2. Labour market and social developments: crisis further entrenches inequality

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Despite the efforts, the impact of the crisis has not fallen equally on everyone, instead accentuating existing fault lines and potentially entrenching structural disadvantages – in particular, for the young, migrant workers, and the lower educated. There is thus a very real risk of increasing inequality in the post-pandemic period.

Wouter Zwysen
Introduction

This chapter documents evolutions in the labour market and related social developments in Europe over the past year. 2020 and 2021 were of course primarily characterised by the Covid-19 pandemic, which led to significant policy interventions in everyday life that strongly impacted on and shaped the labour market. While the recovery now seems well underway, aided by a large vaccination drive across Europe in the first and especially second quarters of 2021, economic growth will likely only reach its pre-crisis level by the summer of 2022, and the recovery of employment, especially in terms of hours worked, is still some way off (Jestl and Stehrer 2021; OECD 2021).

The crisis interrupted the progress that had been made over the preceding couple of years in Europe in terms of employment growth and a push towards more equality. However, thanks to unprecedented public spending and support at national and European level, the working population have so far been relatively shielded. There has been a lower rate of bankruptcies than before, only a modest fall in employment compared, for example, to the United States, and average disposable income has even increased somewhat as well as becoming more equally distributed (Clark et al. 2021; OECD 2021). Despite these efforts, the impact of the crisis has not fallen equally on everyone, instead accentuating existing fault lines and potentially entrenching structural disadvantages – in particular, for the young, migrant workers, and the lower educated. There is thus a very real risk of increasing inequality in the post-pandemic period once short-term public support schemes fall to the wayside (Adams-Prassl et al. 2020; Jestl and Stehrer 2021).

This crisis risks hindering progress towards greater equality in Europe by sharpening the divisions between workers: on the one hand, workers in skilled jobs with good secure conditions that can be done from home; and on the other, workers in insecure positions, with few protections, having to confront greater health risks to do their essential jobs. Problematically, these divisions were already widening due to continued pressure from globalisation, technological change, and deregulation. At the same time, the crisis has increased the risks of long-term unemployment or inactivity for more vulnerable workers. It is thus crucial, as the European labour markets recover, to address these inequalities and limit any further divisions by increasing everyone’s chances of finding good and secure employment.

This chapter first discusses the policy responses to the health crisis, and the country differences between them, particularly regarding the use of different types of job retention schemes. The second section then presents the overall trends in the labour market and its structure. It also delves deeper into the inequalities that emerged during the crisis as well as the unequal nature of the recovery that had begun by the second quarter of 2021. It is clear that the pandemic hit vulnerable young workers and the lower educated the most. Finally, the third section discusses selected key aspects of changing labour markets and the European policy frame in depth. It discusses in more detail the evolutions in the labour market from 2020 to 2021: short-term migration and mobility, work-life balance under technological change, gender equality, and the Next Generation EU programme.
Responding to the crisis

Europe has been severely hit by the Covid-19 pandemic in several waves. Governments responded in relatively similar ways across the world, and these responses had substantial economic costs. The most immediate actions taken were a procurement of health and safety material, a closure of borders (and thereby disruption of supply chains and mobility), lockdowns, sectoral shutdowns, and school closures (Cheng et al. 2020). The impact in terms of inequality was likely worse in the first wave, which was characterised by severe lockdowns in many countries, the complete closure of several sectors, and a push for almost universal telework (Brodeur et al. 2020; OECD 2021).

The impact of these policies, all aimed at achieving social distancing and thereby limiting the spread of the virus, differed mainly in terms of (1) the sector in which one works and the extent to which it was hit, (2) the possibility of working remotely, which differs strongly according to occupation and left those performing essential and often lower-paid tasks in the most vulnerable position, and (3) the pressures at home due to sickness, but also care responsibilities and stress. These inequalities regarding sector, home situation, and the possibility to telework along with the need for a regulatory framework safeguarding a good work-life balance are also discussed in more detail and with a focus on occupational health and safety in Chapter 5.

Pre-existing differences

European countries did not enter this crisis on an even footing: they differed in terms of the ability of their employment services to deal with this crisis, the scope and reach of their existing labour market policies, and the prior experience of their populations with teleworking. There is also a sizeable disparity within the European Union in spending on labour market policies (Figure 2.1). The budget for public employment services and for measures aiming to support job-seekers varies substantially and tends to be much lower in many of the southern and eastern countries (e.g. Romania, Greece, Portugal) than in the western and northern countries (Belgium, Denmark, Germany, France). This disparity then affects the capabilities of the state in supporting the labour market during this time of crisis.

Countries also differed substantially in their experience with and capacity to enable telework, which suddenly became the norm wherever possible. In 2019, telework was still overall very rare in the EU, with 5.4% usually working from home and only 15% ever having teleworked. This differed very strongly by sector and occupation, but also between countries (Figure 2.2). There was a clear regional divide, with telework much more used in western and northern Europe on average, and much less in eastern and southern Europe. In 2019, teleworkers also differed strongly by age, with only 12% of younger workers (15-34) doing some work from home compared to 16% of those aged 35-49. These digital divides – in terms of access to good broadband as well as the necessary digital skills – affected the ease with which labour markets could adjust to the crisis (Eurofound 2020a; Milasi et al. 2020).
Restrictions enforced by countries

Countries varied in the restrictions they enforced (Figure 2.3). In many of the hardest hit countries, such as Spain, Italy, Romania, or Belgium, measures were taken to restrict work through the hours worked or through mandated homeworking. There were fewer restrictions in some of the eastern European countries (e.g. Bulgaria, Lithuania, Croatia, Hungary, Slovakia). These differences reflect both differences in the severity of the crisis and in the policy choices made.

Importantly, many of the measures hit specific sectors harder – particularly service sectors such as retail, personal services, and restaurants and bars, which rely on face-to-face contact and where working from home was difficult (Figure 2.4). To the extent that these sectors tend to have less secure contracts and a more vulnerable workforce, these restrictions can reinforce labour market inequalities.
School closures

Across Europe, almost all schools were closed in the second quarter of 2020 (Figure 2.5a). In the school year 2020-2021 more schools were open, but some closures occurred in up to half of the European countries (Figure 2.5b). Schools were closed for long stretches of time in Latvia, Slovakia, Slovenia, Czechia, Poland, Bulgaria and Italy, but relatively briefly in France, Luxembourg, Spain and Sweden. School closures also likely had adverse impacts on the educational progress of children (Engzell et al. 2021) and primarily affected less advantaged children. These school closures also increased the burden on parents and the difficulty of combining work (possibly from home) and childcare. This burden tends to fall disproportionately on women, even though there has been an increase in men doing housework (Del Boca et al. 2020; Farre et al. 2020).

School closures also affected the employment rate of younger adults (Figure 2.6). Workers aged 25-49 were somewhat less likely to be employed when schools were closed for a longer period within the year quarter. However, among workers aged 30-34, the impact was by far the largest on women, who are most likely to have to deal with the extra demands on childcare. There was also a large decline in the employment rate of young men (25-29), related to school closures. The association with employment is mainly driven by changes in the employment rates of the lower educated, who may have fewer opportunities and resources to find alternative solutions (not shown here).

Figure 2.4  Restrictions faced by sectors across countries

Figure 2.5a  Share of countries imposing school restrictions

Figure 2.5b  Share of school days where schools were open, partly open, or closed
Job retention schemes

EU-wide use of job retention schemes protected businesses and workers

Job retention schemes (JRS) have become a hallmark of the European approach to dealing with economic downturns, promising a more humane and effective adjustment to economic crises. JRS are aimed at preserving employment in firms that experience a temporary drop in demand. They preserve the links between companies and their employees, which may be costly to re-establish once broken. They also support workers’ incomes, who keep their employment contract even if work is suspended. The first widespread use of JRS was in the Great Recession. In 2009, they were used in 16 EU Member States (Hijzen and Venn 2011). In 2020, all EU Member States, as well as Norway, Switzerland, and the United Kingdom, used some form of JRS (Drahokoupil and Müller 2021 for an overview). Many were just temporary, but the experience of the crisis put the introduction of permanent schemes on the agenda in a number of countries.

JRS come in different shapes and sizes. Two indicators for the size of the various schemes during the pandemic are the rates of take-up and spending. Take-up peaked in May 2020, near the beginning of the pandemic, with a total of 28.6 million workers recorded accessing the schemes in EU Member States for which data are available (Figure 2.7). The use of JRS dropped rapidly after May, with the lowest number of workers that year (8.7 million) on some form of JRS in September-October 2020. The second wave of the pandemic then drove the number up again, but to a much lower level (10.4 million) in November 2020. These figures are calculated on an employee/month basis. They do not take into account whether a worker used a JRS on a full-time basis or just for 10% of their time.

