close during the lockdowns. As Table 3 shows, by the end of 2020 employment for young people aged 15–24 was still around 7% lower than in 2019, with female employment being only marginally worse hit than male employment. The decline in employment for this age group had, however, recovered by Q4 2021. The data for 2021 also reveal that employment recovered faster for women than for men;

Table 3: Year-on-year changes in employment levels and weekly hours worked, by gender and age, 2020–2021, EU27

Gender and age category	Employment (%)		Working hours (hours)	
	Q4 2020	Q4 2021	Q4 2020	Q4 2021
Males aged 15–24	-6.9	7.6	-0.3	-0.5
Females aged 15–24	-7.7	11.6	0.0	-0.6
Males aged 25–54	-2.0	0.2	-0.8	-0.2
Females aged 25–54	-2.1	2.1	-0.4	-0.1
Males aged 55–64	0.6	2.7	-0.8	0.1
Females aged 55–64	1.9	2.3	-0.5	0.1

Source: Eurostat [*lfsq_ewhan2*] and EU-LFS quarterly data (authors' calculations)

the employment of young women increased by almost 12%, as opposed to nearly 8% for men in the same age group. The large increase in employment in this age group is explained by the resumption of economic activity in sectors that were closed because of the pandemic, such as accommodation and food service activities and wholesale and retail trade.

With regard to prime-age workers (25–54), the data show that changes in employment were more moderate than for younger workers in both 2020 and 2021. Year-on-year changes between 2019 and 2020 saw similar declines in employment levels for both men and women, while in the recovery phase women registered more sizeable employment gains (2%). In contrast, the older age cohort experienced employment gains in both Q4 2020 and Q4 2021, with men experiencing a marginally higher aggregate gain in employment in 2021.

Changes in average working hours also reveal differences between age groups. Young workers experienced the largest reductions in working hours in 2021. Furthermore, working hours also decreased marginally for prime-age workers. In the same period, working hours increased slightly for older workers. There are no major differences in this indicator between genders within age groups. However, in 2021 there was a slightly higher year-on-year decrease in working hours for young women than for men in the same age group.

Table 4 highlights changes in employment and working hours for the 15–24 age group in the EU Member States. The first result worth noting is the strong recovery in employment in many countries for young women in the last quarter of 2021. In 12 Member States, the increase in employment among young women was in double digits, with levels varying from nearly 11% in Czechia to almost 45% in Slovenia. However, in two countries, Romania and Bulgaria, young women experienced significant employment losses in the final quarter of 2021. However, the employment data for Romania must be interpreted with care owing to a change in the classification of own-account family workers, and similarly in Bulgaria the employment of young workers was affected by the protracted nature of the recovery from the pandemic. The employment data indicate that the employment of young people plummeted in 2020 and 2021, with the pandemic adding to a host of structural challenges (for example lack of skills, family-related barriers, low geographical mobility or health problems) that reduce young people's participation in the labour market (OECD, 2022).

Changes in working hours also varied by country, with much greater variation in changes in weekly working hours for young women than for young men. Therefore, although on average working hours for young women and men in the EU declined to the same extent, the variability in working hours for young women was larger than for young men. Table 4 shows that in 12 Member States young women's weekly hours declined by more than an hour, with levels varying between 1 hour in Italy and 5 hours in Malta. In contrast, in two Member States, Latvia and Romania, working hours for young women increased by 2.3 hours and 2.9 hours, respectively.

Table 4: Year-on-year changes in employment levels and weekly hours worked for the 15–24 age group, by gender, Q4 2020–Q4 2021, EU27

Member States	Employment (%)		Working hours (hours)	
	Males aged 15–24	Females aged 15–24	Males aged 15–24	Females aged 15–24
	Q4 2021	Q4 2021	Q4 2021	Q4 2021
Austria	2.8	-7.7	-0.8	-2.1
Belgium	7.0	26.6	-4.0	-3.3
Bulgaria	-14.6	-24.3	0.2	0.2
Croatia	-2.6	-9.4	-1.0	0.3
Cyprus	18.8	-2.0	0.1	-0.9
Czechia	0.2	10.6	-0.8	-1.6
Estonia	-2.1	0.5	-0.2	-1.8
Finland	6.4	10.6	0.0	-1.7
France	15.3	13.9	-0.3	0.8
Greece	3.9	17.0	-0.4	-3.4
Hungary	-4.4	15.9	-0.8	-0.8
Italy	6.1	24.0	-0.1	-1.0
Latvia	-4.6	7.2	0.2	2.3
Lithuania	15.1	13.1	-0.3	-1.7
Luxembourg	-4.9	-15.3	-4.0	-2.7
Malta	4.9	-10.2	1.5	-5.0
Netherlands	34.5	35.8	-0.2	0.7
Poland	1.4	7.4	1.1	0.3
Romania	-15.5	-23.3	2.4	2.9
Slovakia	-10.9	5.6	-1.8	-3.0
Slovenia	23.1	44.9	-0.4	-1.0
Spain	15.0	24.6	0.0	-2.0
Sweden	2.6	5.4	0.3	0.1
EU27	7.6	11.6	-0.5	-0.6

Note: Data for Malta are not available.

Source: Eurostat [*lfsi_long_q*]

Age, gender and sector

Table 5 disaggregates the changes in employment by gender and sector. The data demonstrate that employment levels for both men and women rebounded in 2021 across most sectors, except for agriculture, forestry and fishing and accommodation and food service activities. By the last quarter of 2021, aggregate employment in three sectors – wholesale and retail trade, accommodation and food service activities,

and transport and storage – was still lacking 1.4 million workers compared with the last quarter of 2020. This drop in employment was largely driven by a drop in employment in the accommodation and food service activities sector, which lost almost 0.9 million workers between the last quarter of 2020 and the last quarter of 2021. In contrast, the sector that experienced the largest job gains was information and communications, which added 1.06 million jobs between 2019 and 2021 (0.35 million women and 0.71 million men).

Table 5: Year-on-year changes in employment by gender and sector, Q4 2019–Q4 2021, EU27 (%)

Sector	Q4 2019–Q4 2020		Q4 2020–Q4 2021	
	Female	Male	Female	Male
Agriculture, forestry and fishing	-3.3	-2.3	-15.8	-9.6
Mining and quarrying	-19.1	-16.5	11.2	9.2
Manufacturing	-10.5	-8.6	6.7	3.8
Electricity, gas, steam and air conditioning supply	-2.2	-4.2	1.5	2.3
Water supply, sewerage, waste management and remediation activities	-1.1	-1.0	1.5	-0.6
Construction	-7.2	-15.6	-5.0	6.4
Wholesale and retail trade; repair of motor vehicles and motorcycles	-0.2	-3.2	10.4	0.5
Transport and storage	-5.8	-3.4	3.6	2.8
Accommodation and food service activities	5.1	-3.9	-11.7	-9.4
Information and communications	-11.6	-9.9	14.0	9.9
Financial and insurance activities	-7.2	0.7	4.8	9.7
Real estate	-11.8	0.5	10.9	1.7
Professional, scientific and technical activities	12.5	1.4	6.1	1.3
Administrative and support service activities	14.5	9.0	-0.3	4.5
Public administration and defence; compulsory social security	-0.7	-2.6	5.6	3.8
Education	2.2	3.7	3.7	2.9
Human health and social work activities	-0.3	0.5	2.3	2.0
Arts, entertainment and recreation	0.8	3.0	2.3	0.5
Other service activities	-1.9	11.2	6.5	7.9
Activities of households as employers	7.3	3.4	1.4	-1.5
Activities of extraterritorial organisations and bodies	9.2	8.5	8.3	7.2

Source: EU-LFS quarterly data (authors' calculations)

Table 6 further disaggregates adjustments in weekly working hours by gender, age and sector. It shows that the recovery from the pandemic has been uneven across age and gender groups. Young workers have suffered the largest drops in weekly working hours out of all age groups. The drop in weekly working hours was larger for young men than for young women, especially in sectors such as financial and insurance activities.

For prime-age and older workers, year-on-year changes in weekly working time have been more muted. One exception is the accommodation and food service activities sector, where weekly working hours for these age groups have increased significantly. This is potentially the result of economic activity resuming after lockdowns ended. Furthermore, the increase in working hours in Q4 2021 also signals an increase in the intensity of work in the sector and the difficulties that employers face in finding additional workers.

