

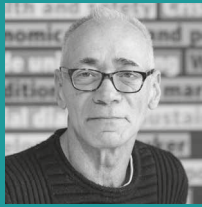


# 2. Labour market and social developments: from shock to crisis

## Authors



Agnieszka Piasna



Béla Galgóczi



Silvia Rainone



Wouter Zwysen

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*The Covid-19 pandemic is a shock of historic proportions: it needs a strong policy response."*

**Agnieszka Piasna**, ETUI

# Introduction

The past decade has seen EU labour markets first suffering and then progressively, if slowly, recovering from the post-2008 great recession. As already noted in the 2019 edition of *Benchmarking Working Europe*, some of the policies implemented in the latter part of this period were aimed at restoring employment and growth in the short term, but also sought to prepare the EU for some of the longer-term challenges to come. The Covid-19 pandemic and the ensuing, unprecedented economic crisis, still unfolding and with the depth of its social impact as yet unknown, has become a sudden, unexpected test for these preparations.

The Covid-19 crisis is very different from the great recession of 2008. The negative impact on economic activity has been immediate and direct, with sudden closures of entire branches of the economy and an abrupt re-organisation of operations in many others. Moreover, the Covid-19 crisis is not, strictly speaking, a direct result of inefficiencies in any of the markets, including the labour market. The policy responses across the EU have also been unprecedented in their scope, direction, and speed of implementation. Instead of deregulation and austerity, which almost immediately followed the 2008 crisis, the first response to Covid-19 consisted of stimulus and support. At the time of writing, the key questions are how deep, and for how long, the crisis will plough through the EU labour market and society, and what measures will be taken to address it in the longer run.

The European Commission's Annual Sustainable Growth Strategy 2021, published in September 2020, provides an overarching vision for how the recovery from the Covid-19 crisis should unfold. In this document, the Commission sets out to support Member States in their efforts to strengthen their social and economic resilience, and to achieve a sustainable and fair recovery driven by investment. The emphasis on investment as a means to stimulate the economy raises hopes that lessons have indeed been learned from the post-2008 austerity policies, which did not deliver on their promises. The renewed emphasis on sustainability and fairness is certainly to be welcomed as a much-needed policy turn in view of the rising levels of inequality and precariousness experienced by a growing number of workers in the EU. It is a good sign that these priorities have not been lost in the midst of this pandemic emergency.

However, this chapter argues that vision alone will not suffice to deliver on promises of social progress and create inclusive labour markets in a context once more dominated by a deep social and economic crisis. For instance, the Strategy appears to dedicate more attention to broadband coverage and digital skills than it does to supporting quality job creation. In contrast to the various targets set for the digital and green transformations, no tangible targets have been set for employment and social policies. Various groups of vulnerable workers that have not benefitted enough from the progress made during the pre-Covid-19 recovery years – from women to third-country nationals to younger workers – are not receiving the attention and specific, targeted measures they both need and deserve. This chapter seeks to foster a more detailed understanding of social and labour market developments both at the EU level and in particular Member States, in order to assist with the formulation of informed and targeted policy recommendations for how to achieve a sustainable and socially fair recovery.

# Unemployment

The number of unemployed increased by **1.15 million** in the EU28 between January and July 2020

## After a long fall, unemployment now on a steep rise

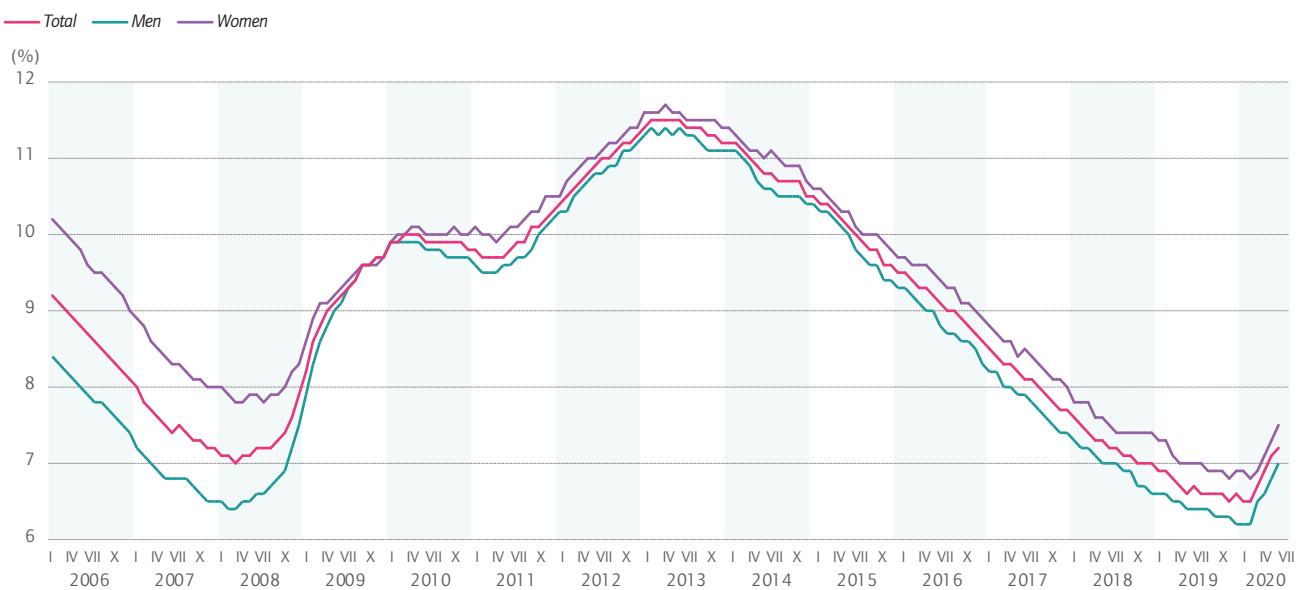
In the EU, the unemployment rate was on a steady decline since its record level of 11.5% in 2013 (Figure 2.1). By early 2020, the figure had fallen to 6.5%, which was a more favourable situation even compared to early 2008 (just before the consequences of the financial crisis took effect in the real economy) when the lowest levels of unemployment were recorded in the EU27, at around 7%.

An important, though clearly unintended, consequence of the previous crisis was a reduction of the gender gap in the share of men and women out of work. While in the early 2000s the unemployment rate among women tended to be higher than among men, this gap virtually disappeared between 2009 and 2010 (in the EU28, unemployment was actually higher among men than it was among women in 2009). However, with the gradual recovery from 2013 onwards, the gender gap in unemployment started to widen once again.

The outbreak of the Covid-19 pandemic and the measures taken to contain its spread had a visibly disruptive effect on the labour market. Accordingly, the unemployment rate has been on the rise again since March 2020 in the EU27; by July 2020 it had increased from 6.5% to 7.2%, with a similar impact on both men and women. In all EU28 countries, the number of unemployed persons increased by around 1.15 million between January and July 2020: 734,000 were men and 406,000 women.

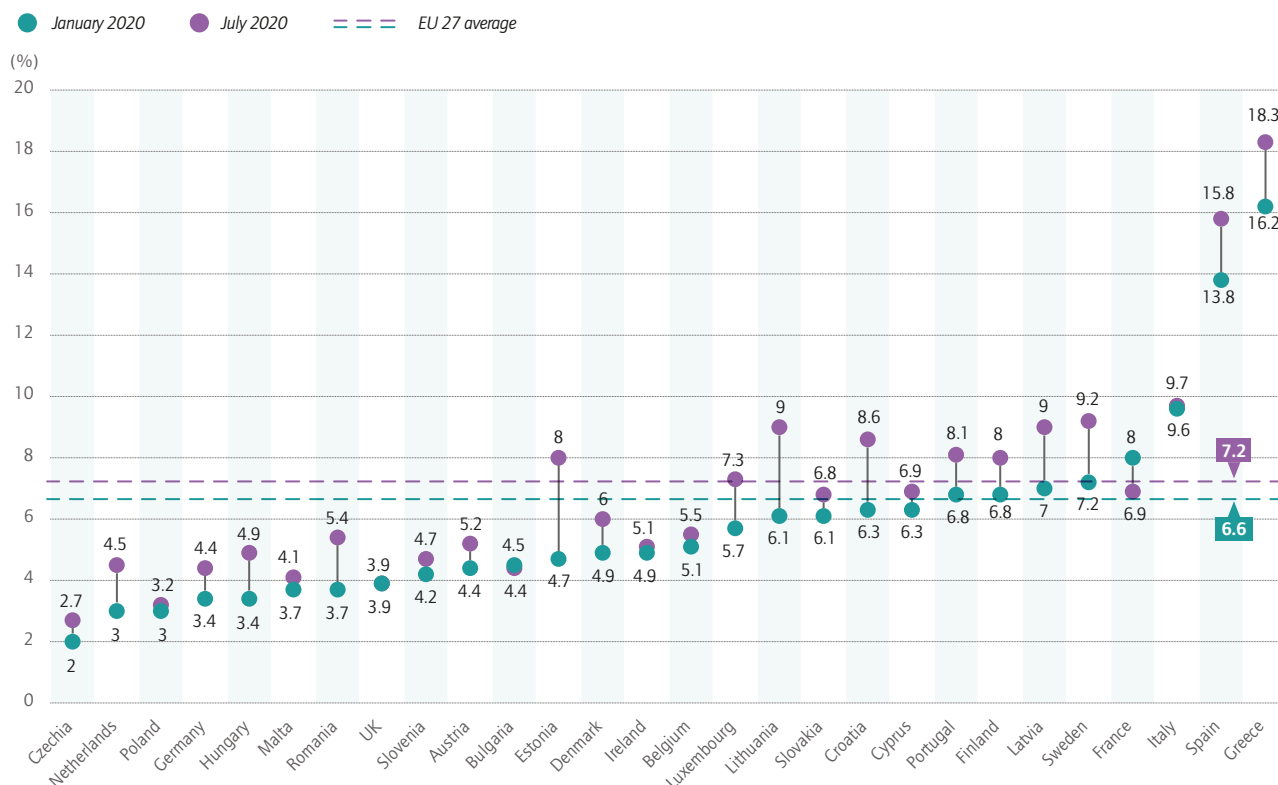
The spread and impact of these numbers have varied greatly across the Member States, not least because of differences in the spread of contagion and between the sectoral structures of the economies, but also due to the different approaches taken by national governments in response to the labour market crisis. As a result, the crisis has not influenced unemployment rates to the same extent, or with the same time lag, in all countries. As shown in Figure 2.2, between January and July 2020, the biggest increases in unemployment were noted in Estonia, Lithuania, and Croatia, followed by Latvia, Sweden, Spain and Greece. In Bulgaria and France, the unemployment rates were lower in July compared to January 2020, while in the UK and Italy they were practically the same.

Figure 2.1 Evolution of unemployment rate in the EU27, by gender (%)



Source: Eurostat [une\_rt\_m].  
Notes: Active population. Data seasonally adjusted.

**Figure 2.2** Unemployment rates, 2020, by country (%)

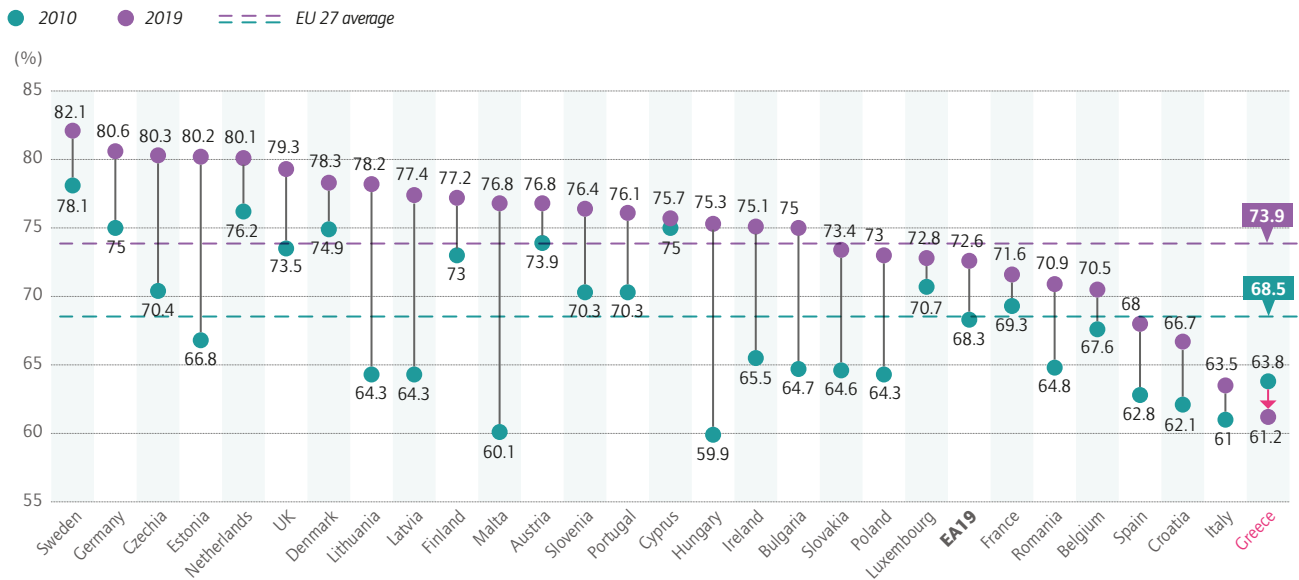


Source: Eurostat [une\_rt\_m].  
Notes: Active population. Data seasonally adjusted. Data for Estonia, Greece, Hungary and the UK are from May 2020.

# Employment

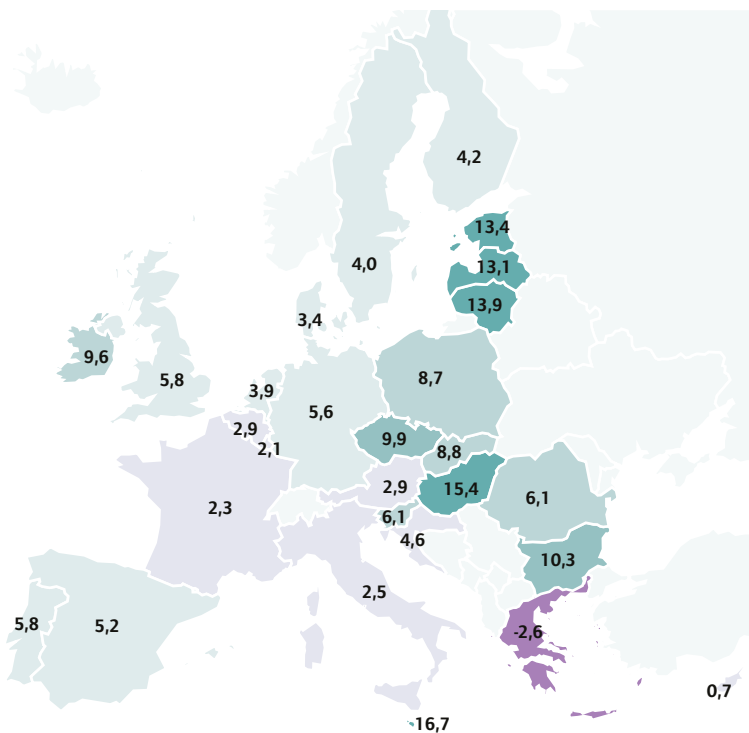
## A decade of growth, but far below expectations

**Figure 2.3a** Employment rate (%), change 2010-2019



Source: Eurostat-LFS ([lfsa\_ergan].  
Note: Age group 20-64.