Analyses of take-up in the first wave point to underlying factors that explain variation, namely the stringency of the respective lockdowns and the share of contact occupations that make employment structures vulnerable to social distancing (OECD 2021; Eurofound 2021). The high take-up, particularly at the beginning of the crisis, is also explained by the decisions to make JRS more open and flexible, with broader categories of workers allowed to access the schemes. The key objective was to provide timely and broad-based support.
Country variation in take-up directly linked to spending

As regards the sectoral composition, at the beginning of the crisis, take-up was greatest in accommodation and food, arts and entertainment and other services, wholesale and retail trade, and manufacturing (OECD 2021). With the exception of the latter, these were all sectors particularly hard hit by government-imposed lockdowns and social distancing measures. As government restrictions were lifted, take-up decreased, and disproportionately so in the aforementioned service sectors, but it picked up again strongly in November and December 2020 when the second wave of the pandemic hit and was met by government restrictions once again.

Variation in take-up was directly linked to the differences in spending across countries. Figure 2.8 provides an overview of how much EU countries spent on JRS in 2020 as a percentage of GDP. This clearly illustrates that the highest spenders (Malta, Cyprus, Croatia and the Netherlands) are also among those countries with the highest take-up (Drahokoupil and Müller 2021). The spending figures indicate that the size of the JRS was not related to differences in the capability to raise funding. JRS could be financed through SURE (Support to mitigate Unemployment Risks in an Emergency), a system of joint borrowing that was adopted by the EU in May 2020. As indicated in Figure 2.8, SURE funding was used by a large number of EU countries that took advantage of the borrowing costs, which were lower than what would have been available to them on the financial markets (see chapter 1).

Eligibility criteria for JRS initially kept wide to provide inclusive support

Take-up and spending during the Covid-19 pandemic was much higher than during the Great Recession, due to the unprecedented nature of the pandemic crisis. As a consequence, all countries initially aimed to provide broad coverage and generous support for workers and companies. The eligibility criteria were made as inclusive as possible everywhere, to ensure that all companies and workers on different types of contracts received support. This meant that countries with a pre-existing permanent scheme adjusted their schemes so that previously excluded sectors and categories of workers (such as workers on part-time and/or fixed-term contracts and temporary agency workers) also benefitted from the system. Examples include

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**Figure 2.8 Spending on job retention schemes**

<table>
<thead>
<tr>
<th>Job retention scheme (JRS) spending</th>
<th>SURE issued</th>
</tr>
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<tbody>
<tr>
<td>% of GDP</td>
<td>% of GDP</td>
</tr>
<tr>
<td>3.0</td>
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<td>2.5</td>
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Note: * Denmark: short-time work spending only (not available for the furlough scheme), Italy: spending for March–October 2020. No spending figures available for Hungary.

Source: ETUI survey of job retention schemes (Drahokoupil and Müller 2021).
Germany, where temporary agency workers, who are normally not eligible, were included in the scheme; France, where the scope of the standard JRS scheme was extended to almost all categories of workers including executives, temporary and part-time workers, domestic workers and childminders, travelling salesmen and employees at most public companies; and Italy, where all the restrictions of the traditional scheme as regards sectors and small companies were removed under the Covid-19 JRS scheme to cover all workers, all sectors, and also companies with fewer than five employees. Those countries with newly established schemes, in particular in central and eastern European countries, set up inclusive eligibility criteria. The broad scope of the JRS helped to avoid not only further advancing the segmentation of the workforce but also leaving behind the most vulnerable categories of workers by excluding them from JRS support.

Eligibility criteria have remained inclusive during the pandemic. In countries in which changes have taken place, they have reflected a growing concern about deadweight losses, i.e. supporting jobs that do not need support. As a consequence, the criteria have been made more restrictive during low ebbs of the pandemic and loosened during peaks. In some countries, growing concern about deadweight losses is furthermore reflected in attempts to make them more sector-specific by channelling financial support to the sectors hardest hit by the pandemic. The same concern has led some countries to establish special provisions that exclude from eligibility companies that pay out dividends or bonuses, operate from tax havens, or buy back shares.

One lesson learned from the Great Recession is that job retention schemes play an important role in cushioning the employment impact of an economic crisis. The experience of the Covid-19 pandemic illustrates that JRS have been an integral part of a more demand-focused crisis management. Such schemes have allowed companies to weather the economic crisis by sustaining their financial liquidity, preventing unnecessary job losses and serving as an automatic economic stabiliser by sustaining internal demand through the protection of workers’ wages. Studies that focused more closely on the impact of JRS on employment, furthermore, confirm that the negative effects as regards job reallocation were only limited, with the balance tilted well in favour of the positive effects (OECD 2021). In essence, during the Covid-19 crisis job retention schemes have provided a lifeline for companies, workers and the economy at large.

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Labour market trends

Unemployment and inactivity

Rising risk of long-term exclusion from the labour market

The Covid-19 crisis disrupted a period of steadily declining unemployment in Europe, down from its peak in 2013 (Piasna et al. 2020). From March 2020 onwards the unemployment rate rose rapidly, from 6.4% to 7.7% by August 2020. In April 2021, the rate began to decline again, down to 6.8% by August 2021. Importantly, this increase remained relatively modest compared to other regions, or to the larger impact on GDP growth, due to a huge policy effort aimed at mitigating the impact of the pandemic on employment through different job retention schemes (OECD 2021; Drahokoupil and Müller 2021). By comparison, the unemployment rate in the United States rose from 4.4% in March 2020 to a staggering 14.8% in April, although it had dropped back down to 8.4% by August.

Importantly, this increase remained relatively modest compared to other regions, or to the larger impact on GDP growth, due to a huge policy effort aimed at mitigating the impact of the pandemic on employment through different job retention schemes (OECD 2021; Drahokoupil and Müller 2021). By comparison, the unemployment rate in the United States rose from 4.4% in March 2020 to a staggering 14.8% in April, although it had dropped back down to 8.4% by August.

Despite these efforts at retaining employment, the rising unemployment in Europe also brought with it a widening of gaps between different groups of workers (Figure 2.9). Initially, unemployment rose more for men than women, although this gap diminished again over time. Strikingly, unemployment rose much more among workers aged under 24: at its peak, 15%
more were unemployed than at the start of 2019, compared to 9% for older workers.

By the summer of 2021, the numbers of unemployed were dropping again and the recovery now seems truly underway. While the unemployment rate in 2021 is still higher in most countries than it was in February 2020 (Figure 2.10), improvement is visible. Unemployment rose the most in several central and eastern European countries, such as Czechia, Bulgaria, and Croatia, but also in Austria, Ireland and Belgium. The impact in terms of unemployment remained relatively modest in Greece, France, Germany, Italy and Spain.

Unemployment in itself can negatively affect the probability of finding work later on due to a stigma in the eyes of prospective employers or to the depreciation of human capital (Gregg and Tominey 2005). This means rising long-term unemployment is not only problematic in and of itself, but can have long-lasting scarring effects, leading to growing inequality in the labour market.

The growth in unemployment from the start of 2020 to 2021-Q2 is accounted for by an increase in the long-term unemployed (Figure 2.11).

An increasing number of people of working age across Europe left the labour force altogether during the pandemic and became inactive. From 2020 to 2021-Q1, the number of inactive workers in the EU27 increased by 890,000. This was driven by a massive increase of around two million in the inactive population who would like to work. By the second quarter of 2021, this rise had subsided once again. This could reflect the fact that more people were postponing employment due, for instance, to them prolonging their studies, to a greater need to provide care (which leads to exiting employment), or to an increase in the number of discouraged workers not actively looking for work at that moment in time.

Importantly, the definition of unemployment requires a commitment to look for work, which likely was low among those who lost their job during the pandemic, as there were few available jobs.

Along with the involuntary inactive, long-term unemployment rose after the start of the pandemic (Figure 2.12). The number of inactive who were not seeking work declined steadily.
however. Inactivity generally increased more for men than for women.

In most countries the inactivity rate was generally lower in 2021-Q2 than 2020-Q1 (Figure 2.13). This reflects the decline in the number of inactive who are not looking to work. However, in almost all countries, there has been a sizeable increase in inactivity at the worst moment of the pandemic, averaging at 1 percentage point (pp) across the EU27. Inactivity rates are still above their level at the start of the pandemic in Romania, Latvia, Germany, Lithuania, Estonia, Czechia, and Italy.