Table 6: Year-on-year changes in average number of actual weekly working hours, by age, gender and sector, Q4 2020–Q4 2021, EU27 (hours)

Sector	Q4 2020–Q4 2021			Q4 2020–Q4 2021		
	Female			Male		
	15–24	25–54	55–64	15–24	25–54	55–64
Accommodation and food service activities	0.8	3.4	3.3	-0.1	1.8	2.3
Administrative and support service activities	-0.3	0.1	-0.5	-0.9	0.1	0.4
Agriculture, forestry and fishing	1.5	0.8	2.0	0.9	2.0	2.6
Arts, entertainment and recreation	1.7	1.1	1.9	-0.8	-0.2	1.4
Construction	-0.8	-0.2	0.3	-0.5	0.6	0.5
Education	-0.3	-0.7	-1.2	-1.8	-0.7	-0.2
Electricity, gas, steam and air conditioning supply	-2.4	-0.2	-0.4		-0.7	0.3
Financial and insurance activities	-2.9	-0.4	-0.1	-1.2	-0.4	0.1
Human health and social work activities	-0.9	-0.5	-1.1	-0.4	-0.5	-0.6
Information and communications	-0.5	-0.2	-1.1	-2.0	-0.2	0.5
Manufacturing	-0.4	-0.4	0.0	-0.8	-0.2	-0.3
Other service activities	-1.5	-0.5	0.5	0.5	0.3	0.7
Professional, scientific and technical activities	-1.2	-0.1	0.1	-0.9	-0.1	2.0
Public administration and defence	-1.6	-0.5	-0.9	-1.4	-0.7	-0.3
Real estate	-3.3	0.0	0.9	3.0	1.0	-0.7
Transport and storage	-0.3	-0.1	0.0	0.5	0.8	0.9
Wholesale and retail trade	-0.4	-0.1	0.2	-0.5	0.1	-0.1

Note: Blank cells are due to missing data.

Source: Eurostat [Lfsq_ewhan2]

Occupation

Professionals are the fastest-growing occupational group both in structural terms and for the period analysed. In Q4 2020 and Q4 2021, the increases in employment for this group were 4.5% and 5.9%, respectively, with no differences in growth rates across genders (Table 7). All occupations experienced a decline in weekly working hours in Q4 2020. The decline was significantly larger for managers, an occupation that is usually associated with long working hours. The decline continued or remained unchanged in Q4 2021 for all except skilled agricultural, forestry and fishery workers and service and sales workers, whose weekly working hours increased.

However, changes in employment better capture the post-COVID-19 situation in European labour markets. In all occupations employment increased steadily in the last three quarters of 2021, except for the agricultural occupations, where, in the context of a longer-term shift in employment, year-on-year changes have been negative and in double digits.

Table 7: Main broad occupational trends in employment and hours year on year, Q4 2019–Q4 2020, EU27

Occupation	Employment (%)		Working hours (hours)	
	Q4 2020	Q4 2021	Q4 2020	Q4 2021
Managers	-5	1	-1.7	0.0
Professionals	-5	6	-0.5	-0.4
Technicians and associate professionals	-4	1	-0.5	-0.2
Clerical support workers	1	5	-0.3	-0.2
Service and sales workers	-7	2	-0.7	0.1
Skilled agricultural, forestry and fishery workers	-3	-15	-0.2	2.5
Craft and related trade workers	-3	2	-0.6	-0.3
Plant and machine operators and assemblers	-4	3	-0.6	-0.3
Elementary occupations	-6	2	-0.4	0.0

Note: The large change in employment levels in the agricultural sector is likely a result of changes in the LFS methodology. Specifically, in Romania, a large number of workers in the sector have been reclassified as family workers.

Source: Eurostat [lfsq_ewhais] and EU-LFS (authors' calculations)

2 Employment shifts during COVID-19: An analysis based on job–wage distribution

This section uses the ‘jobs approach’ methodology of the European Jobs Monitor (Eurofound and European Commission Joint Research Centre, 2019) to analyse employment shifts across the job–wage distribution during the first two years of the crisis (Q4 2019–Q4 2021).

The jobs approach breaks down net employment shifts over time by ‘job’, where a job is defined as a given occupation in a given sector, for example a health professional in the health sector or a sales assistant in the retail sector. Ranking jobs by mean or median hourly wage shows where in the wage distribution employment is created and destroyed.

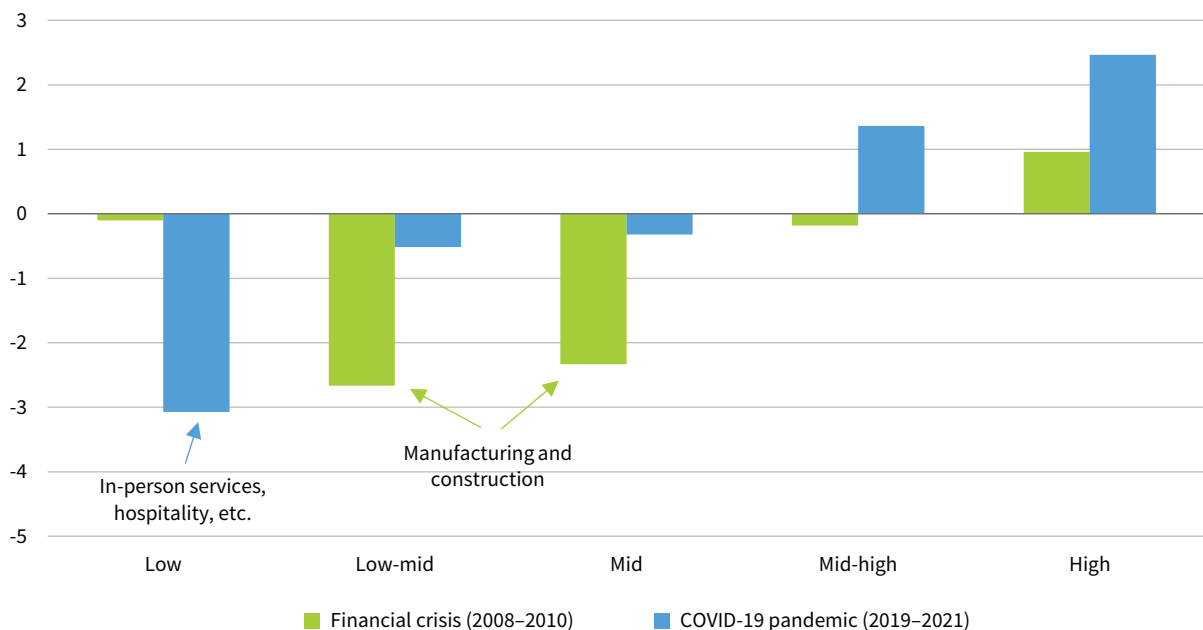
In an earlier analysis (Eurofound, 2021a), a comparison of the initial impacts of the COVID-19 pandemic (up to Q2 2020) with those of the global financial crisis (2008–2010) a decade earlier showed that employment loss was concentrated in the lowest job–wage quintile and among low-paid female workers. In contrast, the global financial crisis induced the greatest losses in the

middle of the job–wage distribution, with much more severe impacts on male employment. These differences relate to the specific sectors most affected by either crisis: construction and manufacturing by the financial crisis; and accommodation and food service activities and transport, among others, by the pandemic. The former has a high share of male employment, while the latter attracts both male and female or predominantly female employees.

Extending the data series to the end of 2021 does not alter this overall assessment. Indeed, in some ways it sharpens the comparison (Figure 10). The main employment shifts took place at the margins of the wage distribution during the pandemic, in contrast to the financial crisis, when they took place in the middle.