**Figure 2.3b** Employment rate (%), change 2010-2019, by country

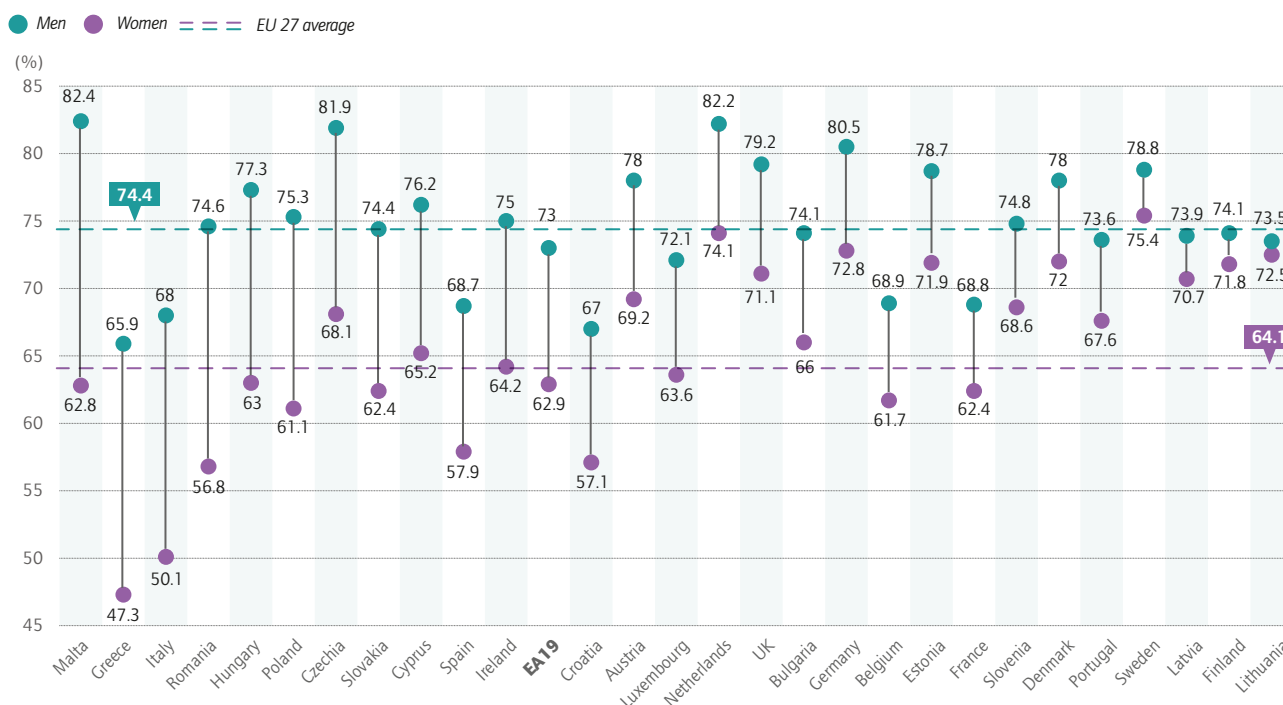


In 2010, the European Council adopted the Europe 2020 strategy – in many respects a relaunch of its previous ‘Lisbon Strategy’ – presenting its vision for the recovery (see ETUI and ETUC 2011). In the area of employment, the objective was to increase the share of people in paid work to at least 75% by 2020 for the 20 to 64 age group. It must be acknowledged that in the past decade the EU has, overall, made some noticeable progress on employment rates.

As shown in Figures 2.3a and 2.3b, in 2019, employment rates in all but one EU country (Greece) were above the 2010 levels. However, the objective that had been set out in 2010 was not achieved and for a number of countries it fell short even of the less ambitious target established by the Lisbon Strategy. Overall, the employment rate at the aggregate EU28 level increased from 68.5% in 2010 to 73.9% in 2019. The biggest increases were noted in Malta (by 16.7 percentage points; pp), followed by Hungary, Lithuania, Estonia and Latvia (although changes in employment were sensitive to outward migration during the crisis, see Myant and Piasna 2014). In Greece, however, the employment rate in 2019 was below that of 2010, showing a long-lasting and very deep impact of the post-2008 crisis and austerity policies.

Furthermore, the past decade has not done much for the closing of gender gaps in employment across the EU. After its narrowing in 2008-2009, as a consequence of the disproportionate impact of job losses on men (see ETUI and ETUC 2010), the gulf between male and female employment rates remained more or less stable, settling at around 10.5pp for the past seven years. It is therefore fair to argue that the gender-related policies and measures implemented during the period of favourable macroeconomic conditions were thus not sufficiently well targeted. Ultimately, as shown in Figure 2.4, gender gaps persisted in all EU countries throughout the past decade. In 2019, the widest employment gaps were in the southern regions, with Malta, Greece, Italy, and Romania at the forefront of gender inequality, while the most favourable situations were to be found in several northern countries, such as Lithuania, Finland, Latvia, and Sweden.

**Figure 2.4** Gender gaps in employment rates, 2019 (%)



Source: Eurostat-LFS [fjsa\_ergan].  
Note: Age group 15-64.

The number of economically inactive persons in the EU rose by almost **4.4 million** between 2019 and 2020

### The most severe employment losses in EU history

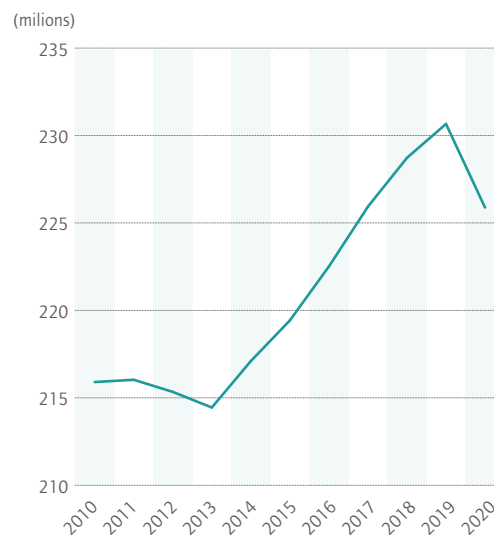
The year 2020 marked an abrupt halt to a period of employment growth that the EU as a whole had been enjoying since 2013. The measures taken to contain the spread of the Covid-19 pandemic restrained economic activity across various sectors, while the uncertainty created by the economic slowdown had effects across the labour market.

Paradoxically, this unprecedented impact on employment is difficult to grasp with currently available labour market statistics. The main reason is that a large proportion of workers who lost their jobs due to the Covid-19 crisis do not meet two conditions to be classified as unemployed in official statistics: either they did not immediately start searching for a new job (e.g. because the activity of their sector was stopped completely, as in the hotel or entertainment industries) or they were not available to start a new job right away (e.g. due to limitations imposed by lockdowns). Therefore, the increase in the unemployment rate – by about 0.7pp between January and July 2020 in the EU27, amounting to about 1.15 million more unemployed persons – does not fully reflect the extent of the employment loss and most likely paints an overly optimistic picture of what to expect in the months to come. For this reason, it is important to also consider the increase in the number of ‘economically inactive’ persons, who are neither ‘employed’ nor ‘unemployed’. The share of economically inactive people aged 15-64 grew from 27% in the second quarter of 2019 to 28.6% in the second quarter of 2020 (EU28 countries except Germany and Malta). In real terms, this means there are almost 4.4 million more economically inactive persons in the EU this year.

The net employment loss also shows a much more severe impact from the Covid-19 crisis than the

unemployment figures do. As shown in Figure 2.5, the number of persons in employment declined sharply in the past 12 months, by around 4.8 million people across the EU28 (not including Malta) between the second quarters of 2019 and 2020. In comparison, the net employment loss at EU28 level between 2008 and 2009 amounted to 3.97 million jobs. However, these figures are still likely to underestimate the scale of the damage inflicted by the Covid-19 crisis because of the various support measures introduced to cushion the loss of jobs, such as short-time work or furlough schemes. According to estimates produced by Müller and Schulten (2020a), at the peak of the first wave of the pandemic (that is, between April and May 2020) as many as 50 million workers in Europe were on short-time work

**Figure 2.5** Number of employed in EU28, data for second quarters (in millions)

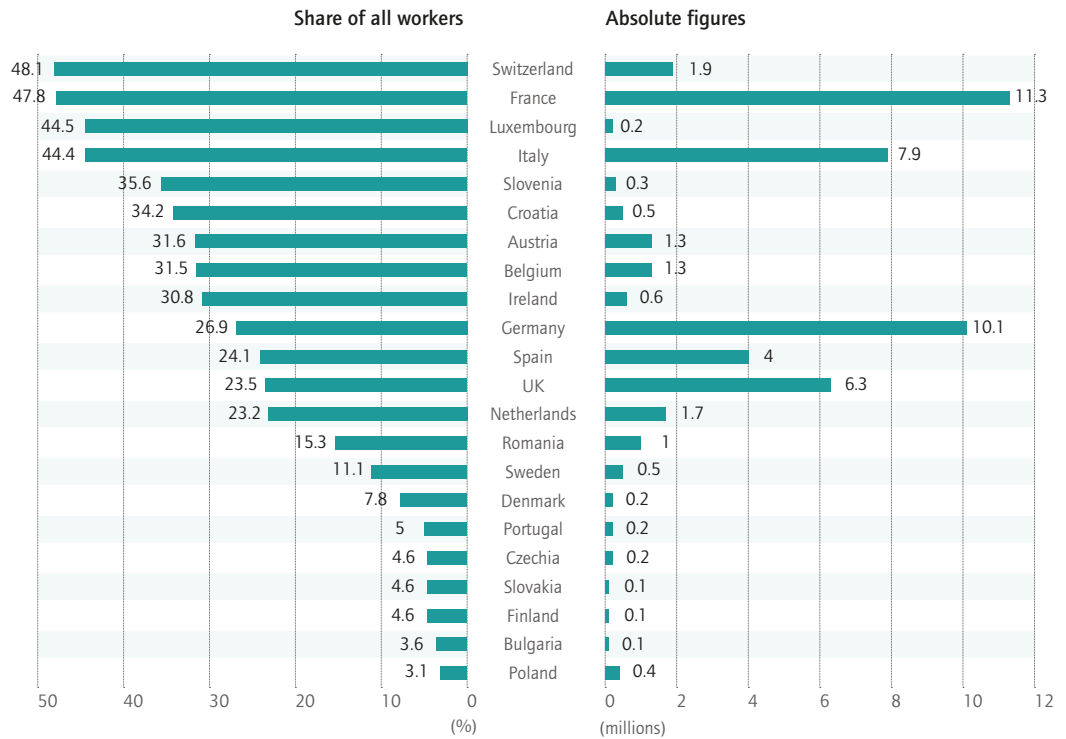


Source: Eurostat [fjsq\_egaps].  
Notes: Age group 15-64. Data for second quarters; data for Malta are for 2020\_Q1.

# Net employment loss in the EU28 over the past year: -4.8 million people

(number of employed aged 15-64 in 2020\_Q2 compared to 2019\_Q2, not including Malta)

**Figure 2.6** Number of workers (actual or applied for) on short-time work and similar schemes. End of April/beginning of May 2020. (In % of all workers and in millions)



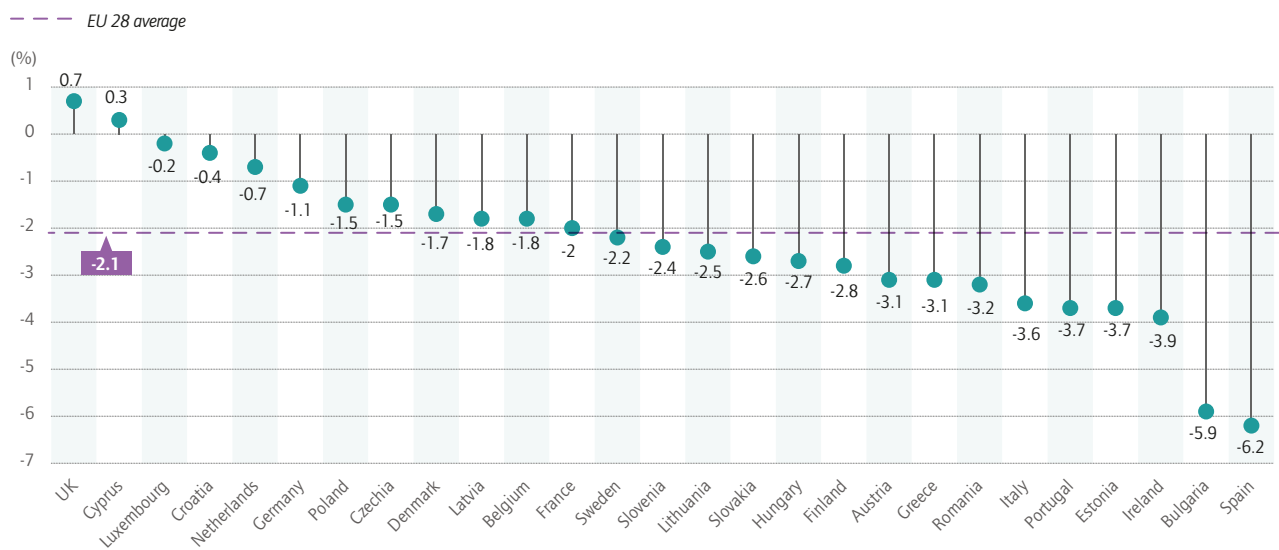
Source: Müller and Schulten (2020a) on the basis of data from national employment agencies and ministries. Note: Data for Luxembourg include cross-border commuters.

or similar schemes, amounting to nearly half of all workers in countries such as Switzerland, France and Italy (Figure 2.6). These numbers have evolved in the months since, and the ETUI plans to publish an update with the autumn figures in early 2021.

The loss of employment has differed significantly across the Member States, which is mainly due to differences in sectoral composition (e.g. countries with a larger tourism sector being more affected by job losses) as well as to different national policy responses and mechanisms adopted to alleviate

the toll on employment. As illustrated in Figure 2.7, Spain and Bulgaria suffered the biggest job losses: around 6% of all employed persons compared to 2019. They are followed by Ireland, Estonia, Portugal, Italy, Romania, Greece and Austria, which all lost more than 3% of their employment over the past 12 months. On the other hand, the UK and Cyprus were the only countries with a higher number of persons in employment in 2020\_Q2 than in 2019\_Q2, though again this trend would need to be reviewed as new data and statistics become available.

**Figure 2.7** Change in number of employed persons, 2019\_Q2-2020\_Q2 (as % of the 2019 level)



Source: Eurostat (lfsq\_egaps), data for Germany are from Destatis (Genesis-Online Database). Note: Malta not included in the EU28 average.