The Covid-19 crisis had an initially very negative effect on employment transitions. From the last quarter of 2019 to the 2nd quarter of 2020 the outflow from employment to unemployment or inactivity rose from 4% to 5% while the inflow into employment dropped from 22% to 15% of the unemployed and 3.5% to 3% of the inactive. However, by the fourth quarter of 2020 these rates had recovered (source: Eurostat (lfsi_long_q)).

Young people were especially hard hit by the pandemic (Figure 2.14). In the EU as a whole the rate of young people who are neither in employment nor in education and training (NEET) had been steadily decreasing from its height of 16.1% in 2013 to 12.6% in 2019, and increased again to 13.7% in 2020. With the exception of Romania and the Netherlands, the share of NEET increased in every country, most of all in Ireland, Estonia, Lithuania, Portugal and Latvia. It increased the least in Belgium, Slovenia, Croatia, and Denmark.

### Employment

**Declining employment, but recovery underway**

The impact of the crisis on employment rates differed strongly between countries (see Figure 2.15 for the rates and Figure 2.16 for the changes). While employment declined substantially in most countries, the drop was sharpest in some of the countries initially most hard hit such as Romania, Italy, Sweden, and Spain. On the other hand, the drop was modest or completely absent in Poland, Hungary, the Netherlands, and Lithuania.

The decline in employment was particularly harsh for those not in standard employment relations. For instance, employment fell the most for the self-employed (Figure 2.17). It had already...
started falling in the first quarter of 2020 for employers (self-employed with employees) and only dropped steeply for own-account workers in 2021. By the second quarter of 2021 there were 5% fewer self-employed compared to the same period in 2019 while in 2020 (Q2) the decline compared to the same period had only been 1%.

The decline among those employed on temporary contracts was also particularly steep, with on average 10% fewer working on a temporary contract in the second quarter of 2020 compared to the first quarter (Figure 2.18). This likely reflects temporary contracts – used much more prominently in the hardest-hit sectors – not being renewed. By 2021, though, more men and especially women were once again working on temporary contracts, with a smaller decline compared to the pre-crisis period of 2-5%.

The number of people who work on part-time contracts also fell substantially, and slightly more so for men than for women. The overall share of workers who are underemployed – meaning working part-time but who would like to work more hours – went up only very slightly for men between 2020 and 2021, from 23% to 25%, while it remained at 16% for women.

Employment dropped particularly sharply for the self-employed in Romania, Germany and Cyprus, while the rate of self-employed increased in some other countries, particularly in Hungary, Luxembourg and Latvia. The decline in employment among workers on non-standard contracts was heaviest in Slovakia, Bulgaria, Poland, Portugal and Latvia (Figure 2.19).

**Sectoral and occupational trends**

**Drop in employment concentrated in specific occupations**

Sector-specific policy measures, a pandemic-induced disruption of supply chains, and a decrease in demand all further impacted the labour market along sectoral lines (Brodeur et al. 2020).

Four sectors stand out as particularly affected in terms of employment (Figure 2.20). Employment dropped by a third in accommodation and food services, close to 20% in arts and recreation and in agriculture, and around 10% in administrative support. Importantly, in none of these sectors was there a clear recovery visible by the second quarter of 2021. These are the sectors that have faced the strictest restrictions for public health reasons, but are also sectors where telework is difficult. There were also substantial drops in employment in the education sector, but this has largely recovered as schools have re-opened.

Several sectors have actually experienced employment growth during the crisis: the ICT sector, electricity and utilities, and to a lesser extent health and social work all stand out in this regard.

The sectors that were the most heavily impacted were also those that employ the most workers
Figure 2.18  Relative change in the number of workers by employment type and gender (%)

Note: Relative change in number of workers by employment type and gender as % change to 2019 Q2.
Source: Own calculations based on Eurostat (LFSQ_EGAIS, LFSI_PT_Q).

Figure 2.19  Changes in non-standard employment 2019-2021 (Q2)

Note: Change in number of workers relative to 2019-Q2 (%).
Source: Own calculations based on Eurostat (LFSQ_EGAIS, LFSI_PT_Q).
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in low-skilled occupations and on temporary contracts, as well as including more self-employed workers, and young workers aged 15-24 (Figure 2.21). Importantly, the share of women in the hard-hit sectors was higher than in those where it stagnated, but women are also over-represented in the sectors that did particularly well. This means that those sectors where the pandemic cost most jobs also employed more vulnerable workers, thereby further increasing inequality.

The impact of the pandemic also varied strongly according to occupation (Figure 2.22). Employment dropped most in those occupations linked to closed sectors and where social distancing was difficult: in particular, agriculture workers and service and sales workers. The number of workers employed in elementary occupations and as plant and machine operators also dropped substantially. On the other hand, employment among professionals and clerical support workers went up – these are, incidentally, both groups who were more likely to be able to work from home.

Among those who retained their jobs, the average hours worked dropped for most groups, increasing only slightly for professionals, although substantially for those in skilled agricultural, forestry and fishery work.

Working time

Re-distribution of work through shorter hours reproduces inequalities

Employment losses in the EU during a downturn tend to be partly offset by a decline in working hours. This was previously shown for several macroeconomic shocks of the early 2000s and the post-2008 recession (De Spiegelaere and...
Much of the reduction in working hours during the Covid-19 crisis has been a direct result of job retention schemes used massively in the first months of the lockdowns in 2020. By the end of April 2020, an estimated 50 million employees in Europe were participating in short-term work schemes, meaning almost 50% of the workforce in some countries (Müller and Schulten 2020). A Eurofound (2020b) survey equally found that one in two employees in Europe has seen a decrease in working time since the lockdown measures were introduced, of which one third said their working time decreased a lot.

There are sizeable differences between countries in the extent to which a drop in employment was partly avoided by reducing working hours (Figure 2.24). Significant financial support for job retention schemes came from the SURE (Support to mitigate Unemployment Risks in an Emergency) programme, through which the European Commission provided favourable loans of up to EUR 100 billion. However, financing was not accompanied by a coherent policy plan, and there was significant variation in the extent to which SURE was taken up (see Figure 2.8). While some attempted to hastily establish new schemes, others were able to extend and implement existing policies more swiftly. There were also differences across countries in the duration of the financial compensation for the hours not worked (Drahokoupil and Müller 2021). Looking at the situation in early 2021 (first quarter, compared to the same period in the previous year) in terms of a discrepancy between the drops in employment and in total hours worked, we observe a considerable work redistribution effect in Austria, Malta, Finland and Spain. On the other hand, in Romania, employment declined much more than total hours worked, while in Poland there was almost no change in employment, but workers worked on average one hour longer in 2021-Q1 than they did in 2020-Q1.

Inequalities persisted not only across countries, but also between groups of workers. Comparing changes in working hours in the past year clearly shows that the loss of jobs was particularly stark for non-standard contracts, while those on standard contracts were spared more (OECD 2020). For instance, average working hours in part-time jobs in the EU27 have seen almost no change since the outbreak of the pandemic, but the number of these jobs dropped markedly, a trend persisting well into 2021, with the biggest employment losses observed in 2021-Q1 (Figure 2.25). The protective role of working time reduction with regard to employment losses benefitted primarily full-time workers. While full-time employment fell by only about
1% among 2021-Q1 compared to a year before, part-time jobs shrank by over 5%.

The recovery was underway by the second quarter of 2021, but still only for full-time employment. Average hours worked by the full-time employed increased by a little over an hour, most likely due to the rollback of job retention schemes and the return of workers to full employment. Employment among full-time workers increased by close to 2%. However, there seems to be no recovery of part-time employment underway.

**Inequalities in the labour market**

The crisis exacerbated existing inequalities in employment

The Covid-19 crisis and the policy responses to it have had a sizeable economic cost and profoundly disturbed the labour market. This burden is not divided equally, however. Those groups who were already most at risk have borne the brunt of these labour market disturbances. First, the most heavily hit sectors also tend to disproportionately employ young people and lower-skilled workers, and offer less secure positions. Second, the crisis put into sharp focus the difference between those workers who have the possibility and the resources to work from home – who tend to be in professional and managerial positions doing more highly skilled work – and those who had to face health risks in going to work and who are generally lower paid with worse protection. Third, while efforts have been made to make them accessible, job retention schemes may in fact deepen the divide between those who have access to them thanks to their employment history and type of career, and those who do not. This could be particularly damaging for young and migrant workers. These rifts were already being exacerbated by the pressures of globalisation and technological/digital change, and the danger is now that the current crisis has only caused these processes to speed up.