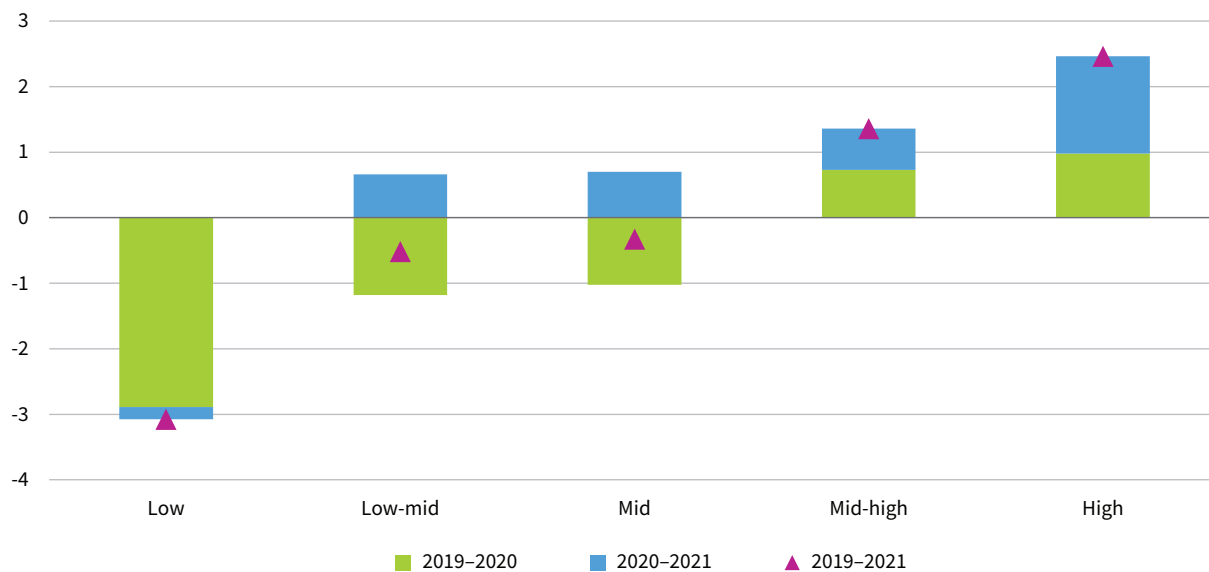
A second contrast with the global financial crisis is the very rapid recovery in employment following an initial sharp decline. Employment levels in the EU took eight years to recover following the global financial crisis but largely recovered from the decline due to the pandemic

Figure 10: Employment shifts by job–wage quintile comparing the financial crisis (2008–2010) and the pandemic (Q4 2019–Q4 2021), EU27 (millions)



Source: EU-LFS and EU Structure of Earnings Survey (EU-SES) (authors’ elaboration)

Figure 11: Employment shifts by job–wage quintile, Q4 2019–Q4 2021, EU27 (millions)



Source: EU-LFS and EU-SES (authors' elaboration)

in two years. At the peak of the pandemic in Q2 2020 – in terms of employment impacts – there were six million fewer people at work than in Q4 2019. Employment growth, however, resumed with the abatement of the first wave of the COVID-19 pandemic in summer 2020, and by the end of the year (Q4 2020) net year-on-year employment losses had reduced to 3.4 million. This improvement was strengthened during 2021 and by the end of 2021 net employment losses were less than 0.3 million (around 0.15% of total employment) over the two-year period.

Figure 11 breaks down the net employment shifts from Q4 2019–Q4 2021 into their separate yearly components (Q4 2019–Q4 2020, broadly covering the first peak of the COVID-19 pandemic and the partial recovery thereafter; and Q4 2020–Q4 2021, the recovery period).

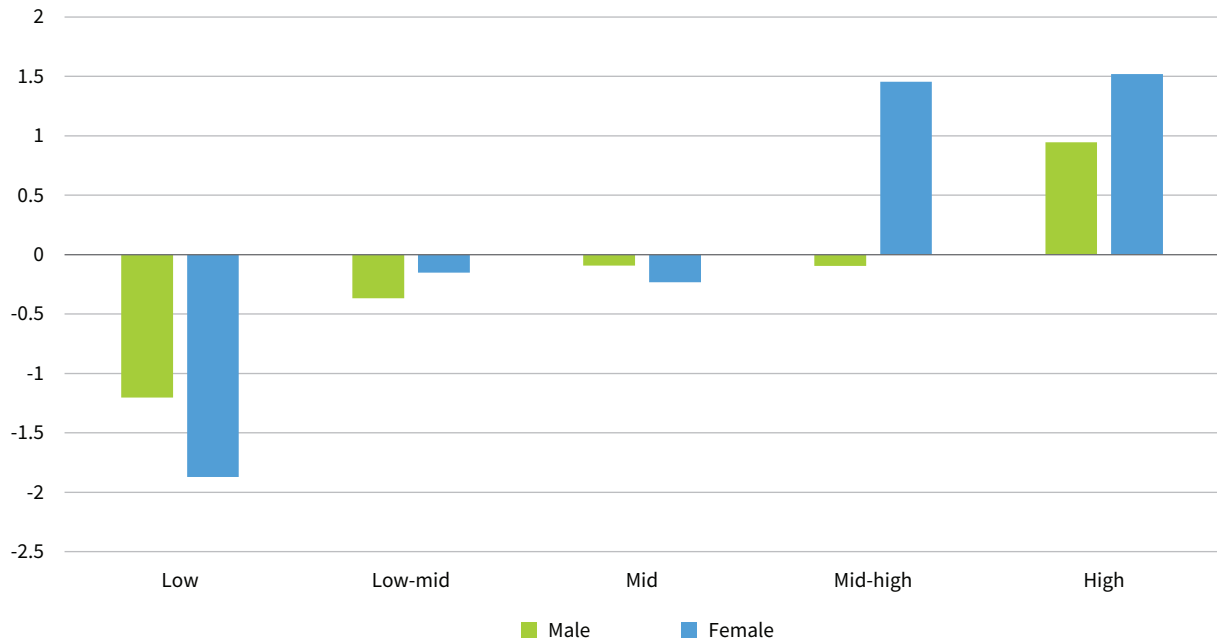
Net employment losses during the first year of the crisis were greatest in bottom-quintile jobs and occurred only in the bottom three quintiles. Employment increased in the top two quintiles again, showing that growth was skewed towards the best-paid, top-quintile jobs.

During the second year, Q4 2020–Q4 2021, recovery was more broadly distributed, with employment in jobs in the top four quintiles (accounting for the top 80% of employment by pay) each experiencing growth.

Again, employment growth was especially strong in the top quintile, with nearly 1.5 million net new jobs created in 2021 following the 1 million added in the first year of the crisis. In contrast to the relative buoyancy of well-paid employment, there was no recovery in low-paid employment. Declines in net employment in the bottom quintile persisted during 2021, bringing overall job losses in this category to over 3 million during the two-year period Q4 2019–Q4 2021.

Women accounted for a somewhat smaller share of job losses than men in the initial phase of the pandemic (Q4 2019–Q4 2020, 1.5 million versus 1.9 million), and the recovery in employment was stronger among women than men in Q4 2020–Q4 2021 (2.2 million versus 1 million). At the end of 2021, there were over 600,000 more women in employment in the EU than before the crisis but nearly 1 million fewer men. In terms of aggregate job quality, both male and female employment were sharply ‘upgrading’. Employment losses in low-paid jobs were compensated for by employment gains in well-paid jobs. There was, however, a sharp contrast between the employment of women and the employment of men among job–wage quintiles, with women dominating employment growth in the top two quintiles but also enduring a larger share of employment losses in low-paid jobs (Figure 12).

Figure 12: Employment shifts by job–wage quintile, by gender, Q4 2019–Q4 2021, EU27 (millions)



Source: EU-LFS and EU-SES (authors' elaboration)

In each decade since the 1990s, aggregate employment growth in the EU during both recessions and periods of expansion has been strongest in well-paid jobs (Eurofound and European Commission Joint Research Centre, 2019). This structural growth in well-paid employment may have weakened in absolute terms during the crisis – as a result of curtailed economic activity more generally – but appears to have strengthened in relative terms compared with the rest of the employment structure.

Service sectors account for nearly all of this net employment growth at the top, as Figure 13 indicates. Private service sectors (all services except health, education and public administration) were responsible for most new high-quintile jobs, while predominantly state-paid service sectors (health, education and public administration) were responsible for most growth in the mid-high wage quintile. However, services, in particular in the private sector, were also a source of job losses at the bottom of the wage distribution. The initial

Figure 13: Employment shifts, by job–wage quintile and broad sector, Q2 2019–Q4 2020, EU27 (millions)



Source: EU-LFS and EU-SES (authors' elaboration)

assessment of the pandemic as a ‘tale of two service sectors’ (Eurofound, 2021c) continued to be relevant until the end of 2021. Employment recovered fast in 2021 in well-paid services but remained reduced in low-paid services.