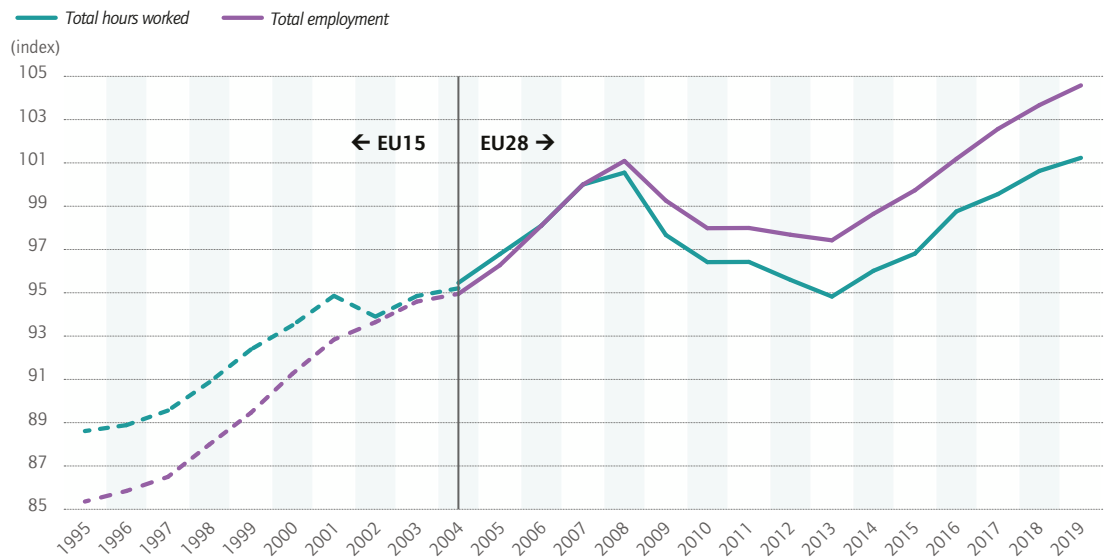
# Working hours

An average employee works

**36** minutes less per week in 2019 than in 2009

## Working-time reductions cushioning employment losses in the EU

Figure 2.8 Trends in employment and total actual hours worked (Index 2007=100)



Source: Eurostat, own calculations.  
Note: 1995-2004 = EU15; 2004-2019 = EU28.

In recent decades, macroeconomic shocks have had a significantly disruptive impact on otherwise relatively stable working hours in the EU. As shown in Figure 2.8, in the economic slowdown of the early 2000s, and again in the post-2008 recession, the decline in the number of people in employment was cushioned by a more profound decline in the volume of work, measured by the total number of hours worked by all employed (see also Myant et al. 2016; Piasna and Myant 2017).

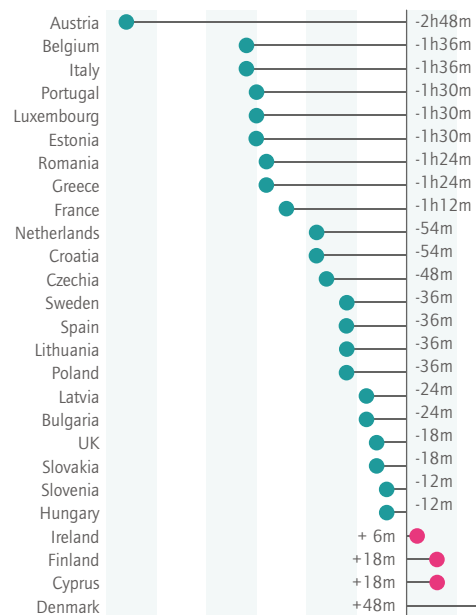
Overall, this resulted in a process of work redistribution, with the total number of working hours declining more than the number of workers performing them. The recovery period preserved much of this discrepancy: working hours caught up to pre-crisis levels at a slower rate than employment. In the EU28, the net job growth over the last decade (2009-2019) amounted to 5.4%, while the total number of hours increased by 3.7%. In other words, an average employed person would have worked 36 minutes less per week in 2019 than they did in 2009, and about one hour and 18 minutes less than in 2002. However, neither the redistribution of working hours in previous recessions nor an assessment of its role is straightforward, and a lot of the changes were also linked to sectoral composition effects and a steep growth in part-time employment, including that which was involuntary (De Spiegelare and Piasna 2017).

Moving on to 2020, although the Covid-19 crisis is still unfolding, its profound impact on working time is already tangible. As shown in Figure 2.9, in the second quarter of 2020 the actual hours worked per week were much shorter compared to the same period in the previous year, with a decline noted in 22 out of

26 EU28 countries for which data were available at the time of writing. The biggest reduction in working hours was observed in Austria (by two hours and 48 minutes per week on average), followed by Belgium, Italy, Portugal, Luxembourg, and Estonia.

This huge decline in working time is in large part a result of policies implemented very early on in the Covid-19 crisis with the deliberate aim of

Figure 2.9 Change in weekly working hours, 2019-2020 (second quarters)



Source: Eurostat-LFS [lfsq\_ewhan2].  
Notes: Average number of actual weekly hours of work in main paid job. No data available for Germany and Malta.



*By the end of April 2020, an estimated 50 million employees in Europe were participating in short-time work schemes."*

preserving employment while at the same time reducing operations in most sectors of the economy. By the end of April 2020, an estimated 50 million employees in Europe were participating in short-time work schemes, and almost 50% of the workforce in some countries (Müller and Schulten 2020a). At the European level, the SURE (Support to mitigate unemployment risks in an emergency) programme was launched with the objective of providing financial assistance to countries that have put such policies in place. It provides favourable loans (up to €100 billion) to Member States to support systems of short-time work. The SURE instrument gave the signal that reduction in working hours was one of the most important measures to combat the effects of the Covid-19 crisis and reduce job losses.

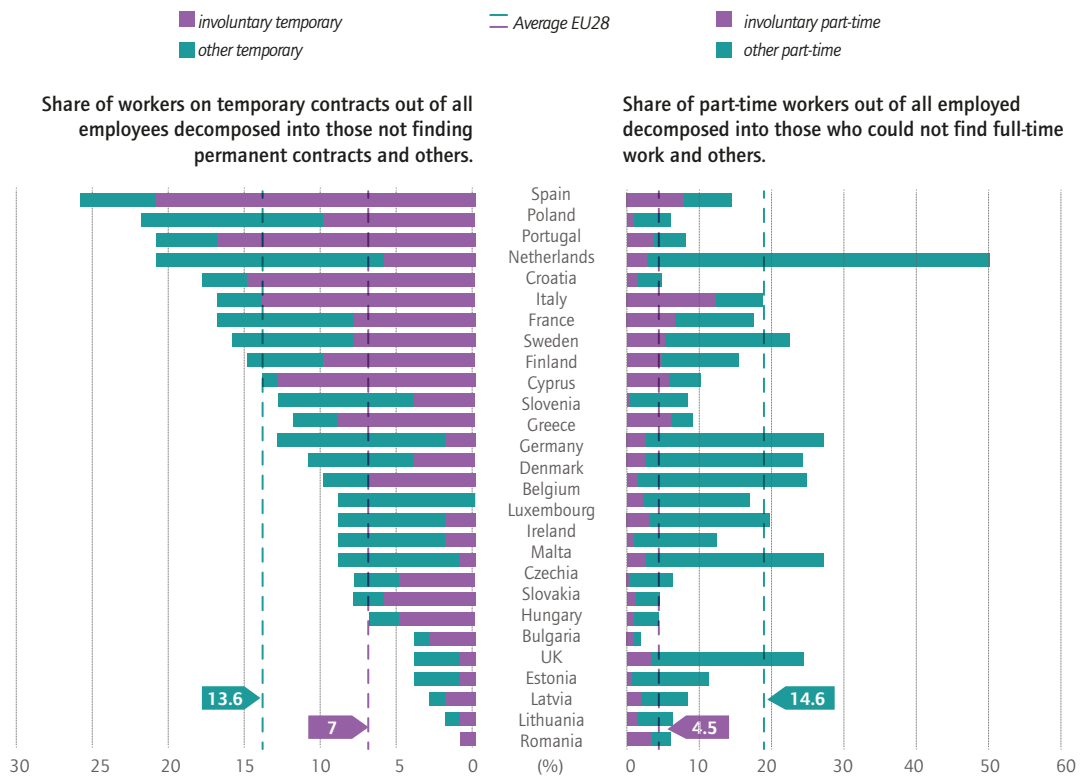
# Underemployment



On average, around half of the workers on temporary contracts would prefer an open-ended contract but could not find one."

## Sizable shares of temporary and part-time work are involuntary

Figure 2.10 Share of workers on temporary contracts (left) and part-time contracts (right) in 2019



Source: Ifsa\_etgar Ifsa\_epgar, Ifsa\_eppga.

Note: The left panel shows share of workers on temporary contracts out of all employees decomposed into those not finding permanent contracts and others in 2019. The right panel shows share of part-time workers out of all employed decomposed into those who could not find full-time work and others. Temporary employment for Estonia is from 2018.

The type of contract under which somebody is engaged and the number and pattern of working hours in any employment relationship are important indicators of job quality, and they vary substantially between Member States (Piasna 2017). Figure 2.10 shows the share of those employed under a temporary contract of employment (left) or a part-time contract (right). There are marked differences across the EU: temporary contracts are less prominent (typically falling below the 5% mark) in countries such as Romania, Lithuania, Latvia, Estonia, the UK, and Bulgaria, while more than a fifth of the workforce in the Netherlands, Portugal, Poland, and Spain work on temporary contracts. On average, around half of the workers on temporary contracts would prefer an open-ended contract but could not find one. Motivation also differs between countries however: in southern Europe (Spain, Italy, Portugal and Croatia) more than 80% of temporary workers are involuntarily temporary, while in the Netherlands only a quarter work on a temporary contract because they could not find a permanent job.

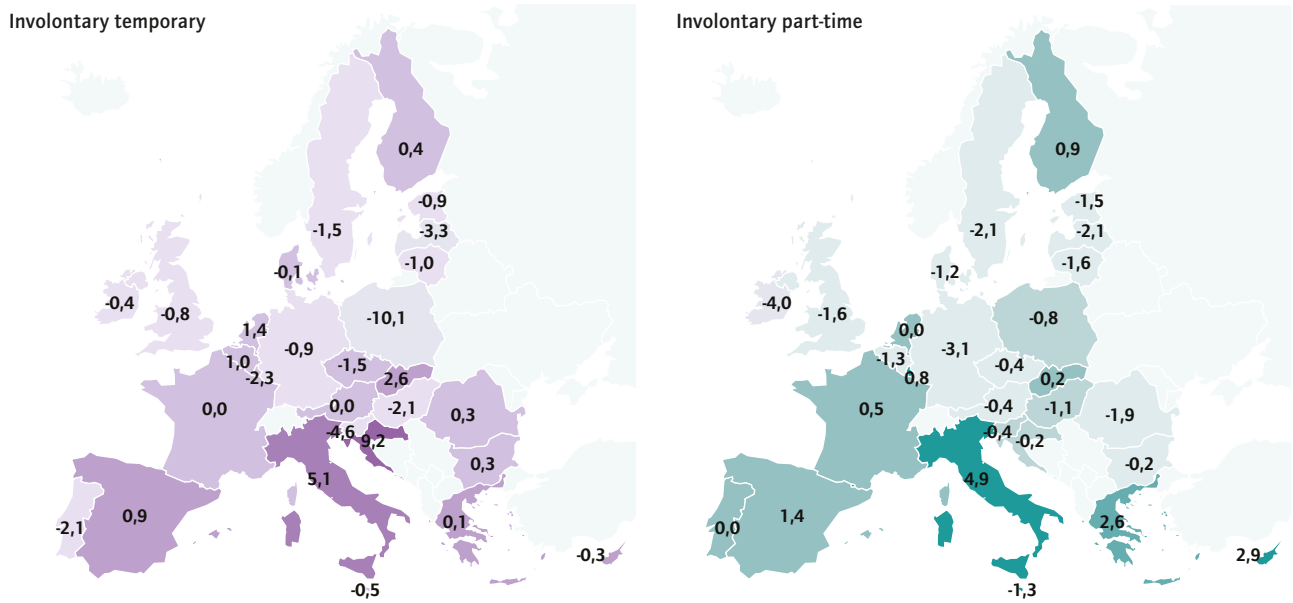
On average, a fifth of the EU workforce is employed through a part-time contract. Only around a quarter of part-time workers do this because they could not find a full-time contract, which is sizeably less than

the number who work under temporary contracts due to lack of a permanent offer. Part-time work is quite rare in many of the post-2004 EU Member States (Bulgaria, Hungary, Slovakia, Croatia, Poland, Romania, Czechia and Lithuania), but very common in the western and northern Member States (the Netherlands, Austria, Germany, Belgium, the UK, Denmark and Sweden). The Netherlands in particular stands out, with half of its workforce working part-time, and with the vast majority of part-time workers not looking for full-time contracts. Involuntary part-time work is common in Italy (12%) and comparatively high, at around 5%, in Spain, France, Greece, Cyprus and Sweden. Country variation partly reflects different national policies such as equalising conditions between part-time and full-time work, allowing for reduced hours, or explicitly using part-time work as a way to increase labour force activity (Eurofound 2007). Countries also differ in the extent to which childcare and labour can be combined through part-time work, rather than people having to choose between working full-time or providing care (Chung and Tijdens 2012). Finally, cross-European wage variation means that, depending on the country you live in, it is not always financially viable to reduce working hours (Drahokoupil and Piasna 2017).

**Figure 2.11a** Change in involuntary temporary and part-time work, 2010-2019 (%)



**Figure 2.11b** Change in involuntary temporary and part-time work, 2010-2019 (%)



Source: Ifsa\_etgar, Ifsa\_epgar and Ifsa\_eppga.  
 Notes: Change in the share of employees who are on involuntary contracts because they could not find permanent contracts, or on part-time contracts because they could not find full-time positions, out of all employees (for temporary work) and all employed (for part-time work). Age group 15-64. Estonian data on involuntary temporary work show change for 2010-2018; UK data on involuntary part-time work show change for 2011-2019.

## Limited progress in reducing underemployment

The share of workers on a temporary contract remained more or less constant between 2010 and 2019 in the EU28, at 14%, while the share of part-time workers increased slightly, from 18.5% to 19%.

Figure 2.11 shows the change in the numbers of involuntary temporary and part-time workers who could not find a permanent or full-time contract, respectively, and can thus be described as underemployed, from 2010 to 2019. This form of underemployment decreased slightly across the EU in this period, although these data hide some substantial variations between countries. Involuntary temporary work decreased in most countries, with key exceptions being Italy, Croatia, Slovakia, Spain, the Netherlands and Belgium. Involuntary part-time work also decreased in many countries, but increased in Italy, Greece, Cyprus, and Spain. These figures do seem to suggest that underemployment is a relatively large and increasing problem in southern EU countries.

The variation in temporary and part-time contracts matters: given the job crisis resulting from Covid-19, these precarious workers ought to be considered as being particularly at risk. Non-standard workers are more likely to become unemployed or slide

into poverty during prolonged recessions. As their careers are generally more fragmented, they may also not meet all conditions for benefits if they do lose their jobs.

### Gender differences in non-standard work

The prevalence of non-standard work differs greatly by gender. While in the EU as a whole, 9% of men report working on a part-time basis, the figure stands at 31% for women. Men are also 10pp more likely to report wanting a full-time job but not being able to find one. Part-time work is thus much more common among women, often taken up due to care responsibilities or an unequally distributed burden of unpaid work, which prevents full participation in the labour market.

The probability of working on temporary contracts is more similar between the sexes, with 13% of men and 14% of women currently working on such contracts. A similar share of each gender (about half) work on temporary contracts because they could not find permanent positions.

Source : Eurostat [*lfsa\_etgar*, *lfsa\_epgar*, *lfsa\_eppga*].

# Sectoral impacts of the Covid-19 crisis

## Growth seen only in knowledge-intensive industries and the public sector

The Covid-19 pandemic and the measures taken to contain its spread brought about closures of entire branches of the economy across the EU countries. Therefore, the early impact of this crisis on employment was very particular and, in the first instance, concentrated in the sectors that were purposefully shut down during the lockdown. However, the slowdown is likely to have a spill-over effect on other branches of the economy in the long run.