**Unequal access to employment**

Employment gaps reinforce existing inequalities

What is important is that the recovery is underway. In the first quarter of 2021 the employment rate was still lower than its 2020 level for each group, but by the second quarter there was already some improvement for most workers. However, the decrease in employment has been concentrated among those without university qualifications and among young workers (Figure 2.26). Conversely, employment among the highly qualified and among older workers has increased. The substantial employment loss among the lower educated reflects the distributional effects of the pandemic (Adams-Prassl et al. 2020; OECD 2021). As telework is mainly possible for the more highly educated and those in higher-skilled jobs, this move to telework has only increased the divide, and helped to safeguard the jobs of...
the more highly educated while employment has dropped more among the less educated.

It is the young (aged 15-24) who have borne the brunt of the employment impact, while older workers (50-64) have been largely spared. This reduced employment has a long-lasting impact on young people’s labour market experiences later in life, due to stigmatisation or the detrimental effects on this generation’s human capital and skills (Gregg and Tominey 2005). Such scarring during the early career stage can have a long-lasting impact and further exacerbate inequalities between age cohorts (Zwysen 2016).

Overall, the employment rate among migrant workers has increased more than that of those born in the country of residence, diminishing some of the employment gaps between these groups that existed in the first quarter of 2020. However, migrants may still be particularly at risk due to the jobs they work in (Fasani and Mazza 2020). Overall, there has been little difference between the employment rates of men and women, which likely reflects the contradictory effects of two opposing situations: on the one hand, women were harder hit by certain sectors closing and by the added pressures of care; but, on the other, women make up a disproportionally large part of the essential and frontline workforce and were also over-represented in the sectors that did well during the crisis (OECD 2021).

**Employment gaps widen in most countries: primarily by age, and education**

This inequality in access to employment did not deepen in all Member States. Inequalities widened the least in central and western EU Member States – with some exceptions such as Belgium and Ireland – and generally more so in the south and east, as well as in Scandinavia (Figure 2.27). All types of inequality – age, gender, education, or country of birth – widened in Slovenia, while four different dimensions deteriorated in Austria, Latvia, Estonia, and Czechia, including age and gender in all four, and education in all but Estonia. Three dimensions of inequality increased in Slovakia, Portugal, Malta, Hungary, Cyprus, Italy, Spain, and Ireland: in education for seven out of these eight countries; between young (15-24) and older (50-64) workers for six out of the eight; and between those born in the country and non-EU migrants for five. Inequality increased the least in Sweden, France (only in education) and Luxembourg (only between EU migrants and those born in Luxembourg).

The change in the employment gap between women and men is shown in Figure 2.28.

**Gender gaps improved in most of the countries, especially so in Hungary, Slovakia, and Luxembourg. However, the gap did widen in 10 Member States, most so in Slovenia and Cyprus.**

The employment gap between older (50-64) and younger (15-24) workers closed slightly in Finland, the Netherlands, Luxembourg, and Sweden (Figure 2.29). On the other hand, it widened on average, and greatly so in Poland, Slovenia, Greece, Portugal, Slovakia, and Hungary.

The employment gap between workers with university degrees and those with at most lower secondary qualifications is very high, at around 40 pp on average (Figure 2.30). It worsened on average during the pandemic, particularly in Slovakia, Romania, Latvia, Hungary, and France. It improved somewhat in Finland, Lithuania, the Netherlands, and Luxembourg.

On average, workers born in another EU27 country are slightly more likely to be employed than those living in their country of birth (Figure 2.31). In 12 of the Member States the relative position of EU-mobile workers deteriorated over time. Meanwhile, third-country migrants are, on average, less likely to be employed than those from the EU.
Labour market and social developments: crisis further entrenches inequality

Figure 2.28 Employment gap between men and women in 2020 and 2021

Figure 2.29 Employment gap between older and younger workers in 2020 and 2021

Figure 2.30 Employment gap between highly and lower educated workers in 2020 and 2021

Figure 2.31 Employment gap between EU mobile workers and those born in country of residence in 2020 and 2021

Note: Difference in employment rate of highly educated (university) to lower educated (at most lower secondary) workers, from 2020-Q1 to 2021-Q2. * For Germany the 2020 data is not available, and 2019-Q1 is used.

Source: Own calculations based on Eurostat (LFSQ_ERGAED).

Note: Difference in employment rate of men to that of women from 2020-Q1 to 2021-Q2. * For Germany the 2020 data is not available, and 2019-Q1 is used.

Source: Own calculations based on Eurostat (LFSQ_ERGAN).

Note: Difference in employment rate of women to that of men from 2020-Q1 to 2021-Q2. * For Germany the 2020 data is not available, and 2019-Q1 is used.

Source: Own calculations based on Eurostat (LFSQ_ERGAN).
Labour market and social developments: crisis further entrenches inequality

Figure 2.32 Employment gap between third-country migrants and those born in country of residence in 2020 and 2021

Figure 2.33 Change in gap in unemployment rate from 2020 to 2021

Figure 2.34 Change in share inactive from 2020 to 2021

Figure 2.35 Change in gap of working on temporary contracts from 2020 to 2021

Figure 2.36 Change in gap of working part-time from 2020 to 2021

Note: Difference in employment rate of third-country migrants from that of those born in the country of residence, from 2020 Q1 to 2021 Q2.

Note: The figure shows the change in the unemployment rate (pp) for the EU-27 as a whole from 2020-Q1 to 2021-Q2. Qualifications are divided into low (at most lower secondary), middle (upper secondary or post-secondary non-tertiary) and high (tertiary).

Note: The figure shows the change in the inactivity rate (pp) for the EU-27 as a whole from 2020-Q1 to 2021-Q2. Qualifications are divided into low (at most lower secondary), middle (upper secondary or post-secondary non-tertiary) and high (tertiary).

Note: The figure shows the change in the share of employees working on temporary contracts in the EU as a whole. The change from 2020-Q1 to 2021-Q3 (and 2019 to 2020 in migrant status).

Note: The figure shows the change in the share of employed working on part-time contracts in the EU as a whole. Change from 2020-Q1 to 2021-Q3 (and 2019 to 2020 for migrant status).

Source: Own calculations based on Eurostat (lfsq_erta, lfsq_pga, lfsq_pga, lfsq_sga, lfsq_wgb).
Rising gaps in non-employment

Most of those who left employment became unemployed. The unemployment rate for third-country migrants, the low- and middle-qualified, and especially the young increased substantially (Figure 2.33). Some workers also left the labour market altogether and entered inactivity. This mainly increased among the lower-educated (Figure 3.4). Rising inactivity and unemployment can have long-term negative effects as these spells of not working could reduce the probability of working in the future: due to scarring or eventual disengagement with the labour market.

Inequalities in contract type decline

As the most vulnerable workers – on non-standard contracts – were more likely to lose their jobs, inequality in terms of contract type amongst the (remaining) employed decreased somewhat (Figure 2.35 for temporary contracts and Figure 2.36 for working part-time). This indicates that the more vulnerable were among the first to lose their part-time or temporary jobs.

The glaring exception is a large increase in the share of young workers working on temporary and on part-time contracts, which came about as a result of the recovery gaining speed in the second quarter of 2021.

Summary: employment gaps by education and age most affected

Divisions within Europe by age, country of birth, and education all increased during the Covid-19 pandemic, while the average gender gap remained rather stable.

There is substantial country variation however (Figure 2.37). Employment gaps by age and education widened in around two thirds of the EU Member States, while the relative position of third-country migrants deteriorated in around half. The gaps in terms of temporary and part-time work generally declined, except for the young. On the other hand, changes in unemployment followed the traditional patterns, meaning it was generally women, the young, the lower educated, and migrants who suffered the most.

This section has shown how the effect of the pandemic and the way the recovery is now taking place do not affect everyone equally. Great care has to be taken that inequality does not widen any more as the recovery continues (Jestl and Stehrer 2021).

Job vacancies

Initial plummet in vacancy rate, now picking up fast in many sectors

One of the narratives of the recovery has been of a large uptick in labour demand, particularly in the lower-paying segment of the labour market, without these positions being filled. And it is true that the job vacancy rate (the share of
unoccupied positions out of total employment in a sector) has risen consistently since its lowest point in the second quarter of 2020 (Figure 2.38). By the second quarter of 2021, it was back to its pre-Covid rate.

However, this pattern masks variation between industries (Figure 2.39). Those sectors that were hard hit in terms of employment (accommodation, mining, and administrative support) also saw a large decline in their vacancy rate at the peak of the crisis – although, with the exception of mining, the rate in all of these sectors has recovered to at least the level of the first quarter of 2020. The vacancy rate also increased significantly in those sectors that did relatively well in terms of employment, such as ICT. This sector saw a sizeable decline in demand at the peak of the crisis, but in 2021 had a 20% higher rate of vacancies than in 2020.

