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Quarterly review

December 2021



**Employment
and Social
developments
in Europe**

December 2021

With regularly updated data and charts downloadable [here](#)

The Employment and Social Developments Quarterly Review provides an in-depth description of recent labour market and social developments. It falls under the responsibility of the Directorate Employment and Social Governance of the Directorate-General for Employment, Social Affairs and Inclusion, and it is prepared by the Analysis and Statistics Unit. The main contributors for part I were F. De Franceschi, L. Moreau and L. Pappalardo. The main contributor for part II was G. Piroli.

A wide range of information sources have been used to produce this report, including Eurostat statistics¹, reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs.

Charts and tables are based on the latest available data at the time of publication, and include Eurostat data on national accounts (employment and GDP) for the third quarter of 2021 (2021 Q3), Eurostat data on the Labour Force Survey for the second quarter of 2021 (2021 Q2), and Eurostat data on monthly unemployment for October 2021. Data on which the report is based are the latest available as of 07/12/2021.

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¹ To access them, see [codes] mentioned under the charts, to be used with the Eurostat data search engine: <https://ec.europa.eu/eurostat/web/main/home>

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Introduction

After the strong rebound of the second quarter of 2021, the economy has kept improving. Last spring and summer, the lifting of containment measures, and the improvement in the sanitary situation, fostered a rise in activity by companies and consumers alike. As the consumption increased, employment rose and unemployment declined overall including for young people. The Autumn Commission forecast published on 11/11/2021 revised upwards the outlook compared to Spring, with GDP expected to return to its pre-crisis level in the last quarter of this year. Economic operators share this positive mood by expressing optimistic expectations on future employment and unemployment developments, which at the highest level since January 2018. Job vacancies as well as job shortages are on the rise, especially in technical and support sectors, pointing towards difficulties to recruit.

However, the current wave of COVID-19 across Europe, and the spread of the Omicron variant, increased uncertainty and shed light on the risks the recovery is currently facing. While the vaccination campaigns are progressing with the delivery of vaccine boosters, new containment measures are being introduced in some Member States, possibly triggering a renewed slowdown. The gradual deployment of the Resilience and Recovery Fund will be crucial in this phase to make European economies and societies stronger and more sustainable.

While the first part of the December 2021 ESDE quarterly review provides a broad overview of the main economic and social developments, the thematic section of this review focuses on quarterly labour market transitions to employment, unemployment and inactivity in 2020. The analysis shows that at the peak of the crisis, certain categories of workers - such as the young, low-skilled, migrants, workers under a temporary contract - were clearly more affected than the others. These negative effects persisted also when economic conditions improved, especially for workers with temporary contracts and low skills.

The Commission has launched a range of measures to support workers and employers during the crisis, both short-term and longer-term. The Recovery and Resilience Facility, the European Social Fund Plus and other instruments are available to help Member States financing measures for a gradual transition from emergency actions to preserve jobs in the crisis to active labour market policies needed for a job-rich recovery as also outlined in the EASE recommendation.

Part I – Main economic and social developments²

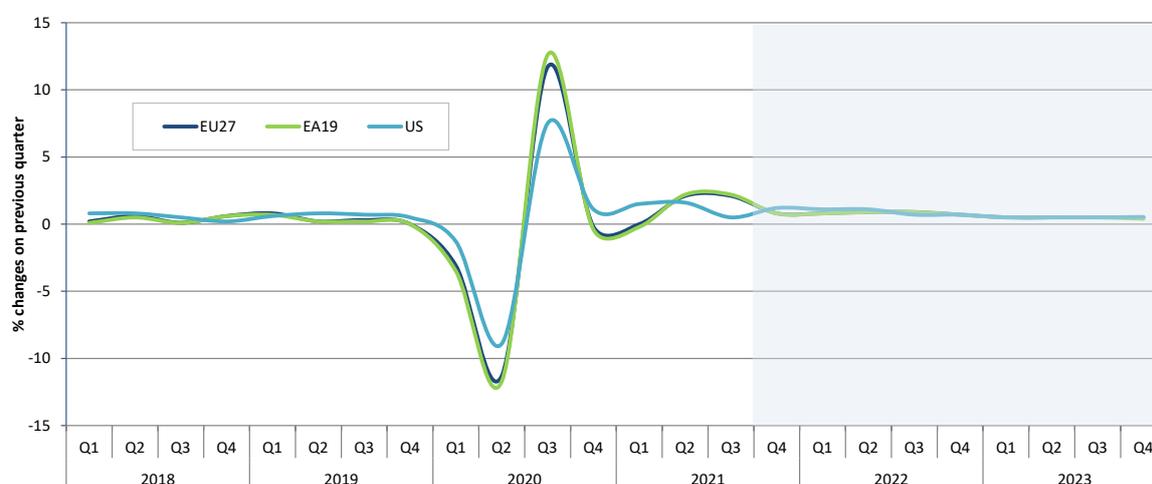
1. Macroeconomic outlook

Real GDP in the EU increased by 2.1% in the third quarter of 2021 (2.2% in the euro area), after growing by the same percentages also in the second quarter. This expansion has been fuelled by the relaxation of containment measures and the improving epidemiological situation, which boosted private consumption. In comparison with the third quarter of 2020, EU GDP recorded an increase of 3.9% (3.7% in the euro area). Concurrently, US GDP rose by 0.5% in the third quarter compared to the second quarter of 2021, and by 4.9% compared with the same quarter of 2020 (Chart 1).