The contributions of the non-service sectors were on aggregate negative (accounting for a loss of 1.4 million jobs), with the largest reductions recorded in low-paid jobs. The construction and manufacturing sectors contributed only modestly to these declines (around half a million jobs combined); the main source of job loss was instead the agricultural sector (nearly one million jobs), continuing its long secular decline in employment share. However, this is likely to have been exaggerated by downward revisions in estimates of Romanian agricultural employment between 2020 and 2021.

As shown in Table 8, the job most affected by the pandemic was that of sales workers. It is the highest-emplying job in the EU27, accounting for more than 1 in 20 workers. Around two in three job losses were among female workers in this predominantly female job. The combined category of personal service workers and sales workers in the accommodation and food service activities sector shed 649,000 jobs. This is a low-paid, bottom-quintile job that typically requires limited qualifications. Given the high levels of social contact required in both the above jobs, workers’ activity was severely curtailed during the pandemic, which was probably an important factor contributing to the observed job losses.

In contrast, the jobs experiencing the greatest employment gains were nearer the top of the job–wage distribution (in the top two quintiles). The demand for professionals in the IT sector was presumably boosted by the accelerated digitalisation of work processes as organisations moved their work online. This was the fastest-growing category, adding just over 400,000 new jobs.

In summary, employment losses during the pandemic were very concentrated in jobs in the bottom wage quintile. In addition, the mid- and low-mid-wage quintiles, where most of the impact was felt during the 2008–2010 financial crisis, remained relatively unaffected by the pandemic in terms of net employment shifts.

The resilience of employment in well-paid jobs has been a structural feature of the European labour market over the last two decades (Eurofound and European Commission Joint Research Centre, 2019). In periods of growth as well as recession, employment growth was greatest in well-paid jobs. This has again been observed during the pandemic. As employment recovered in 2021, most of this recovery has occurred in jobs in the top two wage quintiles. Employment levels were nearly restored to pre-pandemic levels by Q4 2021 but the distribution of that employment across the job–wage spectrum had transformed markedly, with a strong upgrading trend.

Table 8: Top three jobs with biggest employment gains and losses, Q4 2019–Q4 2021, EU27

Occupation	Sector	Wage quintile	Change in employment, Q4 2019–Q4 2021 (thousands)
Job gains			
Information and communications technology professionals	Information and communications	High	407
Teaching professionals or legal and other associate professionals*	Education	High	379
Protective services workers	Public administration and defence; compulsory social security	Mid-high	257
Job losses			
Sales workers	Wholesale and retail trade; repair of motor vehicles and motorcycles	Low-mid	-848
Personal service workers or sales workers*	Accommodation and food service activities	Low	-649
Market-oriented skilled agricultural workers	Agriculture, forestry and fishing	Low-mid	-514

Notes: Occupations with clear jumps in employment due to reclassification have been omitted. * Two occupational categories have been combined.
Source: EU-LFS (authors’ elaboration) and EU-SES (for wage quintiles)

Another prior trend that resumed during the 2021 recovery was that of stronger employment growth for women than for men and a more pronounced skew towards higher-paid jobs for women than for men (Eurofound and European Commission Joint Research Centre, 2019). Speculations at the outset that the pandemic would be a ‘she-cession’ in contrast to the ‘man-cession’ of the global financial crisis have proven wide of the mark (Financial Times, 2020; Social Europe, 2022). There are more women in employment in the EU27 after the crisis than there were before the crisis, which is not the case for men. That said, women have also accounted for the majority of job losses in low-paid jobs.

The non-recovery of employment in low-paid jobs in 2021 is the one obvious novel development noted in this analysis. It is linked with more anecdotal narratives, such as that of the ‘great resignation’, the hypothesis that workers who lost low-paid service jobs with regular hours (or were furloughed) decided not to return to those jobs after lockdowns eased. This could have occurred because they were disappointed with the quality of such jobs. Alternatively, tight labour markets may have offered alternative possibilities to obtain better-quality jobs. In many of these low-paid service jobs, employers are increasingly struggling to fill vacancies. Whether these mismatches persist or are just lags in adjustment involving the sectors most disrupted by the crisis (accommodation and food service activities, among others) will become more evident in 2022–2023.

3 Teleworking during and after the crisis

One of the most important labour market responses to the COVID-19 pandemic was the huge expansion in teleworking³ that took place, starting in March 2020. This was a spontaneous response on the part of businesses and employees confronted with a highly infectious and harmful virus. Many businesses were obliged to close their workplaces temporarily as a result of the implementation of public health measures ('social distancing' or 'physical distancing') designed to prevent the spread of the virus. Remote working, more specifically working from home, became the customary mode of working for many workers with hitherto limited experience of working in this way.

This was in particular the case in service sectors where much work is office-based and reliant on intensive networked computer use. In these sectors, workers already had many labour market advantages: less physically demanding working conditions, higher pay and greater job security (Adams-Prassl et al, 2020; Sostero et al, 2020). These advantages have become more evident during the crisis, as such work – and the businesses and employment relationships that depend on such work – has proved more resilient than much customer- or client-facing service work. One of the main determinants of this resilience is the fact that work tasks are place-independent and can be carried out in locations other than the employer's workplace, and, as in the exceptional circumstances of the pandemic, in employees' homes. The sharp employment shock or decline in working hours experienced at the outset of the pandemic was much less likely to affect jobs that were flexible as regards location (Eurofound, 2021a). For a more detailed examination of the quality of work dimensions of increased remote working during the pandemic, see Eurofound (2020) and Eurofound (2022b).

During the pandemic, the incidence of remote working rose in all countries but from very different baselines. In 2019, in some eastern European Member States and Italy, remote working was rare or almost non-existent. Meanwhile, in countries such as the Netherlands and Sweden, over a quarter of employees reported working

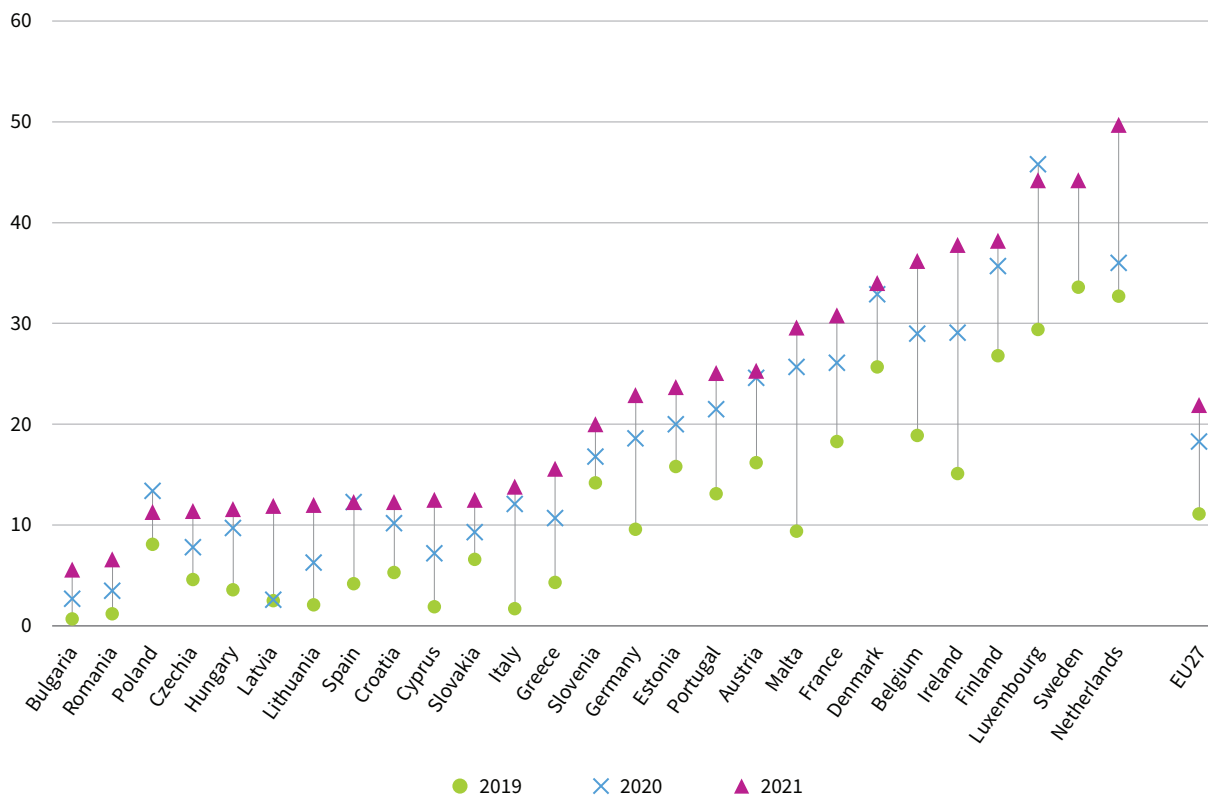
from home at least some of the time. By 2021, in the Benelux and Nordic Member States and Ireland, between a third and half of employees reported working from home at least some of the time (Figure 14).