High sectoral vacancy rates can indicate that a sector was generously protected during the crisis through different governmental schemes, but found it difficult to attract workers due to possibly low wages or heightened worries about keeping safe.

This suggests that a recovery in labour demand is indeed underway in most sectors. The question remains, however, how easily these vacancies will get filled and whether these will be good positions with adequate occupational safety.

This uptick in job vacancies is not present in all countries (Figure 2.40). There was a large increase from 2020 to 2021 (Q1) in Italy, Lithuania, the Netherlands, Poland, Germany, Belgium, and Portugal, but a sizeable decrease in Czechia, Luxembourg, and Sweden. This possibly indicates the extent to which a third wave hit during the first quarter of 2021, and the timing of the recovery in different countries.

**Unequal earnings and poverty**

As the Covid-19 pandemic has increased inequality in terms of access to employment, hitting more vulnerable workers the most, this is likely, in the long term, to also increase inequality in terms of income and earnings.

While there is not yet data available on the prevalence of poverty as a result of the pandemic, we can consider the evolution of
The crisis is expected to further exacerbate inequality and poverty across Europe.

In 2019, 9% of the working population in the EU lived in a household at risk of poverty, meaning the disposable household income is 60% or lower than the median (Figure 2.41). This number was slightly higher than in 2010, when it was 8.5%, despite the aim to reduce the households at risk of poverty, and the rate of the ‘working poor’ more specifically, by 2020. The risk of poverty increased particularly and almost exclusively for the vulnerable workers – the lower educated, those on part-time or temporary contracts, and migrants from outside of the EU.

Thanks to the substantial support provided to households, the prevalence of working poverty did not increase enormously in most Member States from 2019 to 2020, for the countries where data is available (Figure 2.42). It even decreased by 1pp or more in Portugal and Spain, and decreased modestly in Romania, Hungary, Belgium, and Austria. However, the rate of working poor did increase a lot in Germany, by 2.7pp, and by close to 1pp in Slovakia and Malta.

The crisis is expected to further exacerbate inequality and poverty across Europe, but this rise has so far been mitigated by the above-mentioned support. In the short run, therefore, it seems that average income inequality in many countries has actually reduced (Clark et al. 2021; Angelov and Waldenström 2021).

The crisis is expected to further exacerbate inequality and poverty over time right up to the pandemic.

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Key labour market challenges

This section highlights a selection of key issues confronting the labour market today and in the future, with a focus on areas where the European Commission is planning to take or has recently taken action. These challenges vary, and the selection made here is in no way exhaustive but builds on work currently being done at the ETUI. First are the changes in third-country migration and intra-EU mobility; one issue in particular that has gained visibility during the pandemic is the institutionalised inequality and working conditions that seasonal migrants in Europe face. The second topic concerns work-life balance and inequality. The section first discusses the challenges posed by new forms of work, particularly platform work. It then focuses on the gender dimension of work-life balance and its link to the gender pay gap, discussing European policies currently being developed to address these issues. Finally, the section concludes with a reflection on the European Pillar of Social Rights and whether it has lived up to expectations.

Mobility and migration

Intra-EU labour mobility

In 2020, 3.3% of EU citizens of working age (20-64), resided in an EU Member State other than that of their citizenship, up from 2.4% in 2010. As Figure 2.43 shows, there are huge differences between Member States, with the share of mobile workers in the working age population ranging from 0.8% in Germany to 18.6% in Romania. Croatia (17.6%), Portugal (10.6%) and Bulgaria were the next three Member States with the highest share of mobile workers, while with 1.1% Spain had one of the lowest shares of mobile workers in the EU. Intra-EU labour mobility has not been seriously affected by the impact of the pandemic. Despite a marginal decrease from 2019 to 2020, driven by a decline in Polish and Romanian mobile workers, the overall picture has been one of consistent growth in intra-EU mobility between 2010 and 2020. The greatest increases in the share of mobile workers in the last decade were recorded in Hungary, Latvia, Croatia and Bulgaria, but were also significant in Slovakia, Slovenia and Greece.

As regards the absolute numbers, in 2020 the most numerous national groups of mobile EU citizens aged 20-64 were those from Romania (2,300,100 persons), Italy (1,027,800 persons), Poland (1,005,500 persons) and Portugal (679,600 persons). It should be noted that these numbers do not include workers from these countries in the UK.

According to Eurostat (2021c), people with tertiary-level education were generally slightly less mobile than the rest of the population, and this was especially the case in Portugal, Greece, Croatia and Romania. On the other hand, the most mobile French, German, or Finnish citizens were much more likely to have a tertiary degree than the general population in those countries.
Third-country migrants in the EU

Refugees and asylum seekers

Since March 2020, the pandemic has suppressed irregular migrant arrivals to the EU, contributing to a temporary easing of related political tensions in terms of a common Pact on Migration and Asylum. In 2020, most asylum applications were placed in Germany, France, Spain, Greece, and Italy. The labour market integration of non-EU migrants, and particularly asylum seekers, remains difficult, with employment rates among non-EU migrants around 50%. For refugees and asylum seekers, one of the biggest challenges is the huge gender gap, as only 19% of female refugees work in Denmark, and 29% in Germany. A recent ETUI publication looking at different country studies points to some progress in the labour market integration of refugees (Galgóczi 2021). However, no structural improvements have been made on a common European approach.

Seasonal workers from third countries

An oft-ignored group of migrants in the EU are third-country nationals who migrate temporarily, often for seasonal work. This group has become very visible during the Covid-19 pandemic, which has highlighted the numbers of seasonal workers and their often problematic working conditions (Rasnača 2020). Their vulnerability has even been recognised by the European Commission (European Commission 2020b). Inequality between local workers and migrants has increased in general during the Covid-19 pandemic, and this could have potentially serious consequences for these more vulnerable migrants.

Even though equality is one of the core EU values, protected in Article 2 of the Treaty on European Union, some of the inequalities in the European labour market have actually been created by law, both national and European. There are those who enjoy the full set of labour and social rights while working in secure, permanent employment contracts, and those who work on short (fixed-term) contracts who have only fragmentary social protection.

Nowhere, though, are these inequalities more pronounced than between migrant and local workers (Amo-Agyei 2020). The latter tend to work in lower-paid jobs, enjoy less protection at the workplace, and are much more often exploited than their local counterparts.

In the case of third-country migrants – the most vulnerable category – the law enables their different (less advantageous) treatment.

First, they often work on less secure contracts than the local workforce and are also more weakly organised. Second, it is enshrined in law that these migrants have only ‘secondary access’ to jobs, with priority being given to EU citizens. Third, they are not entitled to social assistance and sometimes do not even enjoy full access to social security benefits. For example, seasonal workers (Figure 2.44) are exempt from the social security system in some EU Member States (Austria, Germany, Hungary, Luxembourg, and the Netherlands). In others, while they contribute to the system, in practice they are rarely or never eligible for benefits due to incomplete contribution periods (in Belgium, Czechia, Finland, Ireland, Latvia and Spain, among others).

The aspect that distinguishes such workers from the local workforce the most, however, is not the difference in their substantive rights but their immigration status and its direct dependence on an existing employment relationship. In the vast majority of EU Member States, the residence permit is actually interdependent with the existing employment relationship (Figure 2.45). If the contract is terminated, the migrant worker from outside of the EU will in most cases have to leave the EU territory almost immediately. In very few countries (Italy, Cyprus, Finland, France, Portugal and Romania) the residence permit is not (automatically)
cancelled in case of termination, or at least not in the majority of situations. In yet some others, such as Luxembourg, Slovakia and Estonia, there is a grace period within which the worker can find another job. However, such an approach to regulating immigration for work purposes is the exception rather than the rule.

Even in situations where the expected stay of the workers on the territory is relatively short (typically nine months out of every twelve), their right to reside is still most often directly dependent on an employment contract with one single employer. Such dependency does not create the necessary flexibility for them to change jobs if, for example, they are mistreated by the employer.

While local constituencies might indeed prefer circular and temporary migration, it does not always mean a better situation for the workers, and in fact this temporary status is often used as an excuse for excluding them from some rights, either de jure or de facto. The EU Member States have so far not seen the necessity to untangle the immigration status of seasonal workers from their employment status (see Figure 2.46), which only further exacerbates the inequality they already experience with regard to local workers due to other circumstances (including a lack of resources, limited language knowledge, dependent accommodation, and others). In the European labour market some are thus certainly more equal than others, and vulnerable migrant workers from third countries are amongst the most disadvantaged. This legal vulnerability could be one of the factors pushing third-country migrants to settle for worse jobs with fewer prospects, thereby perpetuating longer-term inequalities.