The biggest job losses during the first months of the Covid-19 pandemic were, not surprisingly, in the accommodation and food sectors. In the EU28 (with the exclusion of Germany and Malta due to a lack of data), this sector shrank by nearly 1.5 million jobs (Figure 2.12). For similar reasons, the transport and storage, wholesale and retail, and arts and entertainment sectors also experienced record levels of employment loss. An important finding

is that, despite various short-time work measures adopted in many countries, the manufacturing sector was similarly affected by a substantial decline in employment (by about one million jobs), breaking with the upward trend of recent years. Maintaining essential health services has been a priority and a necessity in the pandemic, and the healthcare sector thus continued to grow, albeit at a slower pace than the year before (see also Chapter 5 in this volume).

Two other sectors also continued to grow, with their net job creation at an even higher level in 2019-2020 compared to 2018-2019: the information and communication technologies (ICT) sector, and the professional, scientific and technical activities sector. In fact, these knowledge-intensive sectors were the sole bastions of job growth across most EU Member States (Figure 2.12). Nevertheless, those countries that were particularly affected by job losses in tourism-related activities (notably Spain, Italy, Bulgaria, Greece and Estonia) also recorded employment decline in ICT and professional activities.

Romania and Greece were the only countries to experience a growth in the wholesale and retail sector, and in Romania a sizeable part of lost employment was in the manufacturing sector.

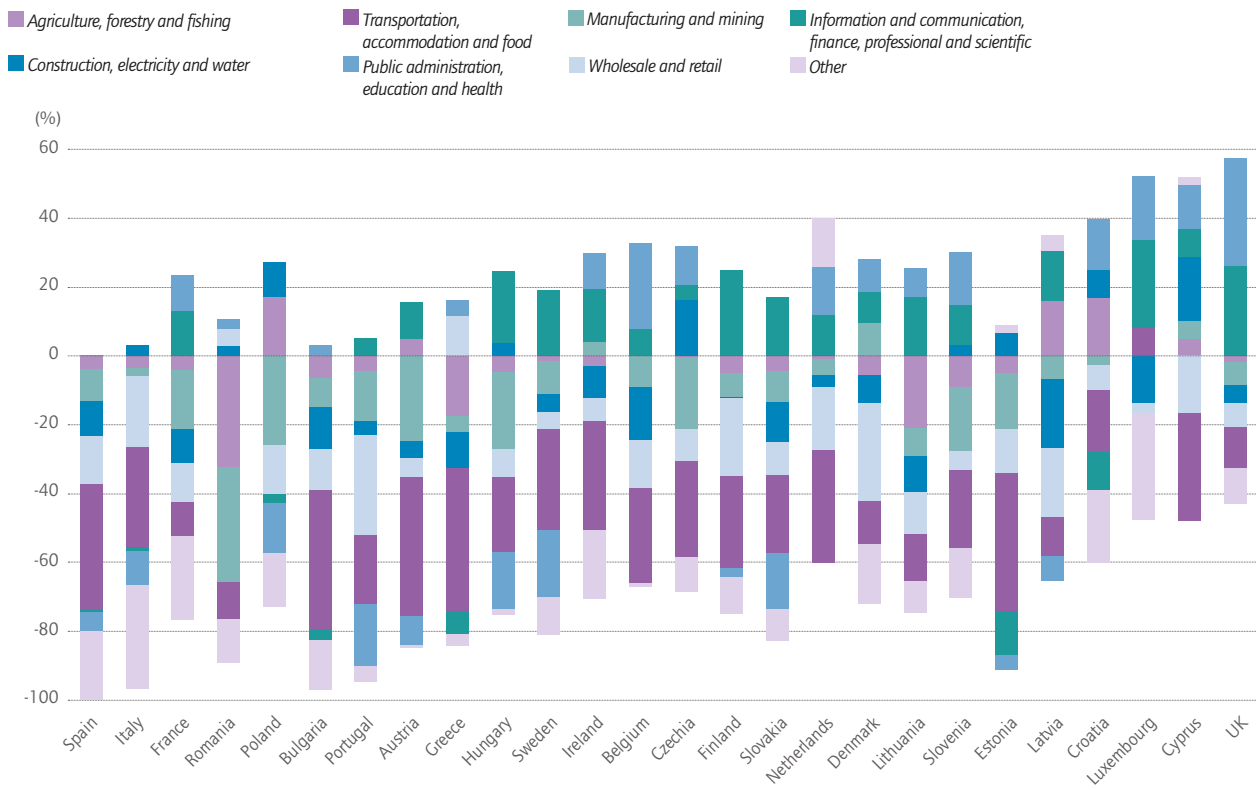
**Figure 2.12** Change in number of employed persons, by sector, EU28 (millions)



Source: Eurostat-LFS [lfsq\_egan2]. Note: \*Data for EU28 excluding Germany and Malta. Comparison of second quarters. Age group 15-64.

The accommodation and food sectors shrank by nearly **1.5 million** jobs as a result of the Covid-19 pandemic

**Figure 2.13** Sectoral breakdown of total employment change in EU28, 2019\_Q2-2020\_Q2 (%)



Source: Eurostat-LFS [lfsq\_egan2].

Notes: Age group 15-64. Values represent percentage of total employment change for each country; values below zero indicate a decline in number of employed in each sector and country, and values above zero indicate an increase. No data for Germany and Malta.

2. Labour market and social developments

3. The path to 'zero carbon' in a post-Covid world

4. Fair minimum wages and collective bargaining

5. Covid-19: a 'stress test' for workers' safety and health

6. Democracy at work in a pandemic

7. Foresight: the many possible post-pandemic futures



By shutting down entire branches of economy Covid-19 accelerated the move of many operations online."

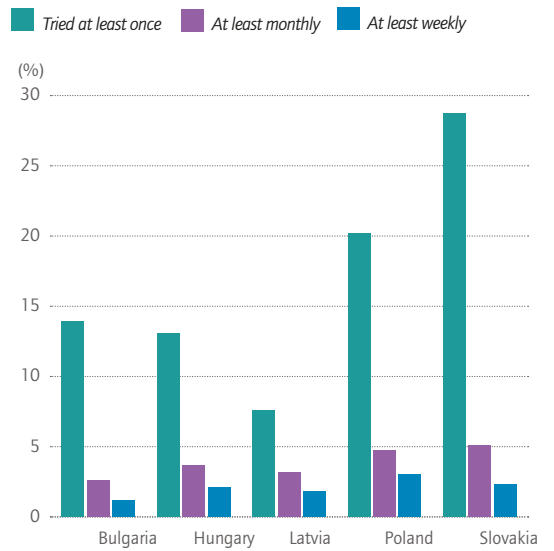
# Online gig economy

## Internet work tried by many, but low incomes a deterrent

With consumption and many business services shifting in large part to online delivery, the internet has created new opportunities for individuals to access paid work. The rise of the online economy is not new, with the growth of online platforms such as Uber, Airbnb and Amazon Mechanical Turk much touted in recent years (Berg et al. 2018; Drahokoupil and Piasna 2017; Pesole et al. 2018). However, the Covid-19 crisis, which resulted in entire branches of the traditional economy being shut down and strict social distancing rules being imposed, accelerated the move of many operations online. In view of this, it is important to find out what groups of workers have been relying on the internet for their income and what sort of work they have been engaged in. The rationale for looking at various forms of economic activity that are mediated (to a different degree) by digital technologies is that they may represent 'gigs' in the sense of not being based on standard employment contracts, undermining the existing institutions of worker protection (Kalleberg and Vallas 2017; Vallas and Schor 2020).

Data on the size of the workforce engaged in the online gig economy are scarce, with official labour market statistics only addressing these issues in ad hoc and non-comparative surveys (see a review in Piasna 2020). Among several pioneering studies, the ETUI Internet and Platform Work Survey stands out due to its mapping of the extent of not only platform work but also the use of the internet to generate income more broadly, a phenomenon labelled 'internet work' (Piasna and Drahokoupil 2019).

**Figure 2.14** Internet work by country, excluding sale of belongings (% of population 18-64)



Source: ETUI Internet and Platform Work Survey.

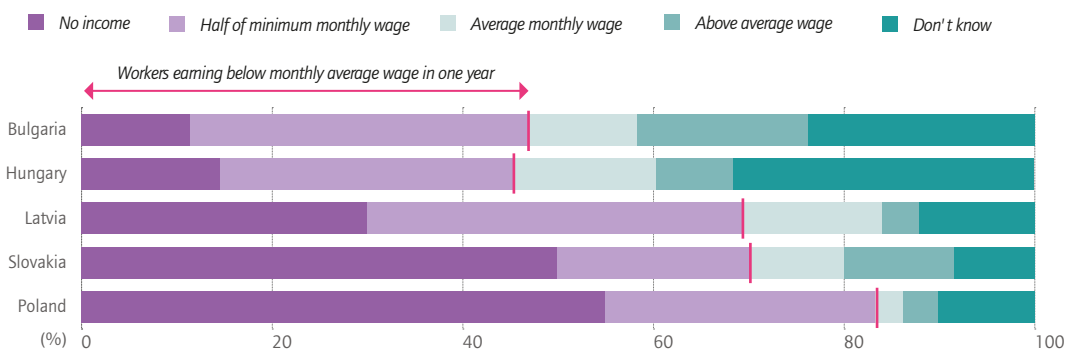
### The ETUI Internet and Platform Work Survey

This survey was initially carried out in five central and eastern European countries: Bulgaria, Hungary, Latvia, Poland and Slovakia. Data were collected between 2018 and 2019, based on standard probability samples with a minimum of 1,000 respondents per country. The participants were recruited offline and were representative of the entire adult population. This means that each individual had an equal chance of being recruited and non-responses could be monitored. Interviews were administered face-to-face in respondents' homes (Computer Assisted Personal Interviewing, CAPI).

**68%**  
of workers who have done internet work earned, in one year, less than a monthly minimum wage from it

ETUI Internet and Platform Work Survey

**Figure 2.15** Annual income earned by occasional internet workers from internet work (before tax) (%)



Source: ETUI Internet and Platform Work Survey (Piasna and Drahokoupil 2019).

# 40% of internet workers have received higher education

ETUI Internet and Platform Work Survey



Low incomes and a lack of standard employment locate internet work squarely within the category of precarious employment.”

Internet work includes any forms of gaining income on the internet (through the use of websites or mobile apps) and hence encompasses digitally mediated services as well as the selling of goods, blogging or renting out property online. Internet work need not be mediated by online platforms (such as Uber), but at least some of its forms do overlap with platform work (Piasna and Drahokoupil 2019).

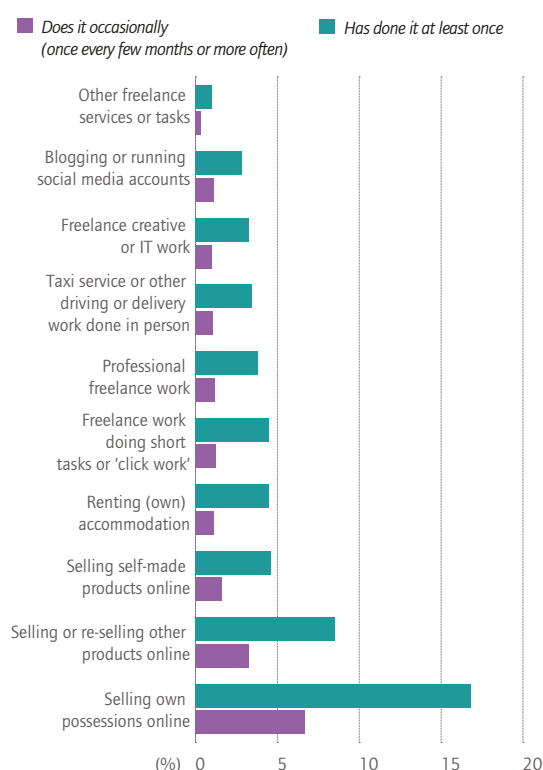
The survey shows that across the five analysed European countries (Bulgaria, Hungary, Latvia, Poland and Slovakia), experiences with internet work are quite common, but only a small group of the population engages in this type of work on a regular basis. A large proportion of the adult population (aged 18-64) – ranging from 17.6% in Latvia to 33.3% in Poland – has tried at least once to earn money on the internet. The numbers are somewhat lower if the sale of personal belongings is excluded (see Figure 2.14). The share of adults who use the internet to generate income regularly, i.e. at least monthly, is small but not insignificant, ranging from 2.6% in Bulgaria to 5.1% in Slovakia, while work on a weekly basis is reported by less than 3% of respondents. Very low income levels (see Figure 2.15) are a likely reason for this attrition and explain why the majority of these workers are simultaneously

employed in the offline labour market (Piasna and Drahokoupil 2019).

Activities performed by online workers usually require basic skills, even though the workers performing them tend to be better educated than the general population. Figure 2.16 shows the prevalence of low-skilled activities in internet work. As can be expected, the largest number of respondents had sold personal possessions at some point or continue to do so on a regular basis. Selling and re-selling on a commercial basis is also relatively widespread. In contrast, professional and skilled activities are among the least common.

Factors such as low incomes and a lack of standard employment locate internet work squarely within the category of precarious employment. The vulnerable situation of online workers is aggravated by the fact that they often simultaneously hold offline jobs which are also more likely to be non-standard, i.e. based on freelancing or temporary contracts, and with more fragmented career trajectories (Piasna and Drahokoupil 2019). It remains to be seen whether the internet as a source of generating income will provide sufficient incentives to workers, given that it requires relatively high levels of digital literacy but offers mainly low-paid activities with low-skill requirements.

Figure 2.16 Internet work, by type of activity (%)



Source: ETUI Internet and Platform Work Survey (Piasna and Drahokoupil 2019). Note: Average across five countries: Bulgaria, Hungary, Latvia, Poland and Slovakia.

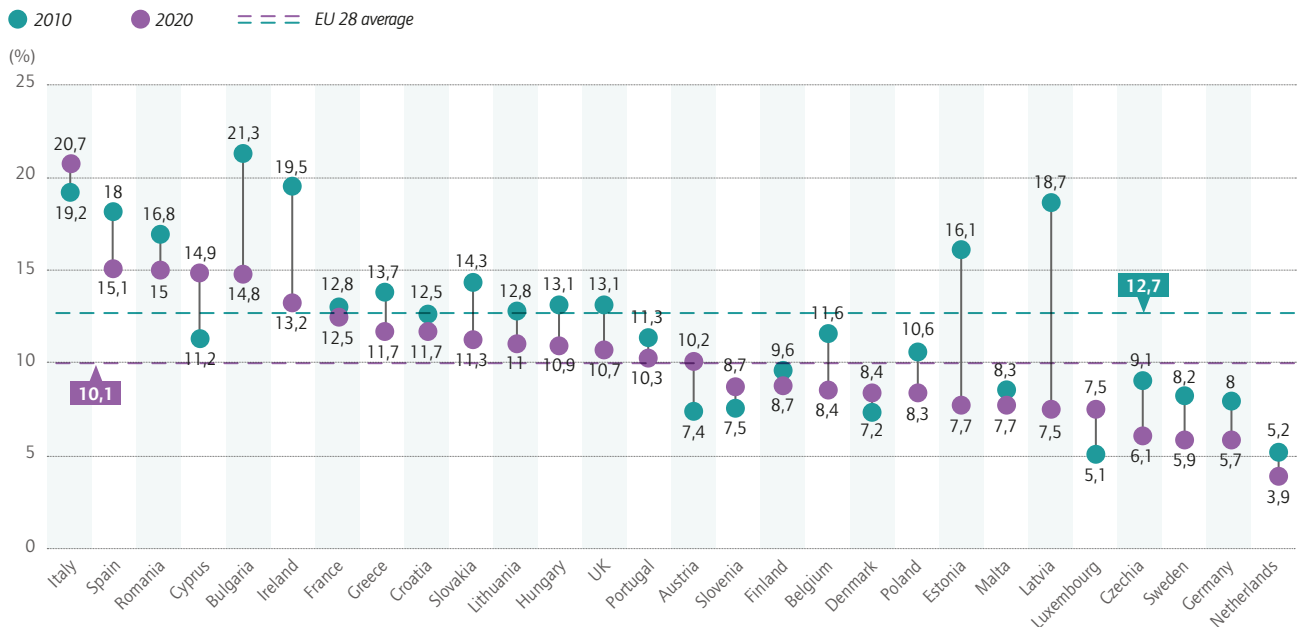
## Internet work: income-generating activities accessed via websites or mobile apps

- Renting out (own) accommodation
- Taxi services or other driving or delivery work done in person
- Blogging or running social media accounts
- Freelance work doing short tasks or 'click work', e.g. data entry, transcriptions, online surveys
- Freelance creative or IT work, e.g. web design, graphic design, programming, translation, copywriting, content creation
- Professional freelance work, e.g. consultancy, accounting, research
- Other freelance services or tasks
- Selling personal possessions online
- Selling self-made products online
- (Re-)selling other products online

# Youth

## Young people at risk in labour markets

**Figure 2.17** NEET rate (ages 15-24) in 2010 and 2020 (%)



Source: Eurostat [lfsi\_neet\_q].