The Commission’s Autumn 2021 Economic Forecast, published on 11 November 2021, projects that the economy in the EU and the euro area will expand by 5.0% this year and 4.3% in 2022. Compared to the Spring forecast, the growth rate for 2021 would be significantly higher in the EU (+0.8pp) and the euro area (+0.7pp), while for 2022 it would be slightly lower in both areas (-0.1 pp). Real GDP is projected to return to its pre-crisis level in the last quarter of 2021 in both the EU and the euro area. Growth is expected to be sustained by the improving labour market, low interest rates, and the progressive deployment of the Recovery and Resilience Facility.

In the third quarter of 2021, GDP increased in all Member States, except for Lithuania (stable) compared to the previous quarter. GDP grew the most in Austria (+3.8%), France (+3.0%), and Portugal (+2.9%) on a quarterly basis, and the least in Slovakia and Romania (+0.4% for both).

Chart 1: Real GDP growth – EU, euro area and US, 2018-2021 and forecast until 2023



Source: Eurostat, National Accounts, seasonally and calendar adjusted data [namq_10_gdp, naidq_10_gdp].

Notes: European Commission Autumn Forecast in the shaded area.

[Click here to download chart.](#)

Following several years of low inflation, the strong resumption of economic activity in the EU and other advanced economies has been accompanied by a pick-up in inflation that exceeded predictions.

² Starting from 2021, Labour Force Survey (LFS) data is collected under the new Regulation (EU) 2019/1700. This Regulation has introduced methodological changes in the definition of the concepts of employment and unemployment. This methodological changes prevent a direct comparison between LFS indicators' data (including the employment rate, activity rate, quarterly unemployment and long-term unemployment rates, and labour slack indicators) from 2021 onwards with previous figures.

Annual inflation in the euro area rose from a negative -0.3% in the last quarter of 2020, to 2.8% in the third quarter of 2021. The November reading is expected to be 4.9%, constituting the highest level since the publication of euro area inflation data began in 1997. This strong pick-up in inflation is mainly driven by a surge in energy prices³ but also appears to be linked to a broad set of post-pandemic economic adjustments, suggesting that the current elevated levels are largely transitory. Inflation in the euro area is forecast to peak at 2.4% in 2021, before declining to 2.2% in 2022 and 1.4% in 2023 as energy prices are set to gradually level out. For the EU, inflation is expected to reach 2.6% in 2021, and to recede to 2.5% in 2022 and 1.6% in 2023.