Work-life balance and inequality

Flexibility for workers and employers

‘Flexibilisation’: not just one concept

An ongoing labour market trend is the change in working time organisation regarding flexible, fragmented and variable work schedules (Messenger 2011; Snyder 2016). Deregulation of labour standards, a decline in trade union strength, and changing career paths and preferences have all contributed to this trend. Yet the key drivers of recent working time adjustments are the maximisation of staffing efficiency and the lowering of labour costs, which are achieved by a closer alignment between the number of working hours and workload, such as
in zero-hour contracts and on-demand or on-call work (Piasna 2018; Piasna 2019). The pandemic, if anything, has only accelerated these changes.

Technological innovation is pushing this forward even more. Companies can now implement computerised systems that co-ordinate the scheduling of a large number of workers, minimising human mistakes or avoiding overtime and associated extra payments. In doing so, an automated approach takes advantage of a large volume of data to predict staffing needs in a very fine-grained manner.

The benefits for employers of the use of automated flexible scheduling are plentiful, with greater staffing efficiency, less need for managerial work, lower costs, and greater control. However, these changes are generally introduced as if they would also benefit workers by achieving a better work-life balance. This view has also been taken up in policymaking as, for instance, in the recent EU Work-Life Balance Directive (Piasna 2021).

However, the flexibility requested by workers – such as taking time off at short notice or temporarily reducing working hours to manage care duties – is completely different from the flexibility of the ‘just-in-time’ workforce. Referring to these different logics jointly as ‘flexibility’ is highly misleading. Academic literature is more rigorous in distinguishing employer- and employee-oriented working time flexibility (Chung and Tijdens 2013; Piasna 2020), but such nuance is all too often lost in the policy discussion, which tends to equate all flexibility with positive outcomes for workers.

**The case of platform workers**

Online labour platforms are a leading example of technology use in the management of flexible working hours. Just like in low-level hourly jobs in the traditional service sector, most work on platforms is characterised by uncertain work hours, unpredictable income and low pay levels (Piasna and Drahokoupl 2019; Urzi Brancati et al. 2020). However, online platforms have successfully inserted an aspirational tone into their communication with prospective workers, focused on an extreme working time flexibility, which they associate with freedom and entrepreneurial spirit.

Platform workers could indeed take advantage of irregular and uncertain hours if they were in a position to refuse tasks and only work when it suits them (Piasna and Drahokoupl 2021). However, this is rarely attainable. ‘Matching’ through platforms relies on access to a large pool of readily available workers. While this improves efficiency and drives prices down, it also means that work is scarce and insufficient to meet the needs of all workers. Workers thus spend a lot of time on the unpaid work of searching or waiting for tasks (Berg 2016). When attempting to turn flexible hours to their advantage, such as sign off a shift that no longer suits them or take time off for holidays, workers are penalised and may even lose their accounts. The more dependent workers are on their earnings from platforms, the more constrained they are and the less freedom they have in choosing clients, tasks, or times to work. This results in committing longer hours to work on a platform, which resembles a full-time job and leaves a limited scope for exercising schedule flexibility. Not surprisingly, workers who expected that platform work would allow them to plan work around other spheres of life, notably education or care, in fact end up having to adjust their private lives to fit around platform work (Goods et al. 2019).

There is growing recognition of the relationship between inequalities and platform work. In the first instance, these forms of work tend to attract segments of the labour market that are already in a position of vulnerability, lacking any substantial bargaining power, and are effectively asked to enter contractual arrangements that are often obscure or premised on ‘boilerplate’ terms. A recent ILO report noted: ‘While adhesion contracts offer great efficiencies and savings through the reduction of transaction costs, the frequent inequality of bargaining power can lead to unfair terms’ (ILO 2021: 198). Additionally, these unfair working conditions invariably exacerbate the inherent vulnerabilities of many platform workers as vulnerable low-income earners and workers with non-linear working careers are unlikely to enjoy adequate levels of protection, which may in turn aggravate inequalities, including gender inequalities (Behrendt et al. 2019). Issues of gender and intersectional inequality are also increasingly recognised as prevalent in the ‘gig economy’, including in relation to the vexed question of algorithmic management and ‘customer reviews’ (Vyas 2021). Any (EU or national) regulatory response to the challenges posed by the proliferation and growth of platform work will undoubtedly have to confront and address these dimensions of inequality.

**Collective rights to protect all workers**

Achieving work-life balance in a highly flexible economy where working hours are carved out by apps seems impossible without an extension of collective rights to all workers, irrespective of their contract or intermediation
by a labour platform. This would give workers a chance of influencing employers’ decisions and negotiating the terms and conditions of their work. But it requires regulatory support. There is some hope to be had in the ongoing transposition of the EU Directive on transparent and predictable working conditions, which can put limits on highly exploitative practices in working time organisation and offer protection to workers who ask for better conditions. Equally important is the currently discussed EU initiative on improving the working conditions in platform work.

**Work-life balance and gender inequality**

The Covid-19 pandemic has shone a spotlight on work-life imbalances. These are particularly relevant for women who continue to perform a greater share of unpaid care work in the household. Not very surprisingly, women may also make greater use of some types of online ‘flexible’ work, with some indications that they are more likely to engage in brief online tasks and freelance services (Piasna and Drahokoupil 2019).

The impact of the measures taken to curb the spread of the pandemic – closing schools and childcare, increasing telework, and in some cases closing or restricting sectors where women are heavily present – has not always been gender-neutral (Eurofound 2020b). As discussed earlier, school closures primarily hit young men and women, and reduced the employment rate of women aged 30-35 by over 2pp.

**Unequal division of unpaid care work**

Employed women still spend substantially more time on unpaid care work than men in a usual week (Figure 2.47). Of those involved in unpaid care work on a daily basis, employed women spend 3.9 hours per day on care work, compared to 2.6 hours for men across the EU (EIGE 2021c: 16). These numbers differ significantly between Member States, but women spend more time on such work than men in every Member State. The amount of time spent by employed people on unpaid care almost doubles where childcare is involved (EIGE 2021c: 18). The report finds that women in couples with children spend 5.3 hours per day on unpaid care work, compared to 2.4 hours for women living in couples without children (EIGE 2021c: 18).

The ‘double burden’ of employment and unpaid care work affects women’s physical and psychological well-being (Artacoz et al. 2011), as well as their participation in the labour market and their earnings (EIGE 2021c). In 2019, women who were inactive due to care responsibilities constituted around 17% of the total population of the EU28 (EIGE 2021c: 74). Unequal distribution of unpaid care work is one of the main drivers of the gender gap in employment, which stood at 11.1pp in 2020 in the EU27 (Eurostat 2021a).

Care responsibilities are also a significant factor in women taking up temporary or part-time employment. This affects women’s earnings, not only because of the part-time nature of the work as such, but also because part-time and temporary work is often less well-paid per hour than full-time work, as well as being less secure (EIGE 2021c; Boll et al. 2017). It contributes to the gender pay gap (14.1% in 2019 across the EU27 (Eurostat 2021c)), the gender gap in overall annual earnings (36.7% in 2018 (Eurostat 2021b)) and the gender pension gap (30.1% in 2018 (Eurostat 2020)), affecting women’s economic position and independence.

The pandemic has increased the amount of unpaid care work for both women and men, but emerging data shows that this is having a greater toll on women (EIGE 2021b: 35-36). The Eurofound Covid-19 e-survey conducted in July 2020 across the EU27 shows significant disparities in the amount of time spent on childcare and housework by men and women.
(Eurofound 2020a: 23). The burden is greater for parents (particularly women), including single parents (particularly single mothers). Around 85% of all single parents in the EU are women, with 48% of single mothers at risk of poverty in 2016 (EIGE 2016).

Other studies at national level confirm that most of the burden of increased unpaid care work has fallen on women (Adams-Prassl et al. 2020; Del Boca et al. 2020; Oreifiche and Quintana-Domeque 2020; Farre et al. 2020). In one German study, 40% of couples with at least one young child who shared work equally before the pandemic indicated that this was no longer the case during the pandemic, with the number rising to 52% for couples with a household income below EUR 2,000 (Kohlrausch and Zucco 2020: 7). However, some studies also show an increase in the involvement of fathers in unpaid care work, which could offer opportunities to challenge gender stereotypes related to care work (Farre et al. 2020; Hupkau and Petrongolo 2020; EIGE 2021b).