There was a significant increase in working from home not just between 2019 and 2020 at the outset of the pandemic but also in 2021, which is consistent with the extension of physical distancing measures into the second year of the pandemic. Differences in the speed of adaptation to remote working may also be an additional contributor to the increased incidence of teleworking in 2021 compared with 2020, which was reported in all EU Member States except Luxembourg and Poland. In countries with a low incidence of teleworking, such as Bulgaria, Romania, Latvia and Lithuania, but also in the country with the highest incidence (the Netherlands), the largest share of the 2019–2021 increase in working from home took place in 2021, the second year of the pandemic. In contrast, in Italy – the country with the first and most severe outbreak of COVID-19, which occurred in spring 2020 – nearly all of the increase in working from home during the COVID-19 pandemic took place in 2020, with only a modest increase in 2021.

An additional explanation for the increased take-up of working from home in 2021 is that a broader set of employers put in place the structures to facilitate working from home during the second year of the pandemic, inspired by developments in organisations that first adopted this measure and employee demands in increasingly tight labour markets. A combination of peer learning and learning by doing is likely to have introduced remote working possibilities with some lag in many organisations and for many employees. Combined with indications of employee preferences for hybrid working arrangements after the crisis (Eurofound, 2020, p. 34), the trend data on working from home in 2019–2021 suggest that after COVID-19 restrictions have been lifted the incidence of remote working will remain at a much higher level than before the crisis.

3 In practice, during the pandemic, the vast majority of remote or teleworking was working from home; therefore the terms are used interchangeably here. In a post-crisis scenario of less-restricted mobility, the development of remote employer or third-party 'hubs' or other more nomadic, multi-locational work arrangements will reintroduce diversity into the taxonomy of remote working. This will also bring new challenges to survey data collection aiming to capture the variety of work locations beyond employer's premises and employees' homes.

Figure 14: Employees working from home, by country, 2019–2021, EU27 (%)



Note: Sweden did not provide data on working from home in 2020.
 Source: Eurostat [lfsa_ehomp]

Working from home by occupation and sector

However, as occupational analyses of teleworking and ‘teleworkability’ (Sostero et al, 2020) confirm, not all employees will benefit from increased access to remote working. The capacity to work remotely is strongly determined by the type of job or occupation. In 2019, the share of teleworkers was very low among lower-level blue-collar occupations, and this situation did not change much during the pandemic. There was a marginal increase in working from home among these occupations. Occupational categories such as elementary occupations, machine operators, and agricultural, service and sales workers tend not to be teleworkable. Due to their tasks’ physical requirements, they need to be carried out in particular places and cannot (currently) be performed remotely. During the COVID-19 pandemic, the incidence of working from home increased mainly among white-collar occupations, especially among professionals – by more than 20 percentage points (Figure 15).

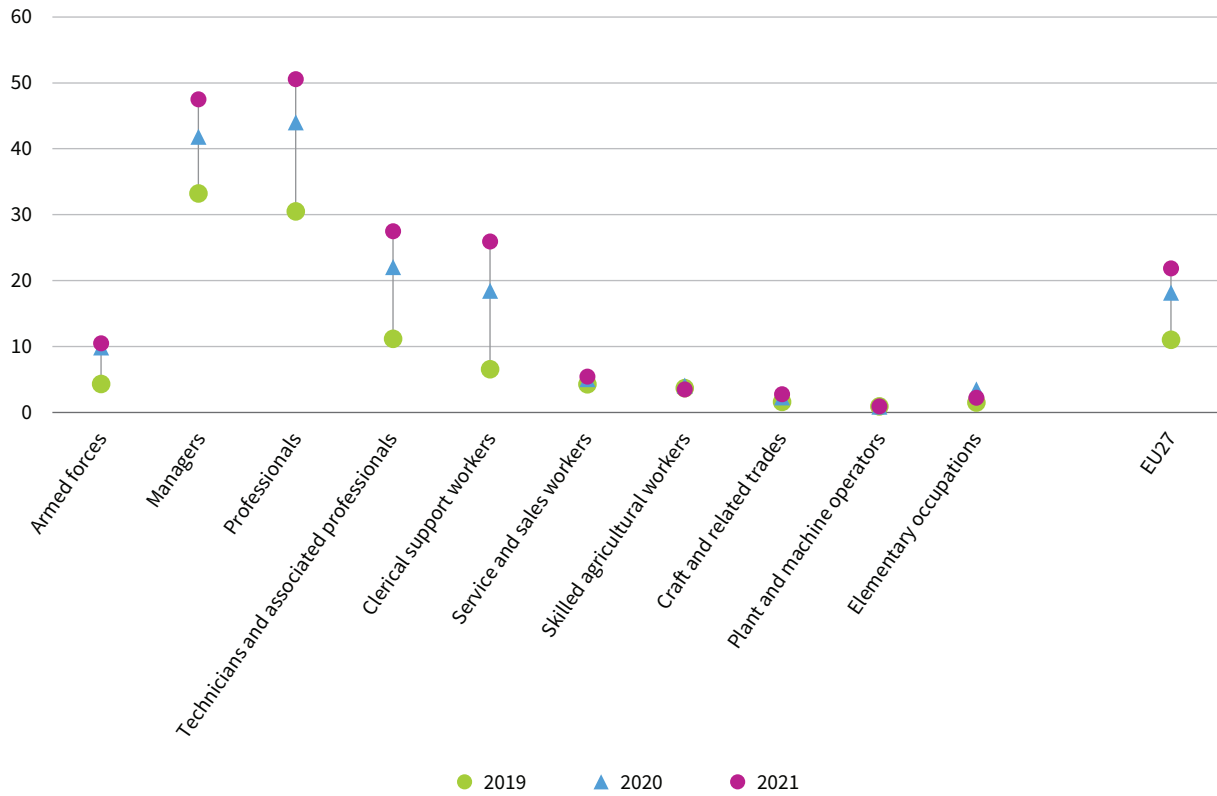
It is worth noting that occupational grades of lower-level white-collar occupations also reported large increases in the incidence of working from home, even if the pre-pandemic share was lower than for top-level white-collar occupations. The increase occurred in occupations such as clerical support workers and

technicians and associate professionals; these include a majority of jobs that can be worked remotely but that typically employ younger, less experienced workers to whom the ‘benefit’ or ‘privilege’ of remote working was less likely to be extended before the crisis (Eurofound, 2022a).

However, the main purpose of Figure 15 is to confirm the predictions of ‘teleworkability’ analysis of occupations based on their task content (Sostero et al, 2020). Most white-collar occupations are inherently amenable to remote working. On the other hand, blue-collar occupations, and service and sales jobs are inherently not amenable to remote working. In the former, remote working was already established and prevalent before the pandemic and the incidence increased during the crisis. Meanwhile the pandemic barely had any impact on the incidence of teleworking in the occupational categories where remote working incidence was marginal before the crisis.

At a more detailed occupational level, the differences between occupations in which working from home was more or less prevalent become even starker. Figure 16 shows the share of workers in EU Member States working from home for occupations classified by the 3-digit International Standard Classification of Occupations (ISCO) where the employee count is at least 1.25 million people ($n = 45$) and compares this with the change in employment over 2019–2021.

