

# 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.