The increase in care responsibilities has had an impact on women’s work-life balance, mental health and productivity. As discussed in Chapter 5, work-life balance conflicts seem to have increased during the pandemic, especially for women, and this seems to be affecting the mental health of women more than men.

Under these pressures, women have been more likely to take leave from work or to reduce their working hours (Kohlrausch and Zucco 2020; Kalayhoglu et al. 2020; EIGE 2021b: 37), or even drop out of the labour market to accommodate care responsibilities (Eurofound 2020b: 15). For example, in Germany a quarter of women reported reducing their working hours to accommodate the increase in childcare needs, compared to only a sixth of men (Kohlrausch and Zucco 2020: 8). It is likely that this, at least in part, reflects the fact that it makes more financial sense for women to reduce their working hours rather than their male partners—who generally are the higher earner in the household (Kohlrausch and Zucco 2020: 8). Women in households with a lower income were more likely to have reduced their working hours than women in higher-income households (Kohlrausch and Zucco 2020: 9).

Longer-term impacts

These trends could have effects on women and gender equality in the longer run in various ways. Reducing working hours or temporarily giving up work to accommodate care responsibilities will affect earnings in the short term, but could also have a longer-term impact on the probability of fully re-entering the labour market. This may therefore further reinforce the gender pay gap in the longer term (Kohlrausch and Zucco 2020; Eurofound 2020b). This is in addition to the fact that more women than men have lost their job or had their hours reduced as a result of the economic impact of the pandemic (EIGE 2021b: 8).

The effects on their job performance could mean that women might also be more likely to suffer redundancies in the post-Covid economic crisis (Wenham 2020: 33) or see their prospects for promotion damaged, which in turn could further perpetuate structures of gender inequality.

How to address inequalities in unpaid care

The effects of the pandemic highlight the need to strengthen efforts to promote the equal sharing of care responsibilities between men and women, including through work-life balance measures. Member States are due to transpose the EU’s Work-Life Balance Directive 2019/1158/EU by August 2022. The Directive sets out minimum standards regarding paternity leave (two weeks), parental leave (four months), carers’ leave (five days per year) and flexible working arrangements. Although some Member States already have more generous work-life balance provisions, others are unlikely to go beyond the Directive, which already represents a big leap for them. For example, in eleven Member States paternity leave is less than 10 working days long, and four of those have no paternity leave at all (Germany, Hungary, Italy and Slovakia). On the other hand, seven Member States offer longer paternity leave than what is provided for by the Directive: Austria, Bulgaria, Spain, Finland, France, Lithuania and Slovenia (European Commission 2018).

Whilst a positive development, the Directive leaves much room for improvement (Chieregato 2020). For example, paternity leave is to be paid only at the level of sick pay, which was below 60% of earnings in 13 Member States in 2018 (European Commission 2018: 5). Regarding parental leave, stipulations on receiving ‘adequate’ remuneration – though it is unclear what this means – and on the leave not being transferable between parents only apply for two out of the full four months. There are, moreover, no provisions regarding remuneration of carers’ leave. In other words, the Directive does not provide sufficient incentives for uptake of leave by men (Chieregato 2020). It also leaves space for Member States to set relatively high eligibility thresholds, and for significant employer discretion when it comes to flexible working arrangements.
Aside from more robust provisions on leave, flexible working arrangements and predictable working patterns, it is necessary to ensure investment in care and social infrastructure, the availability and affordability of childcare services, and other policies that encourage the equal sharing of care responsibilities and challenge gender stereotypes (EIGE 2021b: 68-71). Ensuring gender equality when it comes to unpaid care work also requires recognition of the significant social and economic value of this kind of work and the establishment of working time norms which are built on the ideal of all workers engaging in it, regardless of gender.

**Addressing gender inequalities in pay**

Gender inequalities in pay remain a significant issue at the European and global level. According to Eurostat data, women on average still earned 14.1% less than men per hour across the EU27 in 2019, with significant differences between Member States (Figure 2.48). The gender pay gap in the EU has closed by only 1.7pp since 2010 and actually increased from 2018 to 2019 in Romania, Latvia, Portugal, Hungary and Ireland. Underlying this gap are a number of different factors. These include: vertical (different opportunities for career progression) and horizontal (gender concentration in different kinds of jobs) occupational segregation; the fact that more women than men tend to work on contract types with typically lower pay (e.g. part-time, temporary); the fact that women take more career breaks to accommodate care responsibilities; direct and indirect pay discrimination; and the undervaluation of work performed predominantly by women (EIGE 2021c; Oelz et al. 2013). The latter refers to the ‘insufficient recognition, appreciation and remuneration of the skills and tasks related to the work performed in female-dominated occupations’ (Müller 2019: 6).

The Covid-19 pandemic has underscored this issue and brought it to the fore of policy debates. It has served as a reminder that the majority of frontline, essential workers – such as nurses, carers, cleaners and cashiers – are women, and that these workers continue to be among the most underpaid in the EU (EIGE 2021a). Evidence also suggests that workers in more highly feminised occupations have a lower relative income than those in which the proportion of women is lower (Müller 2019: 16; Murphy and Oesch 2016). This reality highlighted by the pandemic has generated renewed momentum behind demands to address inequalities in pay (ILO 2020).

**Figure 2.48a** Unadjusted gender pay gaps in 2019 (%)

![Figure 2.48a](image)

Source: Own calculations based on Eurostat (sgg_05_20).

**Figure 2.48b** Change in unadjusted gender pay gaps 2010-2019 (pp)

![Figure 2.49](image)

Note: Changes in the unadjusted gender pay gap from 2019 to 2020. Source: Own calculations based on Eurostat (sgg_05_20).
Proposal for directive on equal pay

In March 2021, the European Commission published a proposal for a directive strengthening the implementation of the principle of equal pay between men and women, though pay transparency and enforcement mechanisms (European Commission 2021c). The principle of equal pay for the same work or for work of equal value is one of the foundational principles of the EU, first set out in the Treaty of Rome 1957. Article 4 of Directive 2006/54/EC implements this principle by prohibiting direct and indirect discrimination on the grounds of sex with regard to remuneration for the same work or work to which equal value is attributed. Besides tackling pay discrimination, this framework seeks to address some extent the undervaluation of work predominantly performed by women, which is often reflected in gender-biased job evaluation schemes that overlook or undervalue skills and characteristics associated with such work (Grimshaw and Rubery 2007; Müller 2019).

The Commission proposal aims to address longstanding issues concerning the implementation of this framework, including the lack of a clear definition of legal concepts such as ‘work of equal value,’ a lack of transparency in pay systems and availability of information on pay levels, broken down by sex; and procedural obstacles to bringing equal pay claims, such as long and costly judicial proceedings or lack of adequate compensation (European Commission 2013; European Commission 2020a). In 2014, the Commission published a non-binding Recommendation on pay transparency (European Commission 2014) to address some of these challenges, but with limited uptake and success (European Commission 2017). Although the new initiative was planned before the onset of the Covid-19 pandemic, the crisis constitutes an important part of the context for the proposal. It has attracted considerable public attention to the issue of equal pay and generated momentum around demands to address it. However, the resulting economic recession has also given impetus to concerns about additional burdens on employers, who oppose EU pay transparency legislation (BusinessEurope 2018).

The Commission proposal, if it becomes law, would mark an important new stage in efforts to eliminate pay discrimination and gender bias in pay structures. The proposal includes three key innovations. First, it seeks to clarify how the value of work is to be assessed and compared, which would make it easier for workers to identify a suitable comparator in bringing equal pay claims, and for employers to develop non-discriminatory pay scales. In this connection, it sets out objective criteria to be used in determining the value of work, and requires that states take measures to ensure that tools and methodologies are established to assess the value of work. Notably, it provides that where no real comparator can be established, the use of a hypothetical comparator or other evidence allowing the presumption of alleged discrimination shall be permitted. This would assist workers in highly gender-segregated workplaces, where there is no real comparator with regard to the other sex, to bring a claim.

Second, the proposal contains requirements regarding the availability of information on pay. It requires that job applicants be provided with the initial pay level or its range for a given position. It contains a right for workers to receive information on their individual pay level and the pay levels of categories of workers doing the same work or work of equal value, broken down by sex. Employers with at least 250 workers must provide information on pay gaps between male and female workers across the organisation, and on pay gaps by categories of workers. Where a gap of more than 5% in any category is established that cannot be objectively justified, employers are obliged to conduct a joint pay assessment with workers’ representatives.