Figure 15: Employees working from home, by occupation, 2019–2021, EU27 (%)

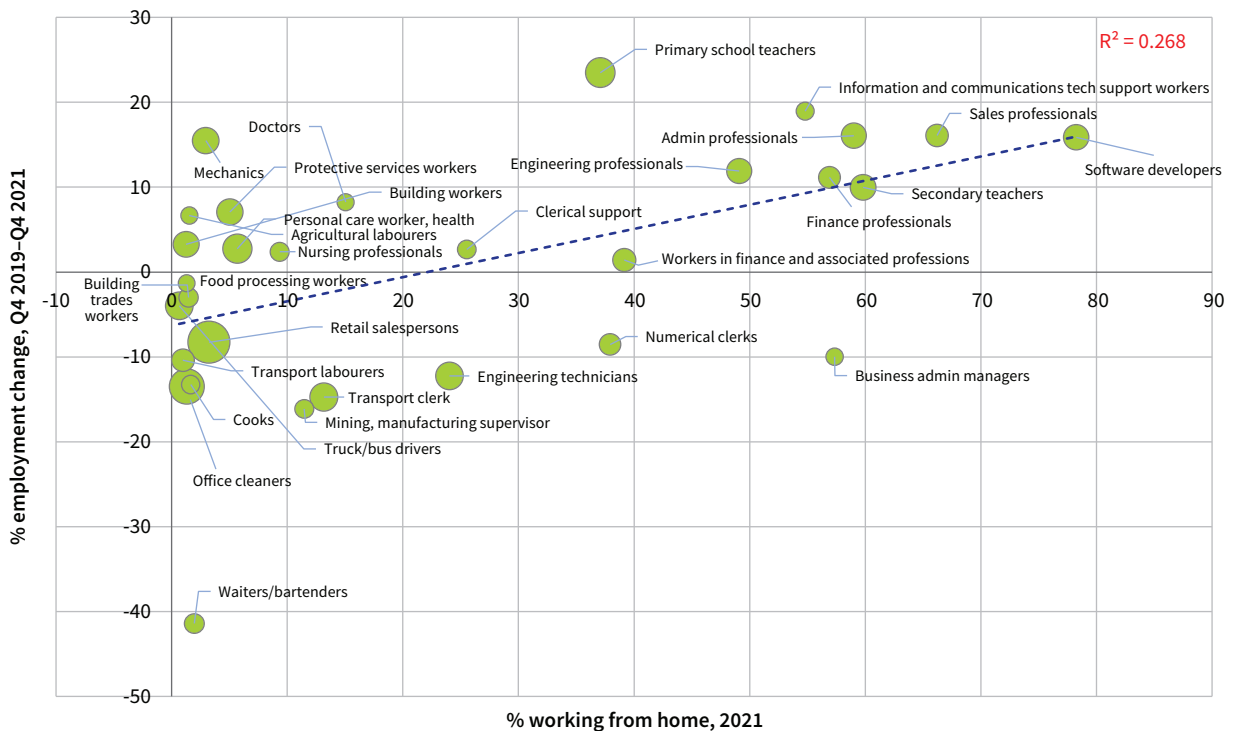


Note: Figures refer to combined responses of ‘usually’ and ‘sometimes’ to the question asking how often respondents worked from home. Source: EU-LFS (authors’ elaboration)

Figure 16 confirms predictions from the teleworkability analysis that the majority of jobs are either not currently teleworkable or of limited teleworkability. The

clustering of occupations is much thicker in the 0–10% band of working from home than in higher percentage bands. Service jobs such as those of waiters, cooks, bus

Figure 16: Change in employment, by occupation and teleworking incidence, Q4 2019–Q4 2021, EU27 (%)



Notes: Figures refer to combined responses of ‘usually’ and ‘sometimes’ to the question asking how often respondents worked from home in 2021. Size of bubble corresponds to employee headcount (EU27). Source: EU-LFS (authors’ elaboration)

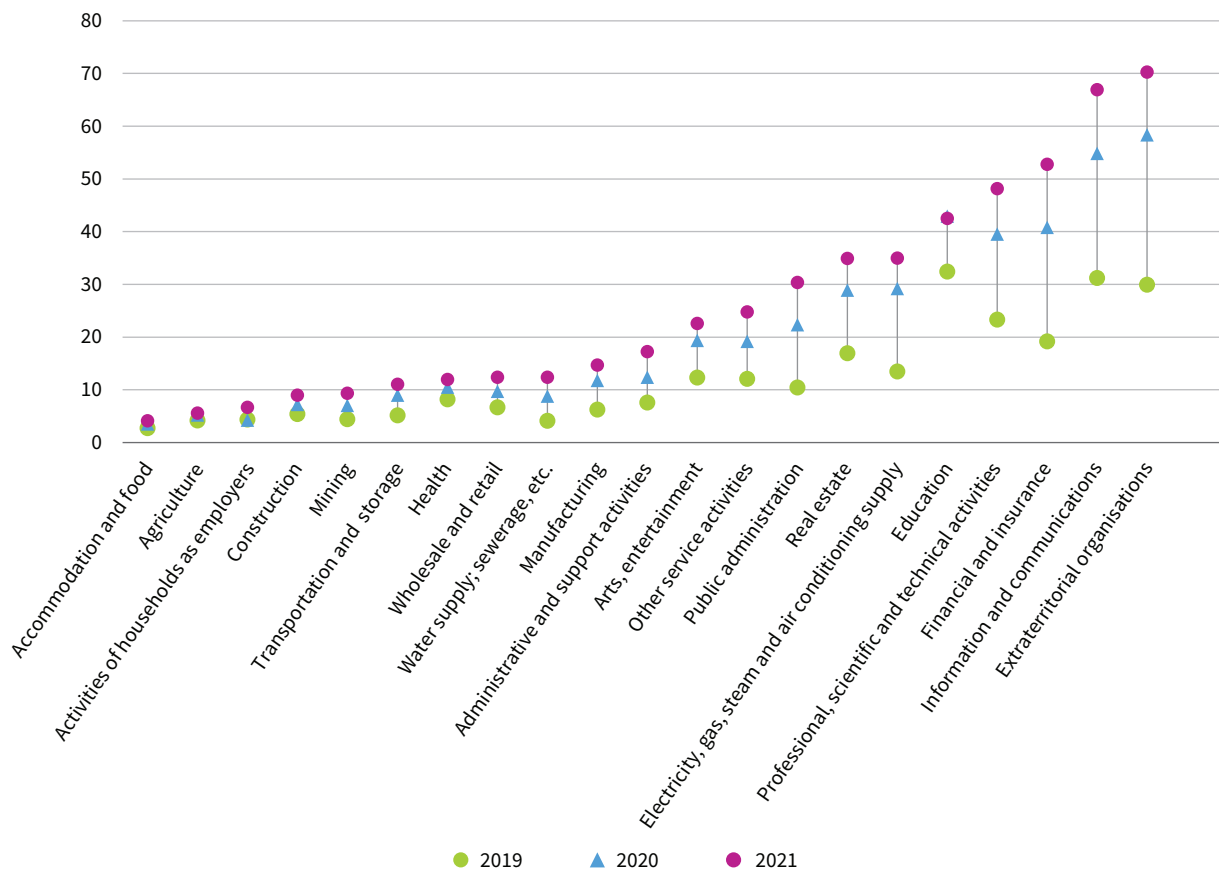
drivers and retail salespersons, and blue-collar factory jobs such as those of assemblers or sheet metal workers fall into this category. Moving left to right, the incidence of working from home increases, and the occupations become more dispersed, and more knowledge intensive and white collar. The occupation with the highest incidence of working from home in 2021 (nearly four out of five workers, or 78%) was software developer. Various other professional categories (legal, engineering, finance, sales and administrative workers) demonstrate similarly high shares of remote working in 2021.

Figure 16 also shows a positive relationship between the prevalence of remote working and employment growth at the occupational level. All but one of the occupations in which at least half of workers worked from home at least some of the time in 2021 experienced significant employment growth in 2019–2021. As the left side of the figure shows, there was an increase in employment in some occupations with marginal teleworking incidence but in the majority there was a decrease in employment.

Many of the white-collar jobs on the right side of the figure continue to enjoy strong structural growth independently of their teleworkability: correlation does not indicate causation. Nonetheless, the capacity to continue working remotely during the COVID-19 pandemic lent resilience to employment relationships in occupations that enjoyed this possibility.

The incidence of working from home differed from sector to sector for much the same reason as identified from the occupational data. The incidence of working from home was very high in knowledge-intensive service sectors, where the largest increases in 2019–2021 were recorded (Figure 17). Working from home remained uncommon in sectors with high shares of place-dependent work, such as accommodation and food service activities, transport and storage, construction, manufacturing and mining, due to lockdowns/closures. In each of these sectors, the opportunities to work from home are limited to a relatively small share of white-collar occupations.