Notes: Expressed as percentage of total population. 2019\_Q4 for DE; 2020\_Q1 for EU28, BE, BG, CZ, HR, HU, MT, NL, PL, RO, FI, SE; otherwise, 2020\_Q2.

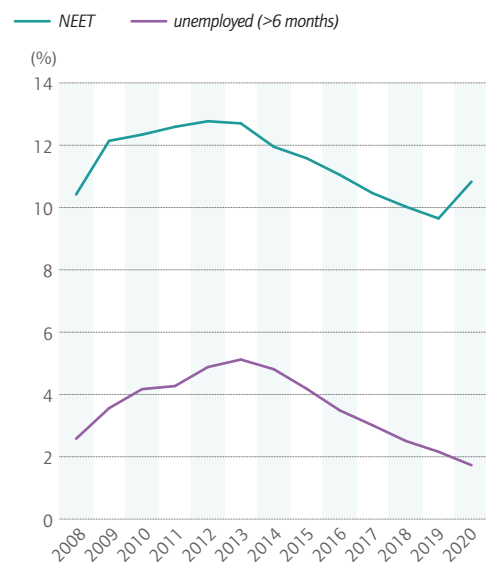
Successfully integrating young people into the labour market is crucial for the economy as a whole but also for young people's later employment outcomes, as entering the labour market during a recession can have long-lasting scarring effects (Bell and Blanchflower 2011; Strandh et al. 2014). This issue has been recognised by the EU with its Youth Guarantee, in which all Member States commit to ensuring that young people (under 25) are not unemployed for more than four months before finding good-quality education, training, or employment.

Figure 2.17 shows that the share of young people who are not in employment, education or training (NEET) has generally come down from the high rates that were seen across Europe in 2010, declining from 13% to 10% in the EU28 overall, albeit with significant regional variations. The situation improved substantially in several countries, such as Latvia, Estonia, Ireland and Bulgaria. However, almost a fifth of young people in Italy are not in employment, education or training, compared to 6% in Sweden, Czechia and Germany, and only 4% in the Netherlands.

Figure 2.18 shows the evolution of the NEET rate across the EU28, and the share of young people who are unemployed and looking for work for longer than six months – this constitutes a persistent fifth of all NEETs, despite the commitment set out in the Youth Guarantee. The NEET rate has been increasing in 2020, most likely as a result of the Covid-19 crisis, but we have not yet witnessed an increase in long-term unemployment in the second quarter of the year.

The Youth Guarantee has been a partial success, as can be seen by the decrease in the NEET rate and in long-term unemployment among young people since 2013, when it was first introduced. From a longer-term historical perspective, however, the NEET and long-term unemployment rates have merely returned to 2008 levels.

**Figure 2.18** Youth (15-24) NEET and long-term unemployment rates, EU28 (%)



Source: Eurostat [lfsi\_neet\_q, lfsq\_ugad, demo\_pjan].

Note: Q2 for each year and 2020 where available, otherwise 2020(Q1).

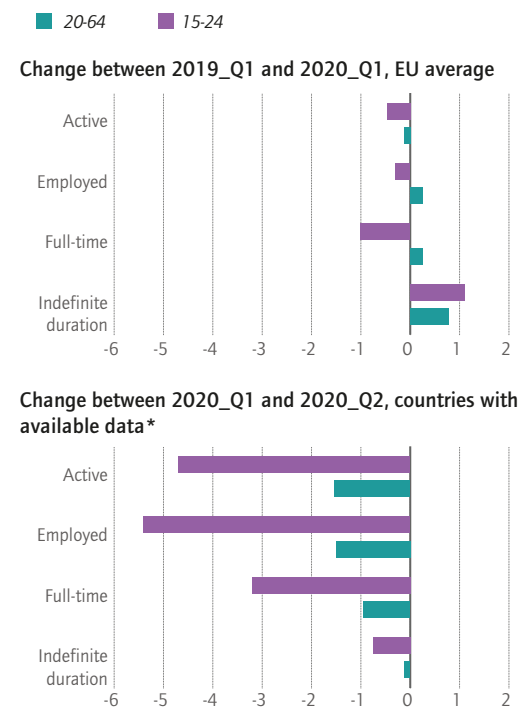
## The Covid-19 crisis risks hitting younger generations hardest

Young people have already spent the past decade in precarious positions in the labour market (see ETUI and ETUC 2012, 2013 and 2014), and this will likely only be exacerbated by the current Covid-19 crisis and associated job losses. During the global financial crisis young people were particularly affected; it is crucial that this be avoided in the current crisis to prevent a long-lasting 'scarring effect' on the whole generation, who not only had their education and training severely limited this year but also their transition to the labour market.

Figure 2.19 (top) shows a comparison between the evolutions in the employment situations of young workers and of the general active population from the first quarter of 2019 to the first quarter of 2020. It shows the evolution in the number of economically active people, the number of employed workers, and the number of workers who are on full-time contracts or contracts of indefinite duration. The number of young people active in the labour market decreased by 0.5% (105,000 workers) from 2019 to 2020. While a small figure, in relative terms this is almost twice the decrease of the general workforce (305,000 fewer people active, or 0.3%). Moreover, the number of employed young people decreased by 0.2%, while there was a small increase for the general population. The reduction in young people's employment was mainly in full-time employment (1% reduction). The number of workers in open-ended contracts increased slightly in Europe from 2019 to 2020. However, these changes in the EU28 hide substantial country variation. Labour force activity among the young declined the most in Luxembourg (13%) and Bulgaria, Croatia and Czechia (6-8%), while it increased in some countries, including Estonia (10%), Romania and Malta (3%) and Germany (2%). Similarly, changes in youth employment vary between a 15% decrease (Luxembourg) and a 7% increase (Ireland).

Figure 2.19 (bottom) shows (for a subgroup of countries) how the labour market situation changed from the first to the second quarter of 2020 for

**Figure 2.19** Labour market status changes, 2019/2020 (%)



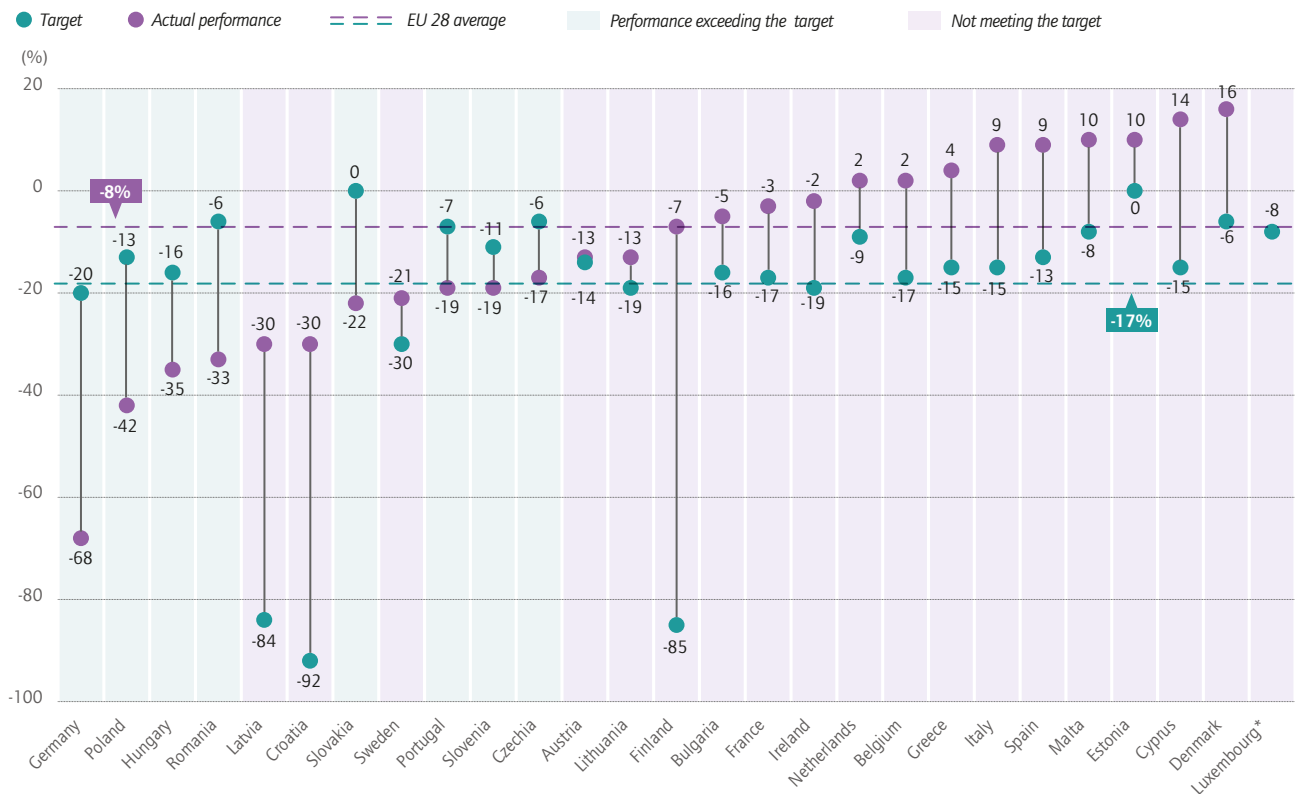
Source: Eurostat-LFS [lfsi\_emp\_q, lfsi\_pt\_q].  
\*SI, IE, ES, PT, LU, EE, IT, CY, FR, SK, UK, LT, AT, LV

youth and for workers aged 20-64. This highlights how much more precarious the situation is for the young. The number of young people active in the labour market dropped by 5% on average – even by up to 10% in Slovenia, Italy and Spain – compared to a 2% decrease for the general population. As this is almost the same as the reduction in employment, it shows a push out of employment altogether for young people. The young are also more likely to lose standard employment contracts (full-time and open-ended) than older workers. The difference between the figures for the young and those aged 20 to 64 likely reflects the relatively successful efforts at retaining employment for the working-age population, through subsidised retention schemes. Young people, on the other hand, are not likely to have quality jobs or are deciding to postpone entering the labour market for longer, if they can. This could have long-term negative effects on this cohort.

# Social inclusion

## Europe 2020: heading in the right direction, but social exclusion still a problem

Figure 2.20 Reduction of social exclusion, compared to Europe 2020 country targets, 2008-2019 (%)



Source: Eurostat [T2020\_50, T2020\_52, T2020\_52, lfsa\_ugad, lfsa\_igar].  
 Notes: In NL and DK, the social exclusion rate is calculated as the number of people in households with very low work intensity; in BG and EE, it is the number of people at risk of poverty after social transfers; in DE, the number of long-term (>1 year) unemployed; in SE, the number of inactive workers; in the remaining countries, the number of people at risk of poverty or social exclusion. Data for the UK are not included.  
 \*Luxembourg had a 75% increase, this is left out of the figure.

The Europe 2020 strategy set out to ensure growth and jobs through different targets (see ETUI and ETUC 2011). The EU-wide employment target for 2020 (75% employed) was almost reached in 2019 (73.9%), with 17 countries meeting their targets. The EU as a whole is also close to its education targets, with the share of young people leaving school early at 10.3% in 2019 (against a target of 10% at most) and the share of graduates increased from 31% in 2008 to 41.6% in 2019, meeting the 40% target.

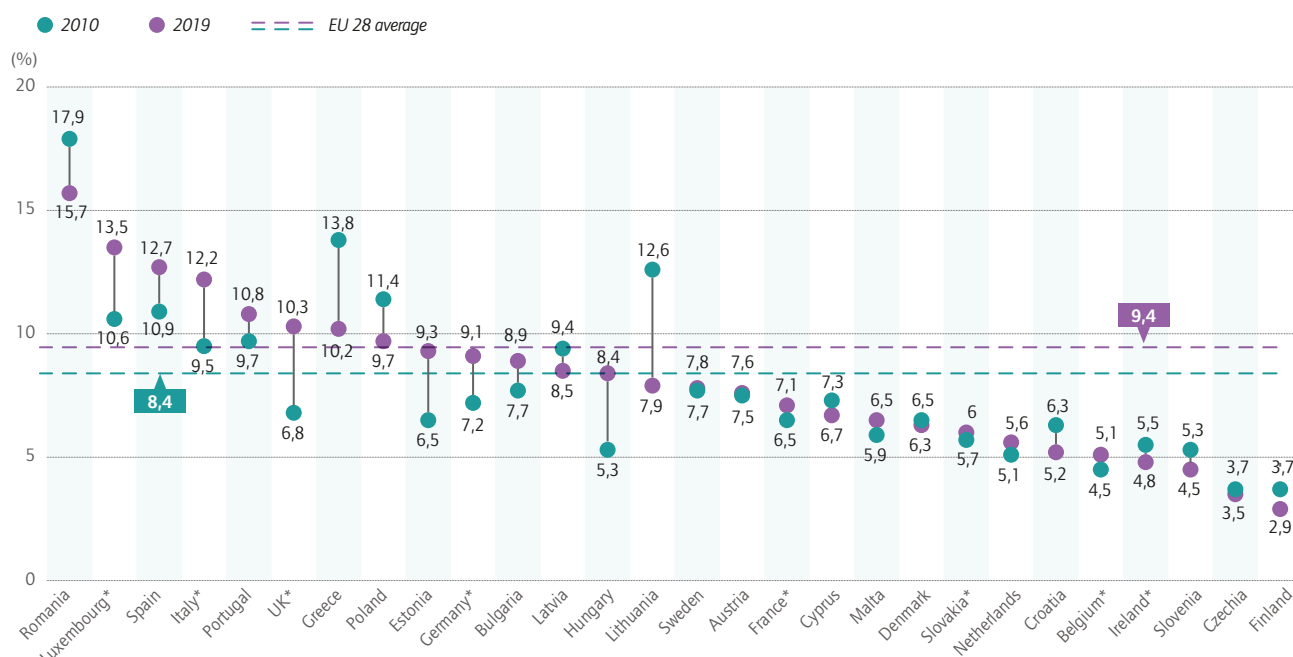
Yet while progress has been made on employment and education objectives, the Member States also committed to reducing the number of people at risk of poverty or social exclusion by at least 20 million by 2020. Different national targets have been set up to measure progress on these issues. Figure 2.12 contrasts the performance in each Member State against their own target.