However, this limitation of certain obligations to employers with more than 250 workers leaves out all small and medium-sized enterprises, which account for two thirds of employment in the EU (Eurostat 2018). This broad exemption is motivated by concerns about additional burdens on businesses, although the costs estimated by the Commission are moderate (European Commission 2021a). It has attracted strong criticism from various corners (ETUC 2021; European Women’s Lobby 2021) and it remains to be seen whether the threshold will be reduced in subsequent negotiations.

Third, the document also sets out a series of significant proposals on remedies and enforcement. For example, it provides that equality bodies and workers’ representatives shall be able to act on behalf of several workers; that victims of pay discrimination shall be able to obtain full compensation; and that claimants who prevail in an equal pay claim shall be able to recover reasonable legal costs, whereas defendants who prevail shall generally not be able to recover such costs. Furthermore, it requires that a monitoring body be designated to raise awareness of the principle of equal pay and tackle the causes of the pay gap, among other tasks.

Problematically, unlike the 2014 Recommendation, there is no requirement in
the proposal to promote collective bargaining on equal pay (ETUC 2021). This is a missed opportunity, since collective agreements have been shown to be beneficial in reducing pay inequalities and establishing gender-neutral job classification criteria (Pillinger 2014). The ETUC has objected to the lack of definition regarding the term ‘workers’ representatives’, arguing that this could undermine the prerogatives of unions at the workplace and open the door to employers to select workers’ representatives instead (ETUC 2021).

Overall, the proposal is an important and positive development, but it could be strengthened further. It places much emphasis on removing barriers to enforcement through equal pay claims, but less on employer obligations and collective bargaining as a means to promote equal pay. These, however, could lead to deeper structural changes. It would be desirable to see, at the very least, broader coverage of reporting and assessment obligations and a stronger role for trade unions and collective bargaining. Whether this will happen, and whether some of the Commissions’ more ambitious proposals will hold in the face of opposition by employers and some Member States, remains to be seen.

The Action Plan and the Next Generation EU programme

The European Pillar of Social Rights: between rhetoric and reality

At its proclamation on 17 November 2017 at the Social Summit in Gothenburg, the European Pillar of Social Rights (EPSR) was presented as a key instrument for strengthening the social dimension of the European Union and achieving a ‘social triple A’. The EPSR was hoped to be a game changer for the process of European integration, which in the previous decade had developed mainly around the objectives of competitiveness, economic growth and macroeconomic stability (Hendrickx 2018).

The ambitious rhetoric with which the EPSR was presented, however, obscured two concrete weaknesses that limited its impact on European social and labour policy. The first is a substantial limitation: the 20 principles set out in the Pillar still place great emphasis on the objectives of growth and competitiveness – primarily on the modernisation and inclusiveness of the labour market, a priority that pervades the EPSR more strongly than the improvement of working conditions. This reflects an approach to labour policy that values access to the labour market more than regulating labour itself (Giubboni 2018).

The second limitation of the EPSR, which is procedural, is its lack of binding legal force (Rasnača 2017). More so than in the case of the European legislative agenda, the implementation of the Pillar has been devolved to Member States in the context of European governance and, in particular, the European Semester.

Formally, the ESPR became part of the European Semester process by influencing the definition of the annual economic and social priorities, and in identifying the social and employment challenges of Member States via the Social Scoreboard, a benchmarking instrument that reflects some of the principles of the EPSR. The EPSR was then supposed to be reflected in the Country-Specific Recommendations (CSRs) that the Council adopts annually upon proposal from the Commission. Yet, as illustrated in Figure 2.49, the impact of the EPSR and the Social Scoreboard in the 2018, 2019 and 2020 European Semester cycles was rather modest (Rainone and Aloisi 2021). Even the increased social reach of the 2020 CSRs is more attributable to the political decision to suspend fiscal policy surveillance to leave room for spending by national governments in the midst of the Covid-19 crisis, rather than to any adherence to the EPSR (European Commission 2021a).

In March of this year, the Commission published its Action Plan to implement the EPSR and this was politically endorsed two months later at the Social Summit in Porto, opening a new window of opportunity for the ESPR to finally become a game changer in EU social policy. With a renewed rhetorical momentum, the European institutions announced their commitment to reach ambitious social and employment targets by 2030: poverty will be reduced by 15 million, 60% of adults will be engaged in annual training courses, and 78% of the population aged 20–64 will be in employment. The implementation of the EPSR principles was presented as central to the achievement of these goals. Furthermore, it was announced that the implementation of the EPSR would be integrated into the EU recovery strategy ‘NextGenerationEU’ in the context of the activation of the financial support instrument provided by the Recovery and Resilience Facility (RRF). The Commission also adopted a revised Social Scoreboard that included more social policy indicators.

If we take rhetoric and political proclamations as an indicator, it seems that substantial progress has been made in overcoming the two aforementioned limitations. But is this really the case? It is certainly too early to make any
However, it is worth mentioning a couple of elements that might reduce the social significance of these recent initiatives. First of all, the Action Plan does not correct the primacy of labour market functioning and inclusivity over the need to improve working and living conditions. The primary focus is rather on giving the workforce the adequate skills and resources to cope with the labour market adjustments and displacement that the digital and green transitions will generate (Rainone and Aloisi 2021). There is also cause to doubt the EPSR’s impact on the national recovery policies and in the revisited European Semester cycle that followed the launch of the Recovery and Resilience Facility. In defining their National Reform and Resilience Plans (NRRPs), national governments had to take the EPSR into account, but it was sufficient for them to explain how their RRP contributes to implementing the EPSR. Failure to adequately address the Pillar principles does not therefore appear to be decisive for the approval of the NRRPs and the disbursement of financial support. In fact, the Commission has given a positive assessment of NRRPs despite their shortcomings in solving challenges highlighted by the Social Scoreboard (the ‘old’ version). This is the case for the Croatian, Czech, French, Greek, Irish, Latvian, Portuguese and Slovak RRPs.

This raises concerns about the still too limited role of the EPSR in the context of European and national policies and encourages a continued monitoring of its impact during the next governance cycles.
Conclusion

This chapter began by providing an overview of recent evolutions within the labour market, with a focus on how the crisis has affected labour market inequalities. The European Union has been hit very hard by the Covid-19 crisis. The Member States have reacted with lockdowns, closing sectors and restricting businesses with the aim of limiting social contacts. At the same time, large-scale support has been provided to businesses and employees in the form of job retention schemes and short-time work schemes, which were opened up to be more inclusive. While these efforts have been successful in limiting job losses, there has been a significant drop in hours worked which is likely to linger on for a while (Jestl and Stehrer 2021). While a recovery in terms of jobs now seems underway, partly due to the successful vaccine rollout, the recovery risks leaving certain groups behind – particularly the young and the lower educated. It is therefore very important to monitor the developments over time and to make sure inequalities are not further increased as support diminishes.

While overall job losses have been limited, the adverse effects of the crisis have been borne disproportionately by those workers who were already more vulnerable: the young, the lower skilled, and to some extent migrants. These divisions according to age, country of birth and skill level or occupation were already generally widening prior to the pandemic as a result of the pressures of automatisation and globalisation, as well as a general trend towards deregulation. They have only been widened further by the Covid-19 crisis, and the risk now exists that a more entrenched dichotomisation of the labour market has emerged, divided between those with secure jobs who are able to work from home and lower-paid insecure workers who do not have any of this flexibility but are at risk both economically and in terms of their health. In other words, the brunt of this crisis is being borne by the most narrow shoulders.

This chapter also expanded on several current and near-future key issues facing the European labour market, and on various significant regulations that are currently under development. First, while migrant labour is an important cornerstone of the European labour market, third-country nationals who migrate for short-term work, such as seasonal work, face a legal system that permits their being treated differently and enhances their precariousness. Second, working time is undergoing a change, under pressure in particular from technological innovation. The greater flexibility this grants to businesses, especially in work arrangements like platform work, places the burden mainly onto the workers, who then find themselves with a much worse work-life balance. Relatedly, the chapter discussed the still prominent gender pay gap, as well as certain innovations in the regulatory framework that are aiming to provide greater transparency and general improvement. One contributing factor to the gender pay gap is the unequal burden of care, which still primarily falls on women. Finally, the chapter discussed how the European Pillar of Social Rights has not had the expected impact of placing social concerns more at the centre of European social and labour policies.

The key question now is: to what extent have the various trends that were already deepening divisions between workers prior to the pandemic, such as new technologies, ever greater flexibility and the green transition, been accelerated by this crisis, and how will inequality further evolve in the recovery?
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