Figure 17: Employees working from home, by sector, 2019–2021, EU27 (%)



Note: Figures refer to combined responses of ‘usually’ and ‘sometimes’ to the question asking how often respondents worked from home.
Source: EU-LFS (authors’ elaboration)

Working from home by gender and age

According to Labour Force Survey (LFS) data, women in EU Member States were more likely to work from home both before and during the COVID-19 pandemic. In addition, the increase between 2019 and 2021, which can be assumed to be largely attributable to the pandemic, was greater for women (11.9 percentage points) than for men (10.0 percentage points) (Figure 18).

Therefore there was a modest positive gender gap in actual teleworking during the pandemic. Looking at the gender breakdown in 2021, women were more likely than men to be working from home (either usually or sometimes) in all but two Member States (Germany and the Netherlands) (Figure 19).

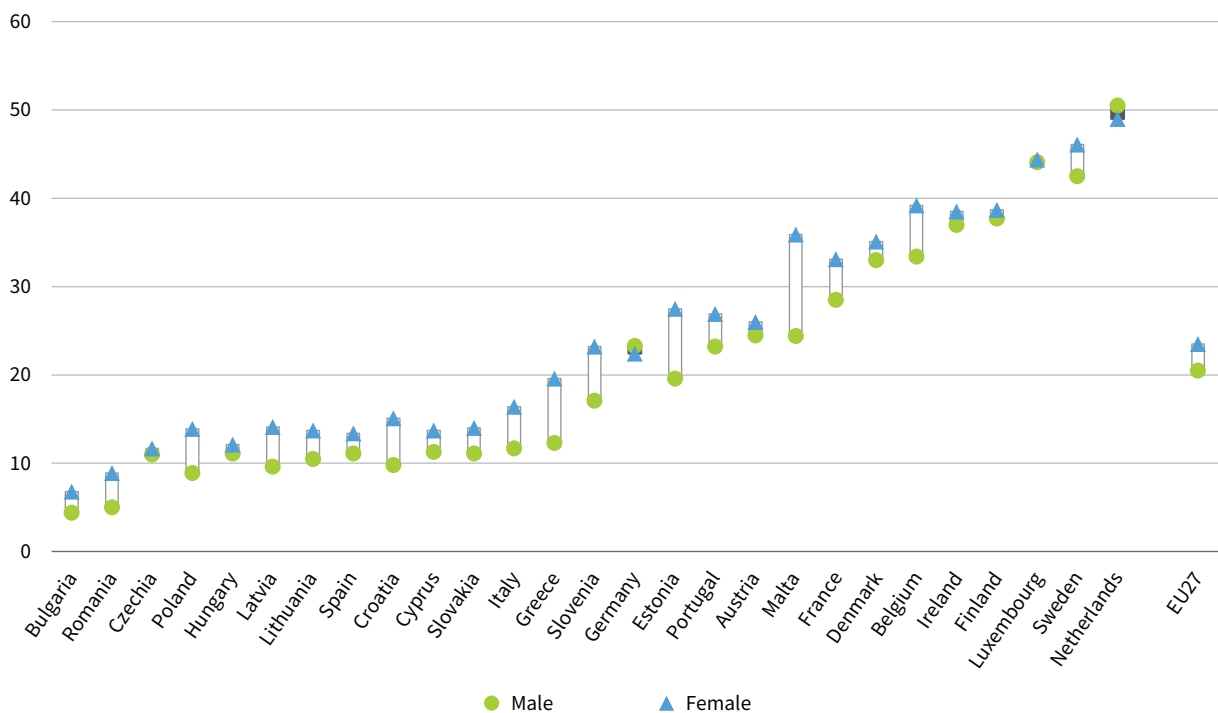
Evidence demonstrates that women were more likely to work from home during the pandemic because they (rather than their male partners) ‘picked up the slack’ and combined work with domestic caring activities while childcare services and schools were closed (Chung et al, 2021). In this way, existing gender disparities in the distribution of unpaid domestic work may have been exacerbated by the pandemic.

Figure 18: Employees working from home, by gender, EU27



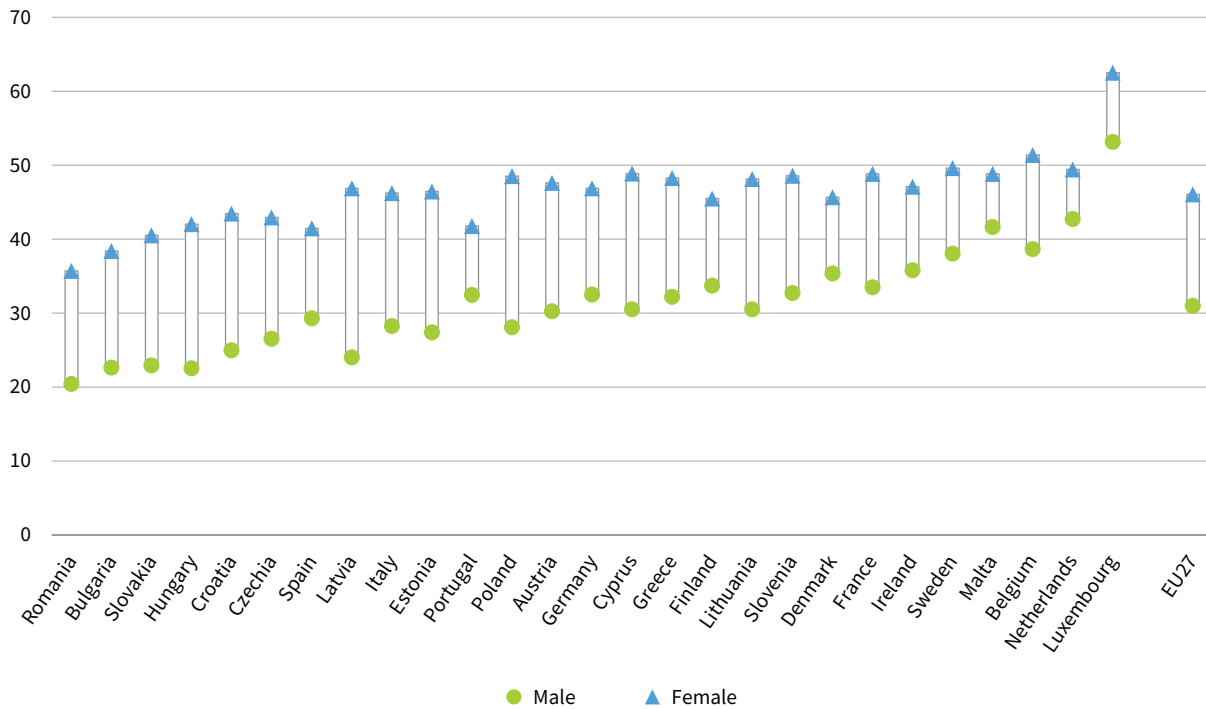
Note: ‘Increase, 2019–2021’ is determined from the combined responses ‘usually’ and ‘sometimes’ to the question asking how often respondents worked from home.
Source: EU-LFS (authors’ elaboration)

Figure 19: Employees working from home, by gender and country, 2021, EU27 (%)



Source: EU-LFS (authors’ elaboration)

Figure 20: Employees in teleworkable jobs, by gender and country, 2020, EU27 (%)



Source: Sostero et al (2020) and EU-LFS (authors' elaboration)

Gender pay gaps favouring male earnings could also have driven households with dual earners to respond in this way (Eurofound 2022a).