Until the pandemic outbreak, the EU as a whole had been moving in the right direction, with the number of people at risk of poverty decreasing by 9 million (8%) from 2008 to 2019. However, this is still 11 million short of the target (which equates to 17%

of this group). Social exclusion decreased in the majority of Member States, and even by more than 20% in Germany, Poland, Hungary, Romania, Latvia, Croatia, Slovakia, and Sweden. However, it went up in 10 countries (the Netherlands, Belgium, Greece, Italy, Spain, Malta, Estonia, Cyprus, Denmark and Luxembourg).

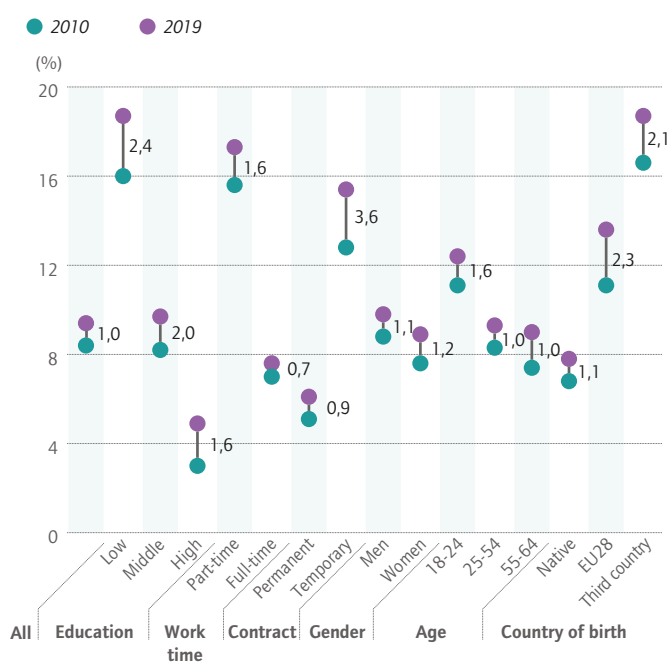
Meanwhile, national targets were met in only nine of the Member States (Germany, Poland, Hungary, Romania, Slovakia, Portugal, Slovenia, Czechia and Austria). While Latvia and Croatia are among the best-performing Member States in terms of reduction of social exclusion, their targets were very high and were not reached. Since relevant data for the pandemic period are not yet available and the Covid-19 crisis is not yet over, it remains to be seen what impact it will have on the social inclusion indicators. Preliminary evidence suggests that those workers who are already in precarious and low-pay positions are also at a higher risk of having to reduce hours or lose work altogether (Eurostat, 2020), thereby increasing inequality and reducing the chance of the Europe 2020 targets being met.

**Figure 2.21** In-work at-risk-of poverty rate, 2010-2019 (%)



Source: *sdg\_01\_41*, and *demo\_pjan* to weight.  
 Note: the EU-total is the weighted average of the shares of all EU28 countries; the in-work at-risk-of-poverty rate is the share of the working population (18+) whose equivalised household income lies below 60% of the median equivalised household income, after social transfers.  
 \*data refer to 2018, as 2019 not yet available.

**Figure 2.22** At-risk-of-poverty rate for the working population in EU28, 2010 and 2019 (%), age group 18+



Source: *sdg\_01\_41*, and *demo\_pjan* to weight.  
 Note: the EU-total is the weighted average of the shares of all EU28 countries; the in-work at-risk-of-poverty rate is the share of the working population (18+) whose equivalised household income lies below 60% of the median equivalised household income, after social transfers.  
 \*data refer to 2018, as 2019 not yet available.

### In-work poverty is rising

Employment is the key to increasing social inclusion, provided work pays a decent wage. The in-work at-risk-of-poverty (AROP) rate is the share of persons in the population who are in work and have an equivalised household income that is below 60% of the national median equivalised household income, after social transfers such as pensions and unemployment benefits.

Figure 2.21 shows the in-work AROP rates in 2010 and 2019. The share of workers who are at risk of poverty increased somewhat in the EU as a whole, by 1pp. It went up in 17 of the Member States by an average of 1.4pp, but was static or even decreased slightly in countries that were already among the better performers (Ireland, Slovenia, Czechia, and Finland); it also came down in Romania and Greece, which had very high rates of working poor in 2010.

This variation between countries shows the scope for setting EU-wide regulation on minimum wages that guarantees a decent wage (Müller & Schulten 2020b; see also Chapter 4 in this volume). With the share of working poor close to 10% in the EU as a whole and above 10% in several countries (Greece, the UK, Italy, Spain, Luxembourg and Romania), such regulation could have a positive impact on many people.

### Share of working poor rises most among vulnerable groups

Figure 2.22 breaks down the EU-wide in-work AROP rates. The shares of working poor are over three times higher among lower-educated than higher-educated workers. They are also far higher among part-time workers, and those on temporary contracts. The risk of in-work poverty remains higher for younger than older workers, but this difference has decreased over time. Finally, migrants are much more at risk of being in poverty than native-born workers; and the risk is simultaneously higher for third-country nationals than intra-EU migrants. Alarming, these gaps have generally widened over time, as the working poor rate increased most in the already at-risk groups: the lower-educated, part-time workers, those on temporary contracts, and migrants.



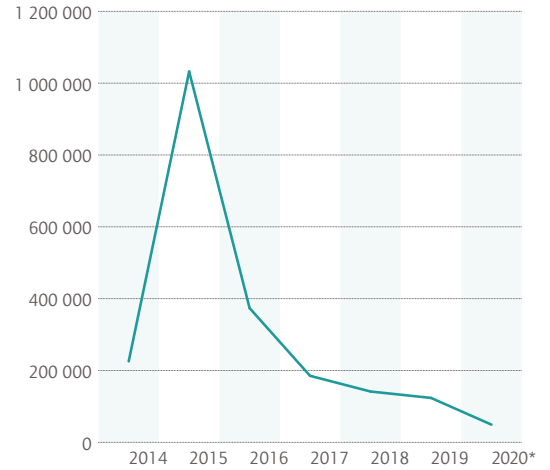
From Orbán's fence through the EU-Turkey Statement to Covid-19."

# The 2015 refugee crisis: five years on

## No European solution in sight

With over one million asylum seekers from the Middle East, Asia and Africa fleeing civil war, oppression and failing states, in 2015 and 2016 Europe was facing the greatest migration inflow since World War II. And with European institutions largely failing to address this historical challenge to solidarity at a supranational and coordinated level, national governments often pursued self-serving, and in certain cases obstructive, policies. A small number of countries, meanwhile, took up the challenge and acted. Parts of the existing European legal framework were breaking down, with the collapse of the Dublin III regulation on Member State responsibility regarding the examination of an asylum application, and the temporary suspension of the Schengen system of free movement. Instead of cooperating to produce a common response to this humanitarian challenge, the 2015 emergency created new fault lines in Europe. In the last five years, and since the peak of that crisis, a common and coherent European asylum policy has genuinely struggled to emerge, and the newly proposed Pact on Migration and Asylum by the European Commission (2020) does not deliver one either. These historic failures have been exposed even further by the Covid-19 crisis, with the tragic events in the Lesbos campsite in Moria – where cramped conditions no doubt played a major role in the propagation of Covid-19 among its 12,000 residents – becoming a powerful symbol of Europe's inability to deal humanely with refugees, and migration flows at large, and testimony to the EU's lack of long-term vision when it comes to immigration policy and strategy. This section takes stock of the main developments, then concludes with policy recommendations related, in part, to the proposed Migration and Asylum Pact.

Figure 2.23 Arrivals of asylum seekers to the EU

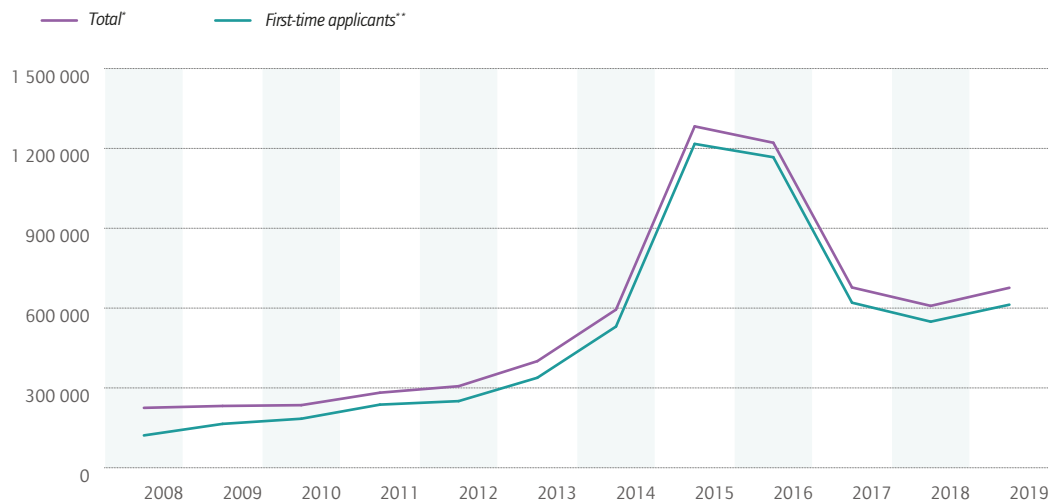


Source: UNHCR 2020.  
\*2020 data are for January-August

## Arrivals and asylum applications: 'flattening the curve'

The statistical coverage of migration flows is patchy, but while not offering an exact picture of events, it still allows some major developments to be tracked. As the UNHCR data presented in Figure 2.23 reveals, with a total of 1,032,408 asylum seekers arriving in Europe, 2015 can be considered as the peak year for number of arrivals. From 2016 onwards, the numbers showed a clearly decreasing trend, and the influx of asylum seekers to Europe has almost dried up in 2020, partly due to the effects of the Covid-19

Figure 2.24 Number of asylum applicants (non-EU27 citizens), EU27, 2008–2019

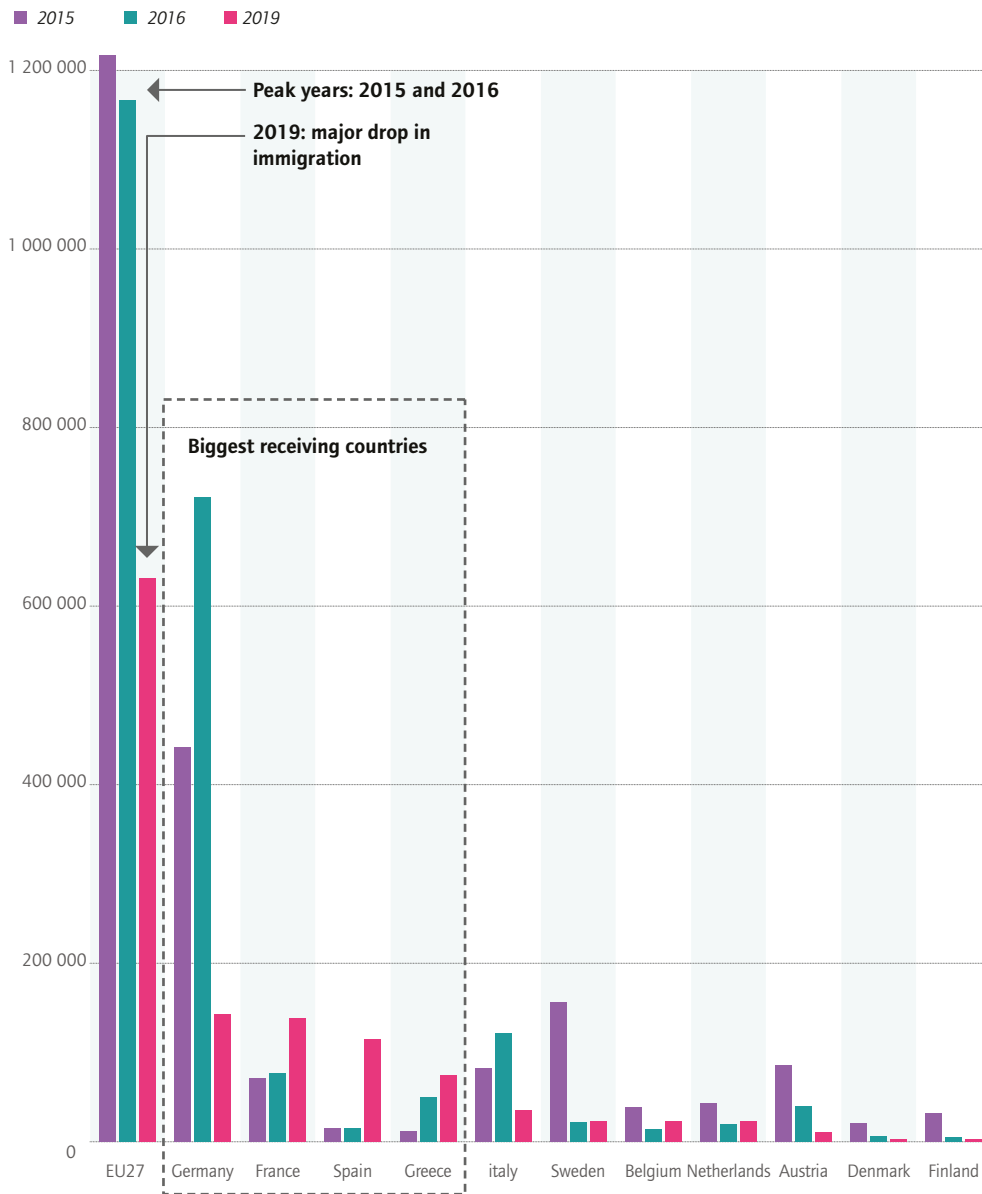


Source: Eurostat [migr\_asyappctza].

\* 2008–2014: Croatia not included (no available data).

\*\* 2008: Bulgaria, Greece, Spain, France, Croatia, Lithuania, Luxembourg, Hungary, Austria, Romania, Slovakia and Finland not available. 2009: Bulgaria, Greece, Spain, Croatia, Luxembourg, Hungary, Austria, Romania, Slovakia and Finland not available. 2010: Bulgaria, Greece, Croatia, Luxembourg, Hungary, Austria, Romania and Finland not available. 2011: Croatia, Hungary, Austria and Finland not available. 2012: Croatia, Hungary and Austria not available. 2013: Austria not available.

**Figure 2.25** First-time asylum applications, by key Member State



Source: Eurostat (2020).

pandemic. The sudden drop in arrivals in 2016 was mostly a consequence of unilateral steps taken by certain Member States to close their borders, which led to a de facto closure of the important Balkans route.

The development of the number of first-time asylum applications in the EU27 is shown in Figure 2.24 (for the EU) and Figure 2.25 (by Member State). A first-time applicant for international protection is a person who filed an application for asylum for the first time in a given EU Member State; repeat applicants are therefore excluded from this definition. The number of repeat applicants in that Member State (persons filing more than one application) in the EU27 in 2019 made up 9.4% of the total number of applicants (also shown by Figure 2.24).

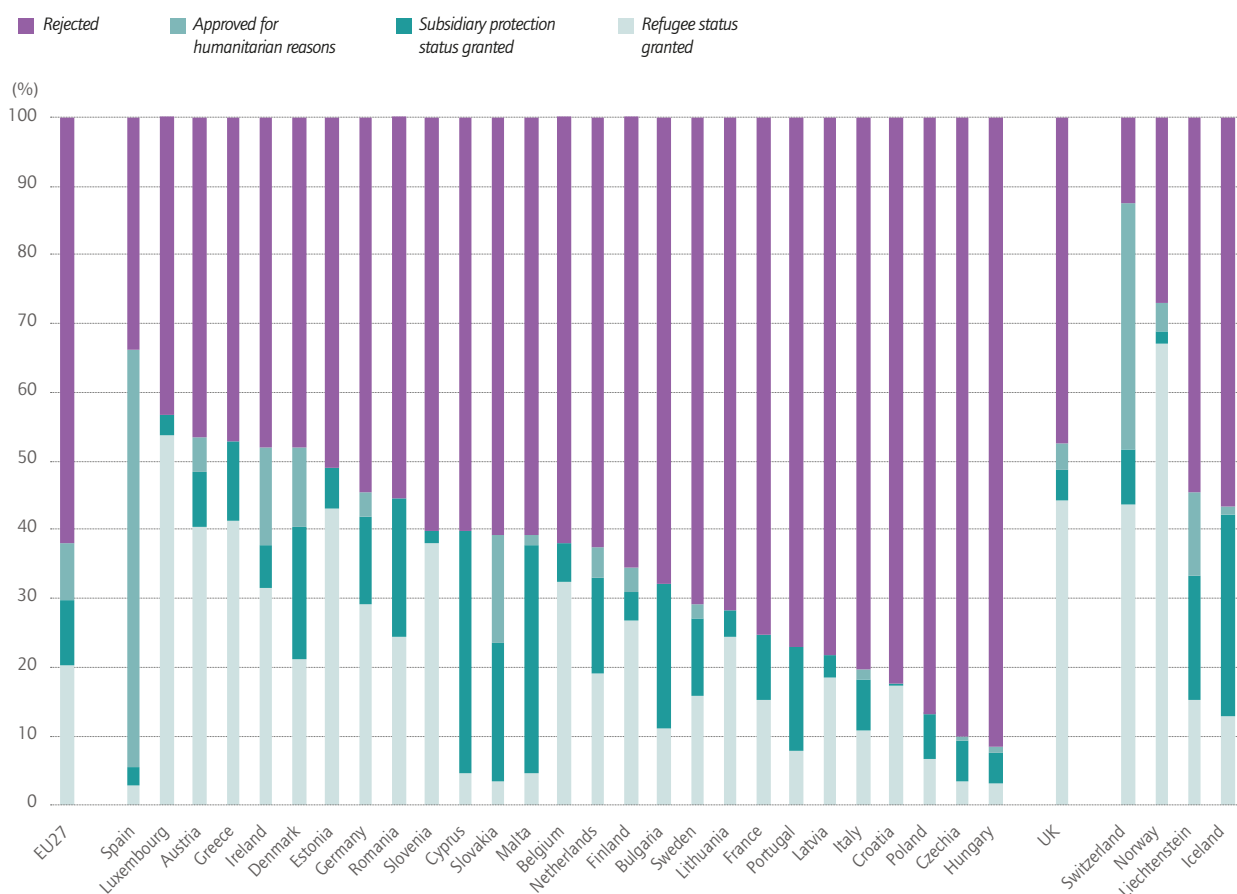
The number of first-time applicants followed the trend of arrivals with varying time lags, with 1.21 and 1.16 million claims in the peak years of 2015 and 2016, respectively (Eurostat 2020). Since then, these figures have declined markedly. First-time applicants across the EU27 fell to 620,000 in 2017 and have broadly remained at that level over the last two years.

Figure 2.25 shows first-time asylum applications for selected Member States and the EU27 for the years 2015, 2016 and 2019. Germany accounted for most asylum claims in the peak years of 2015 and 2016 with, respectively, a share of 36% and 60% of the EU27 total. The evolution of asylum claims by Member State showed different trends, depending on shifting migration routes and varying time lags between arrivals and registrations. For Sweden and Austria, the peak year was 2015; for Germany and Italy 2016; while for Greece, Spain and France it was 2019, a year when EU asylum claims were already falling sharply. In that year, France was the second most popular destination (after Germany) even though in the peak years it was only moderately affected.

The most striking contrasting trend between 2016 and 2019 can be observed when comparing Germany and Spain. While in 2019 asylum claims in Germany fell to one fifth of the 2016 levels, in Spain they were almost eight times higher in 2019 than in 2016.

Another pattern appears fairly consistent throughout the entire period: asylum seekers were concentrated in a small number of Member States, putting some of

**Figure 2.26** Distribution of first instance decisions on asylum applications (from non-EU27 citizens), by outcome, 2019 (%)



Source: Eurostat (2020).

them under substantial strain, while other Member States were hardly affected. The most affected were those at the entry points of the EU (Greece and Italy) and a few Member States that took it upon themselves to make an active contribution to the management of what, back then, was a common humanitarian crisis (for example, Germany, Sweden, Spain and Austria, at least initially).

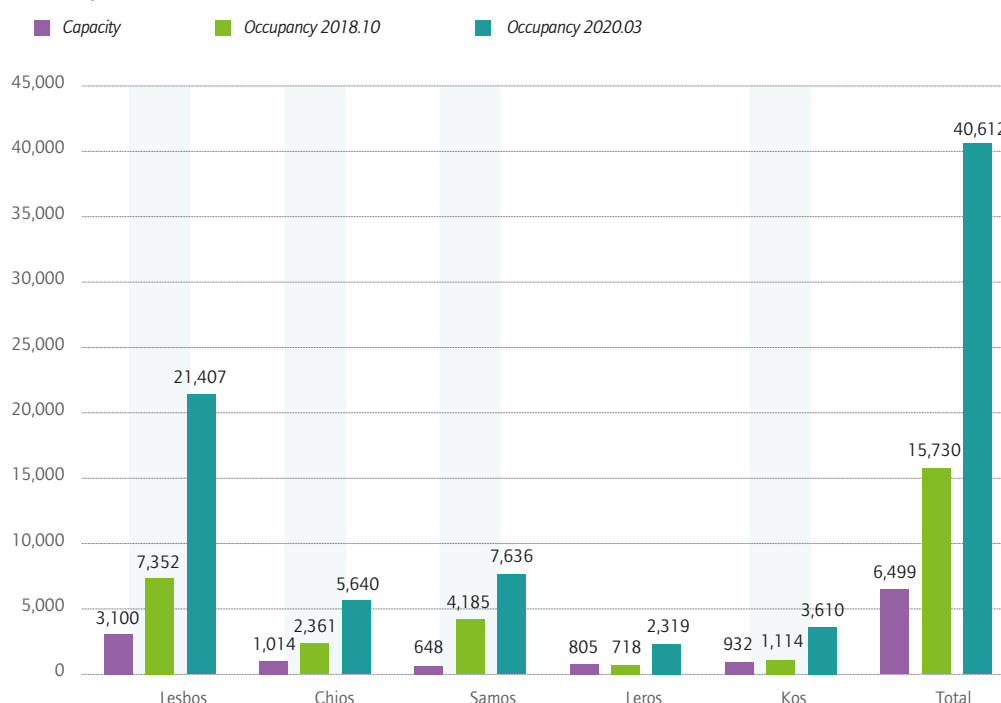
Figure 2.26 shows the results of first-instance asylum decisions by Member State for the year 2019. The high share of rejected asylum claims is the most apparent feature emerging from these figures. At the level of the EU27, the share of rejected claims in first-instance decisions was above 60% in 2019, while refugee status was awarded to approximately 20% of applicants. However, the picture varies by Member State; the rejection rate was lowest in Spain and highest in Hungary. Germany (with the highest number of asylum claims in 2019) had a 54% rate of rejection, while France rejected more than three quarters of its asylum claims. With a very low rate of return to their home country for rejected refugees, this high proportion of rejections means that hundreds of thousands of people are getting trapped in situations of extreme vulnerability, mostly without the right to employment and with only limited access to social services.

## Lack of a common EU migration and asylum policy

Although no comprehensive EU policy framework to face the challenge was put in place, the closure of the western Balkans route meant that a smaller wave of arrivals was concentrated in the central Mediterranean route. The ‘flattening of the curve’ (of both arrivals and asylum claims) since 2016 is a temporary phenomenon due mostly to unilateral actions by certain Member States and not a result of co-ordinated or successful European-level policies. Where European ‘co-ordination’ did prove to be somewhat effective was in the strengthening of migration policies that contributed to the creation of what has been termed ‘fortress Europe’. The restriction of access to the EU with the closure of the land route through the Balkans was followed by the EU-Turkey Statement in 2016 that aimed at stopping the flow of irregular migration via Turkey to Europe. Accordingly, all new irregular migrants and asylum seekers whose applications for asylum had been declared inadmissible were forced to return to Turkey. The Statement also envisaged that all new irregular migrants crossing from Turkey to the Greek islands would be sent back and that, for each returned Syrian, another would be resettled from Turkey into the EU.

However, the EU-Turkey Statement did not end the crisis and fell short of its objectives. Between April 2016 and February 2019, only 2% of the 84,210 refugees and migrants who arrived on the Greek islands were returned to Turkey (UNHCR 2019).

**Figure 2.27** Occupancy in Reception and Identification Centres for asylum seekers on Greek islands (number of persons)



Source: Greek government (2020).

The difficulty of finding a European solution was most apparent with the failure of the proposed relocation quotas: only a third of the foreseen number of asylum seekers were relocated from Italy and Greece to another Member State, due to the resistance of a small number of countries.

### Lesbos: a symbol of EU migration and asylum policy

Currently, the Greek state operates five reception and identification centres (RIC) for asylum seekers (also called 'hotspots') in the eastern Aegean islands. The breakdown of the data by RIC presented in Figure 2.27 demonstrates major shortcomings in the system. The situation has been dramatically escalating in the last 18 months, with occupancy rates far above capacity: by sevenfold for the largest RIC in Lesbos and by almost twelvefold for Samos. In the context of the spread of the Covid-19 pandemic, overcrowded reception centres with poor sanitary standards and limited health care provision present a looming humanitarian catastrophe. The devastating fire in the Moria camp on Lesbos in early September 2020 was the apex of this tragedy so far.

### Labour market integration of refugees

The big challenge for the countries hosting refugees and asylum seekers will be their labour market integration. Numerous factors are at play in determining employment levels among non-EU nationals, such as the labour market situation in the host country and the socio-demographic characteristics of the migrants themselves. There is no comparable data available on the labour market participation of refugees. To give some background, based on Eurostat data, Figure 2.28 shows

employment rates for non-EU28 citizens by main host country for the years 2007-2019. These figures are indicative, as they include all non-EU nationals, not only refugees, and provide a maximum value. In 2019, the number of employed non-EU28 nationals in most of the Member States shown in the figure was close to 50% or above (and highest in Denmark, Italy and Austria). Among the main host countries, Germany had the greatest increase in the non-EU28 national employment rate between 2007 and 2019. In Greece and Spain, it was significantly lower in 2019 than in 2007.

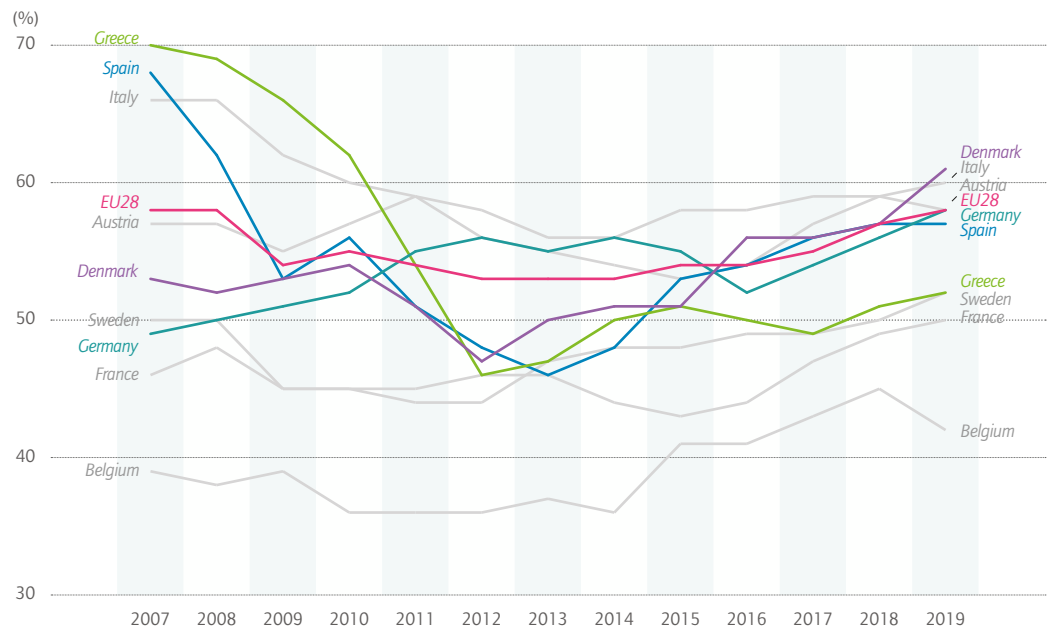
It is also interesting to look at the absolute numbers in non-EU28 employment changes between 2014 and 2019. In the EU27 (without the UK) employment of non-EU28 citizens grew by 2.1 million; 55% of this increase was absorbed by Germany (by 750,000) and by Spain (407,000), followed by France (289,000), Italy (124,700) and Sweden (110,000).

### The Migration and Asylum Pact: already a failure at birth

The New Pact on Migration and Asylum proposed by the European Commission (2020) can be seen as the acknowledgement of its inability to establish a common migration and asylum policy framework – as the new key term 'flexible solidarity', a main pillar of the Pact, suggests. This failure leads to fragmentation in European cooperation on an issue that lies at the very core of the EU's foundations, and where common action is essential.

Although the Pact refers to the United Nations Global Compact for Refugees (UN GCR), it goes against its core principle in its very title: the EU's approach of linking asylum with migration is fundamentally flawed and disregards a core element of the UN GCR: the primacy of refugee protection.

**Figure 2.28** Employment rates of non-EU28 citizens, by country (%)



Source: Eurostat-LFS [lfsq\_pganws].  
Note: age group 15-64.

One positive feature of the Pact is the setting up of an independent monitoring mechanism of border procedures, in compliance with fundamental rights. However, at a fundamental level, and regardless of how it is being sold by the EU, the principle of solidarity is nowhere to be seen in the idea of 'return sponsorship', which is actually just a euphemism for 'deportation sponsorship'. The ETUC dismissed the Pact by saying: 'Trade unions know the meaning of solidarity and this is not it. Fortress Europe looks stronger than ever' (ETUC 2020). The main objective of the Pact is undoubtedly deterrence.

The result of these policies can be seen on the Greek islands, where asylum seekers are living in reception centres in numbers several times their capacity,

and without elementary sanitary protection during the height of a pandemic. The scandalously high losses of life in the Mediterranean Sea, the Sahara Desert and the detention camps in Libya are to a great extent the result of an EU policy approach of external border defence against asylum seekers that is violent and often deadly.

This Pact also has nothing to say about the precarious employment situation of hundreds of thousands of asylum seekers, who are often working in the informal economy. As the labour market situation in Europe deteriorates dramatically during the Covid-19 crisis, it is asylum seekers and refugees that will be disproportionately affected.