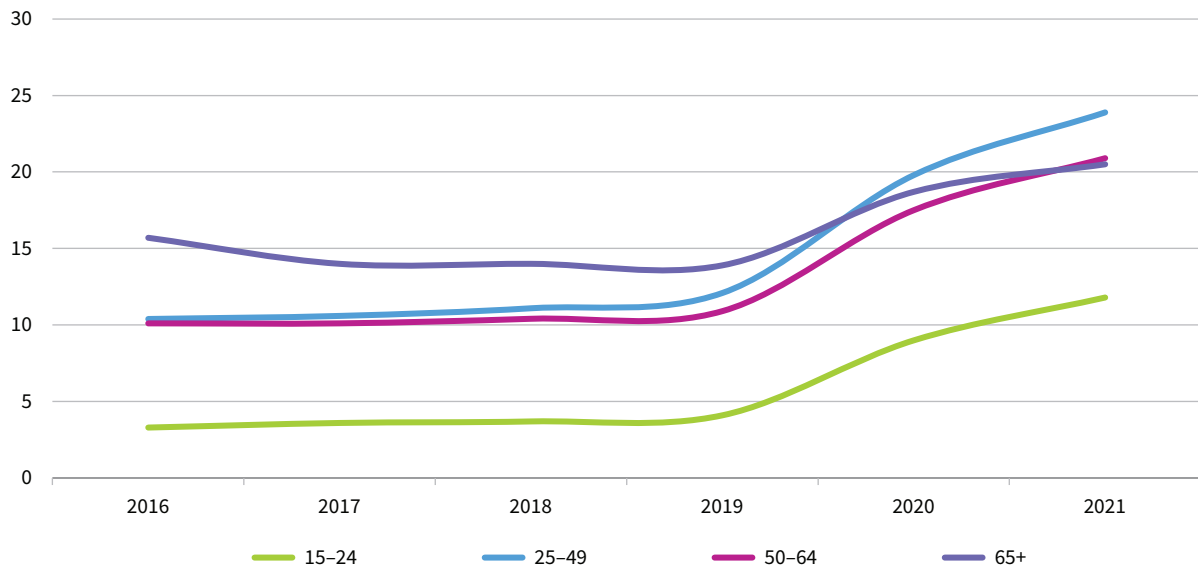
In part, however, the higher incidence of working from home among working women may have been due to the greater teleworkability of female jobs. Much female employment is in services and therefore may lend itself more readily to working from home. In contrast, a higher share of men's employment is in agriculture, construction and manufacturing; these sectors have high physical or manual handling requirements that are place-dependent and cannot so readily be performed remotely (Sostero et al, 2020). In part, this reflects both the physical requirements of the tasks of the job and the strongly place-dependent nature of some male-dominated jobs. Jobs, for example, in the agriculture, construction and manufacturing sectors tend not to be teleworkable for these reasons, and largely employ men.

Women were somewhat more likely to work from home both before and during the crisis. However, as Figure 20 confirms, 31% of male employees in EU Member States

are in teleworkable jobs compared with 46% of women, so there is a much larger gender difference in technical teleworkability – and by implication in potential remote employment – than is actually observed in terms of employees working from home. In all countries, more women than men work from home.

Before the COVID-19 pandemic, the main differentiation in terms of working from home by age group was that older, post-retirement workers were much more likely to work from home and younger workers were much less likely to work from home than the average, as shown in Figure 21. There was a trend of marginally increasing incidence in the pre-crisis period for all age groups except for those in the post-retirement age category (65+). With the onset of the COVID-19 pandemic in 2020, each of the working age categories recorded a sharp increase in the incidence of remote working. The increase was more modest in the case of those aged 65+. The sharpest relative increases were recorded for younger workers (15–24) and prime-age workers (25–49). In 2021, around 12% of employees aged 15–24 reported working from home, compared with less than 3% in 2008 and 4% in 2019.

Figure 21: Employees working from home, by age, 2016–2021, EU27 (%)



Source: Eurostat [*lfsa_ehomp*]

Teleworking and shifts in employment structure

Based on a simple binary indicator of technical teleworkability, and using 2018 LFS data, Sostero et al (2020) estimated that occupations accounting for 37% of employment in the EU could be teleworkable. Updating this assessment with 2021 LFS data, a small increase in overall teleworkable employment is observed (38.5%). This small increase reflects the persistent impacts of the pandemic on employment levels in sectors most affected by social distancing measures. These include many sectors where most employment is not teleworkable (retail, and accommodation and food service activities) (Eurofound and European Commission Joint Research Centre, 2021). It also relates to the resilience and growth of the share of employment in white-collar, knowledge-intensive sectors, where most employment

is teleworkable. The fastest-growing occupation during 2019–2021 was that of information and communications professionals. This was also the occupation with the highest share of working from home in 2021. While marginal in terms of percentages, the shift in employment structure between 2018 and 2021 resulted in over 1.75 million net new teleworkable jobs in the EU27.

In summary, the pandemic has accelerated prior trends in the take-up of remote working. It has also favoured employment growth in sectors, occupations and jobs where remote working is more feasible over those where it is less feasible. Based on the continuing growth of remote working recorded in 2021 – after the peak of the pandemic and associated workplace restrictions had passed – and the non-recovery in low-paid, largely non-teleworkable jobs, this reallocation of employment increasingly appears to be a long-lasting legacy of the crisis.

Conclusions

The pandemic created a significant shock to European labour markets. Yet the policy interventions introduced at European and national levels ensured that mistakes in policymaking made in response to the global financial crisis were not repeated. Rather than prematurely curtailing public expenditures, interventions have focused on subsidising employment and designing longer-term policy interventions to address the challenges raised by the twin transition. While Europe is still only emerging from the latest waves of the pandemic and the resulting lockdowns, the positive results of public support are visible and quantifiable. Employment has almost returned to pre-pandemic levels, while the unemployment rate in EU Member States is at its lowest this century. The upshot of these recent developments is that labour shortages have re-emerged, especially in sectors where low pay and poor working conditions were a structural problem even before the pandemic. It remains to be seen to what extent policy responses to the multiple crises which currently impact on European labour markets will also provide solutions to these deeper, structural problems.

The descriptive analysis carried out in this report has shown that these broad indicators of success should be contextualised and unpacked to make sense of the nature of the recovery from the crisis. Although employment has indeed recovered, a key finding of the report is that this recovery has been highly uneven across sectors. While the accommodation and food service activities, wholesale and retail trade and transport sectors registered a cumulative loss of 1.4 million workers between 2019 and 2021, the information and communications sector added 1 million jobs during the same period. These changes speak to the broader structural issues in European labour markets that were exposed by the pandemic. These related not only to the availability of jobs or access to a skilled labour force but also to the need to ensure good-quality jobs as a strategy to maintain employment and avoid labour shortages.

Another key finding of the report is that young workers have been disproportionately affected by the crisis, especially in terms of employment levels. While employment levels recovered in 2021, youth unemployment levels remain high relative to other age

categories. These dynamics replicate longer-term trends in European labour markets and especially developments from the decade following the global financial crisis. With added emphasis at European level on policy interventions to support young people's access to and integration into the labour market, it remains to be seen whether the pandemic will have any longer-term or permanent scarring effects.

The analysis in this report also confirms the distinct nature of the pandemic compared with the global financial crisis. Overall, the assessment of declines in employment during the pandemic reveals that they took place at the bottom of the wage distribution. This contrasts with the global financial crisis, when, driven by declines in employment in the manufacturing and construction sectors, employment decreased in the middle of the wage distribution. The much faster recovery in employment levels in the aftermath of the pandemic also reveals a distinctly upgrading profile for both women and men. The recovery in employment levels in 2021 was driven by growth in well-paid occupations.

The report does not find evidence of a 'she-cession' or of a slower recovery in employment levels among women. On the contrary, it shows that more women are in employment following the initial two years of the crisis and that increases in female employment are taking place even in male-dominated sectors such as information and communications, which has added 0.35 million women workers between 2019 and 2021. While women have dominated the increases in employment in the top two wage quintiles, they also account for the largest share of losses in low-paid jobs.

While the policy interventions implemented at European level and across Member States have guarded European labour markets against negative effects comparable in scale to the global financial crisis, as of Q2 2022 the war in Ukraine and its social and economic consequences are threatening the recovery. As international events continue to unfold, they are giving rise to new crises. High levels of inflation resulting in a cost-of-living crisis, the energy crisis, growing labour shortages and disrupted supply chains – all these factors generate new tensions in European labour markets.

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European labour markets have recovered strongly from COVID-19. By the end of 2021, little more than 18 months after the start of the pandemic, employment rates in the EU were almost at pre-crisis levels. This report summarises labour market developments in 2020 and 2021 using quarterly data from the EU Labour Force Survey. It does so from a structural perspective, with a focus on sector-level and occupation-level data, and key demographic variables: gender and age. Even if employment levels in EU Member States return to their pre-crisis levels, the composition of employment will have changed significantly. COVID-19 has accelerated some prior trends – occupational upgrading with increased employment in higher quality and higher paid jobs and the uptake of teleworking – in ways that are likely to leave a permanent mark on the structure of employment in the EU.

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