*While admittedly impressive from a rhetorical point of view, the Commission's openness towards a 'new growth model' is only significant if effectively transposed into tangible policies."*

# Labour market policies in the 2020 CSRs

## The 2020 European Semester objectives: sustainability and overcoming the Covid-19 crisis

The 2020 European Semester cycle introduced some interesting novelties with respect to previous years. These novelties are mainly the result of two separate but ultimately converging processes.

First, the Von der Leyen Commission launched the 2020 European Semester on a rather innovative premise. In the past, the policy objectives of each Semester cycle were defined in the Annual Growth Survey. Traditionally, the reduction of public spending through reforms of national social protection systems, as well as the creation of flexible, inclusive and mobile labour markets, had figured high among the main priorities of the yearly growth agenda. However, in December 2019, the Von der Leyen Commission opened the Semester cycle with the Annual Sustainable Growth Strategy (ASGS) for 2020, which, as the title of the document indicates, presented a more holistic and less competitiveness-driven growth agenda. The Commission thereby declared its commitment to substantially widening the rationale of the Union's growth strategy, and introduced 'fairness' and 'environmentalism' among the objectives of the Semester process. The Commission also proclaimed its intention to integrate the UN Sustainable Development Goals in the European Semester.

While admittedly impressive from a rhetorical point of view, the Commission's openness towards a 'new growth model' is only significant if effectively transposed into tangible policies. In this respect, the 2020 Country-Specific Recommendations (CSRs) provided a first occasion to test the propositions developed in the new ASGS. And interestingly, our analysis shows that, despite the fact that the impact of the UN SDGs is hardly noticeable, a renewed emphasis on Europe's social dimension does indeed seem to have emerged.

The second factor responsible for the novel policy orientations of the 2020 European Semester cycle is the Covid-19 outbreak and the consequent efforts to mitigate the impact of the socio-economic crisis that it has generated. The stress that the pandemic imposed on the Member States' health systems and the (more or less) prolonged containment measures adopted by different national governments called for a revaluation of the public spending figures for all countries (even if to different extents). In March 2020, the Commission thus proposed the activation of the general escape clause of the Stability and Growth Pact, allowing Member States to deviate from the Union's usual budgetary rules. Moreover, the pandemic highlighted the importance of effective social safety nets and led to the adoption of the SURE mechanism, providing

## Evolution of the Annual Growth Survey's priorities over the years: from 'flexicurity' to a more social orientation

In the initial years of its publication, the Annual Growth Survey (AGS) explicitly addressed the need to increase competitiveness by lowering labour costs. For example, the 2012 AGS stated: 'In some Member States employment protection legislation creates labour market rigidity, and prevents increased participation in the labour market. Such employment protection legislation should be reformed to reduce over-protection of workers with permanent contracts, and provide protection to those left outside or at the margin of the labour market'. Similarly, the 2013 AGS proclaimed: 'Several ambitious reforms are being implemented across Europe. [...] measures have been taken to facilitate flexible working arrangements within firms, reduce severance pay for standard contracts and simplify individual or collective dismissal procedures. Steps have also been taken to enhance flexibility in wage determination, such as easing the conditions for firms to opt out of higher-level collective bargaining agreements and the review of sectoral wage agreements.'

**Throughout the years, direct references to the reduction of employment and social security protection became less frequent, but the AGS consistently stressed the importance of increasing the flexibility of the labour market. For the first time, in the 2020 Annual Sustainable Growth Strategy the focus on flexicurity is fully abandoned.**

support for national short-time work schemes. Our analysis of the 2020 CSRs indicates that both the suspension of the budgetary rules and the emphasis on social protection systems are echoed in the recommendations. The CSRs are, for the first time, released from the dictates of EU fiscal rules, allowing greater leeway to focus on welfare and progressive policies.

## Observing the evolution of the 'social' Country-Specific Recommendations

A key question that emerges from this analysis is: how did the ASGS and the Commission's response to the Covid-19 crisis reverberate in the 'social' CSRs? A CSR is considered to be 'social' when it touches upon one of the following categories: wages; social dialogue; employment protection legislation; labour market participation; youth employment; pensions; social protection and social assistance; child poverty; and taxation.

2. Labour market and social developments

3. The path to 'zero carbon' in a post-Covid world

4. Fair minimum wages and collective bargaining

5. Covid-19: a 'stress test' for workers' safety and health

6. Democracy at work in a pandemic

7. Foresight: the many possible post-pandemic futures



*In conclusion, it is safe to argue that the 2020 CSRs dedicate a substantially greater deal of attention to social aspects than they did in previous years."*

**Figure 2.29a** Evolution of CSRs on social protection and labour market participation



Source: ETUI own analysis, see also Rainone (2020).

**Figure 2.29b** Evolution of CSRs on labour market policies and considerations on the impact of Covid-19

Category	Sub-category	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014	CSRs 2015	CSRs 2016	CSRs 2017	CSRs 2018	CSRs 2019	CSRs 2020
Labour Market Participation	Women	6	9	5	7	11	7	8	8	14	8
	Older workers	8	7	12	10	8	4	8	5	7	3
	Tax disincentives for low income earners	3	2	3	8	7	5	6	7	5	0
	Training digital literacy	/	/	/	/	/	/	/	/	/	25
	Marginalised workers	/	/	/	/	/	/	/	/	/	21
	<b>Subtotal</b>	<b>17</b>	<b>18</b>	<b>20</b>	<b>25</b>	<b>26</b>	<b>16</b>	<b>22</b>	<b>20</b>	<b>26</b>	<b>57</b>
	<b>% of total social CSRs</b>	<b>17.90%</b>	<b>16.10%</b>	<b>17.20%</b>	<b>17.80%</b>	<b>18.20%</b>	<b>13.70%</b>	<b>17.70%</b>	<b>16.10%</b>	<b>19.10%</b>	<b>25.20%</b>
Social Protection / Assistance	Social Protection systems (general sub-category)	4	2	5	9	7	3	8	3	2	21
	Income support	/	/	/	/	/	/	/	/	/	19
	Short-time work schemes	/	/	/	/	/	/	/	/	/	11
	Access to quality social services	0	1	2	3	2	5	5	4	7	17
	Targeting social assistance	2	4	3	10	10	4	8	12	13	14
	<b>Subtotal</b>	<b>6</b>	<b>7</b>	<b>10</b>	<b>22</b>	<b>19</b>	<b>12</b>	<b>21</b>	<b>19</b>	<b>22</b>	<b>82</b>
	<b>% of total social CSRs</b>	<b>6.30%</b>	<b>6.60%</b>	<b>8.60%</b>	<b>15.70%</b>	<b>13.30%</b>	<b>10.20%</b>	<b>16.90%</b>	<b>15.30%</b>	<b>16.10%</b>	<b>36.20%</b>
<b>TOTAL SOCIAL CSRs</b>	<b>95</b>	<b>106</b>	<b>116</b>	<b>140</b>	<b>143</b>	<b>117</b>	<b>124</b>	<b>124</b>	<b>136</b>	<b>226</b>	

Source: ETUI own analysis, see also Rainone (2020).

Note: The '/' symbol indicates that until 2020 the subcategories did not exist in the ETUI taxonomy, since CSRs on those topics were never identified. In 2020, the plethora of CSRs on those topics compelled the creation of new categories.

First of all, from a rather crude quantitative point of view, the total number of the recommendations addressing social or employment matters significantly increased (from 136 in 2019 to 226 in 2020). Secondly, this quantitative increase especially concerns the categories of 'labour market participation' and 'social protection and social assistance', which together hold more than 60% of the total social CSRs (25.2% and 36.2%, respectively; see Figure 2.29). And, last but not least, the 2020 CSRs frequently address new topics: 'training digital literacy', 'enhancing labour market participation for marginalised workers', 'income support' and 'short-time work schemes'. Therefore, as crude as this measurement may be, it does clearly show a renewed interest in 'social' issues in the CSRs and in the general policy orientation of this Commission.

In conclusion, it is safe to argue that the 2020 CSRs dedicate a substantially greater deal of attention to social aspects than they did in previous years. The absence of tangible macroeconomic constraints creates a policy space for public investments directed at strengthening national safety nets and the inclusivity of labour markets, with particular attention given to those at risk of marginalisation. Furthermore, and differently from previous years, there is no emphasis on reducing labour costs, decentralising wage bargaining, or further pursuing the flexibilisation of labour markets. Overall, it is quite encouraging to note that the social CSRs have abandoned their (usually dominant) economic rationale and respond more genuinely to social objectives. This development reflects the Commission's declared commitment to mitigate the social effects of the Covid-19 crisis, in keeping with the spirit of the ASGS for 2020. However, it is too early to say whether this more social outlook will become a structural trend in EU governance. So far,

there has been some ambiguity on this question. On the one hand, the recently published ASGS for 2021 indicates that the recovery and resilience plans that the Member States will need to present to access the EU recovery fund (the Recovery and Resilience Facility) will be assessed against the 2020 CSRs. But, on the other hand, the ASGS for 2021 addresses social and labour policies mostly in the broader context of the green and digital transitions, without identifying concrete priorities and targets. The actual implementation of the Recovery and Resilience Facility mechanism will thus be the first test of the resilience of the social orientation of the 2020 Semester.

### Methodology of the ETUI's comparative research on the CSRs

As in previous years (see e.g. Clauwaert 2019), the ETUI analysis takes into consideration all the recommendations received by the Member States, regardless of the fact that these recommendations are formulated in the recitals or in the more prescriptive part of the document.

It should be noted that the higher number of social CSRs observed in 2020 can partially be attributed to the fact that the 2020 CSRs addressed new topics, requiring an update of the analytical framework through which the ETUI assesses the CSRs. For example, some more complex recommendations that would only be counted under one category in the old framework, have been disaggregated and doubly counted this year, under both old and new categories. However, this multiplier effect is only marginal since, in the past years, the number of CSRs that addressed these 'new topics' was minimal.

# Conclusions

## The Covid-19 pandemic is a shock of historic proportions: it needs a strong policy response

The Covid-19 crisis has come more than a decade after the onset of the great recession and following a period of prolonged economic recovery and sustained, if at times patchy, employment growth. Indeed, many of the labour market indicators, notably employment and unemployment rates, would lead many to believe that, before this crisis hit, the EU was at a historic high point in terms of labour market performance, with fully recovered losses and a likely greater resilience to future shocks. However, the analysis presented in this chapter has scrutinised in greater depth the extent to which the EU labour markets have changed in the past decade. It has scratched beneath the surface of data pertaining to the share of population in employment to explore the types of jobs available, how well these jobs perform the task of protecting workers from poverty and social exclusion, and some of the less obvious challenges that have torn into the social fabric of European societies in the past ten years.

The analysis shows that there was indeed a net increase in participation in the labour market over the past decade, but also that it has been a lost decade in terms of the persistent social inequalities, with large swathes of vulnerable groups of workers still at a high risk of poverty and exclusion. For instance, the recovery period did very little for gender equality, with women's employment rates today still lower than men's by more than 10 percentage points in the EU. It is an unfortunate paradox that women's relative position in society should suffer the most during periods of economic recovery. The situation of young people also remains problematic. The share of NEETs (not in employment, education, or training) among young people still stands at around 10% in the EU, with around a fifth unemployed for six months or longer – a proportion that remains relatively stable despite the ambitions of the Youth Guarantee. And, finally, migration from outside of the EU is another unresolved issue, placing unequal burdens on several EU Member States, with labour market integration of non-EU28 citizens at stubbornly low levels. This all clearly indicates that, in these areas, EU policy must change dramatically if any tangible results are to be expected.

Moreover, while more people have jobs compared to a decade ago, there is still a lot to improve with respect to the quality of jobs available in the EU labour market and their ability to provide a decent standard of living. Underemployment, measured as the prevalence of involuntary non-standard employment, has remained relatively stable in the EU as a whole. Around 13% of employees in the EU work on temporary contracts, and half of those because they could not find a permanent job. Around 20% of workers in the EU work part-time, with a quarter of them doing so because they cannot find a full-time

position. Part-time work is especially high among women (31%, compared to 9% for men), contributing to a persistent gender gap in wages and pensions in later life. And the much-touted jobs in the new economy linked to digitalisation, such as online gig work and platform work, appear easy to access yet offer shockingly low incomes, with the majority of workers not able to earn more than a month's worth of minimum wages over an entire year.

By 2019, the EU was not close enough to achieving the Europe 2020 targets for employment and education, and not even halfway towards its goal to reduce the number of people at risk of poverty or social exclusion. Only nine of the Member States had met their country-specific targets, while in 10 EU countries social exclusion had actually increased. The share of working poor has also increased in the EU over the past decade. The risk differs substantially between groups; it is higher for the lower educated, for part-time workers, for those on temporary contracts, for the young, and for EU and third-country migrants. The share of working poor increased most in those countries and especially for those groups that already have higher shares; thereby increasing inequality over time.

The Covid-19 crisis thus hit the EU while numerous social challenges were still far from being resolved. Its impact was very sudden, with 4.8 million jobs lost by the end of the second quarter of 2020 in the EU28 (excluding Malta). The full impact of the pandemic on employment is yet to unfold and will continue to be felt throughout EU labour markets in the months to come.

The challenge for policy is to limit the negative impact of the lockdowns and other restrictive public health measures on jobs and employment. It is important to monitor the situation to understand in what way labour markets react and how far-reaching the spill-over effects will be in the months to come. As shown in this chapter, the unemployment rate cannot be used as sole guidance, neither in the assessment of the severity of the crisis nor for the allocation of recovery resources by the EU institutions. In these exceptional circumstances, many workers joined the ranks of the 'economically inactive' rather than the unemployed; many small businesses continued to exist thanks only to temporal support or income replacement; and a large proportion of workers who managed to stay employed saw their working hours dramatically reduced. As long as the rescue programmes continue to make up for lost income, the full severity of the loss in total volume of work will not be felt by workers and society at large.

One example of a good policy measure has been the short-time work schemes. After a positive evaluation of their effectiveness in the 2008 crisis in terms of limiting the number of lay-offs and maintaining employment and incomes (Messenger and Ghosheh 2013), they were massively used in the first months of the Covid-19 lockdown in numerous EU Member States. And they proved effective once

again, as evidenced by a less dramatic increase in unemployment rates in the EU compared to, for instance, the US. They will also, hopefully, contribute to a quicker recovery in economic activity at a later stage.

However, the EU Member States have not all been hit equally hard by the Covid-19 crisis, for instance due to different sectoral structures, and those more exposed will likely have fewer resources to allocate to the support programmes. To avoid a growing divergence between the Member States, a coordinated response at EU level is now of paramount importance. There are certainly some positive signs. For instance, Member States have received significantly more recommendations on social issues in the 2020-2021 CSRs than in the previous Semester cycles, in particular aimed at enhancing the inclusivity of the labour market and at strengthening the adequacy of national social protection systems. However, this depart from the economic rationale of the past is largely linked to the exceptional suspension of the

fiscal rules of the Stability and Growth Pact and to the emergency context of the pandemic. It is too early to tell whether and in what shape the social orientation of the 2020 European Semester cycle will persist. The 2021 Annual Sustainable Growth Strategy, announced by the European Commission in autumn, does not provide any tangible targets for social policies. With the Recovery and Resilience Facility, one of the main tools for the recovery at EU level, it promises to support Europe's social and economic resilience, but while concrete objectives are formulated in terms of digitalisation and the development of infrastructure, there is a noticeable policy vacuum regarding creation of quality employment or social cohesion. As has been the case with EU employment and social policy in the past (see e.g. Piasna et al. 2019), an effective integration of social issues into EU policy depends on concrete and measurable objectives and targets, followed by targeted investment.

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