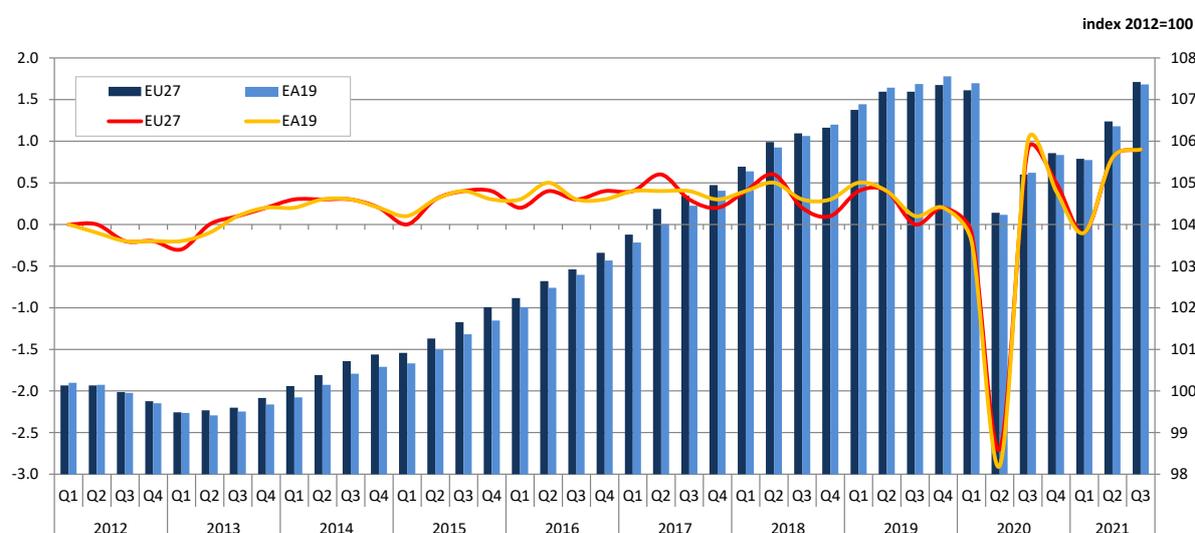
2. Employment

Total employment increased again in the third quarter of 2021, following a rise in the second quarter and a small drop in the first quarter. Headcount employment grew less in the third quarter than GDP, as working hours have been recovering from the sharp decrease that occurred during the crisis in 2020 and have increased markedly. During the peak of the pandemic, short time work schemes supported by SURE and other instruments at EU level have helped to support more than 31 million workers and kept 2.1 million companies afloat. The withdrawal of emergency job-retention policy measures (e.g. short-time work and furlough schemes) in many Member States did not seem to be accompanied by increased job destruction.

Employment grew by 0.9% in both the EU and the euro area in the third quarter of 2021 compared to the previous one. It exceeded the level observed during the same period of the previous year by 2.1% in both the EU and the euro area, and it is now in the EU above the pre-crisis levels in the last quarter of 2019 (Chart 2). In the third quarter of 2021, 210.0 million people were in employment in the EU, and 161.0 million in the euro area. These levels are higher than in the second quarter of 2021 by 1.8 million in the EU and 1.5 million in the euro area, respectively. In comparison to the second quarter of 2021, employment increased in all Member States but Latvia (-2.0%). The strongest growth was recorded in Ireland (+4.0%), Spain (+2.6%), and Lithuania (+2.1%).

³ With the aim to help and support Member States in addressing the negative impact on households and businesses of the sharp spike in energy prices, the European Commission has prepared the Communication [Tackling rising energy prices: a toolbox for action and support](#), which provides an outlook onto coordinated measures that the Commission considers to take over to ensure a better preparedness to gas price fluctuations while reducing the EU's dependence on fossil fuels.

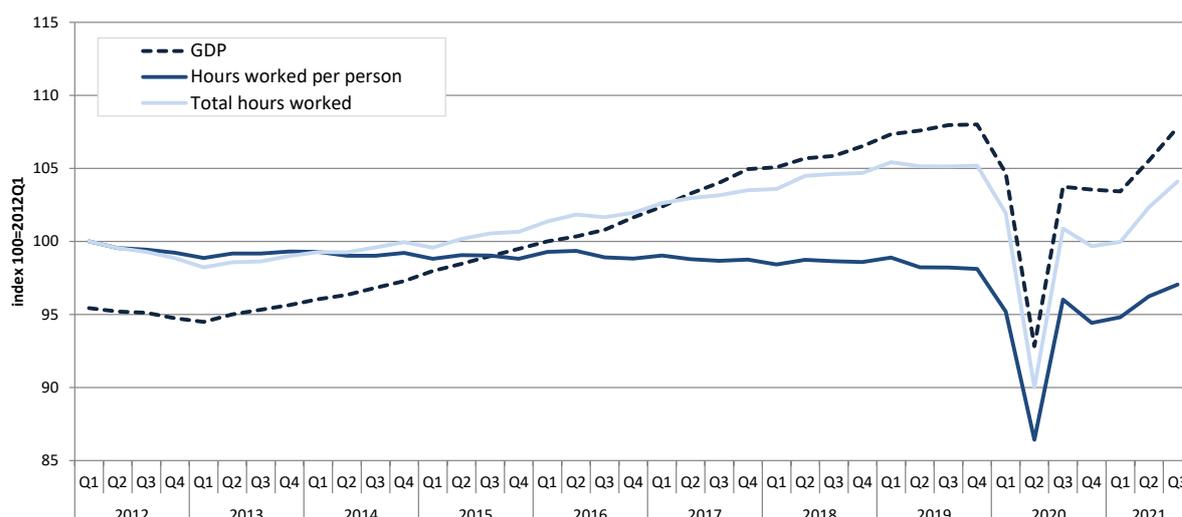
Chart 2: Employment level and employment growth – EU and euro area, 2012-2021



Source: Eurostat, National Accounts, seasonally and calendar adjusted data [namq_10_pe]
Note: Cumulative growth (bars, right-hand scale), percentage change on the previous quarter (lines, left-hand scale)
[Click here to download chart.](#)

In the third quarter of 2021, the number of hours worked continued to rise, as workers are progressively increasing their hours worked after the sharp decline of economic activity, which occurred during the crisis in 2020. The number of hours worked increased by 1.7% in the EU in comparison to the previous quarter, and it grew by 3.3% compared with the same quarter of the previous year, approaching pre-crisis levels (-1.0% lower than in the last quarter of 2019). This increase brought the quarterly number of hours worked per person employed to 401, about 1% below the level of the fourth quarter of 2019 (Chart 3).

Chart 3: GDP and hours worked (total and per employed person) – EU



Source: Eurostat, National Accounts [namq_10_pe]. Data seasonally and calendar adjusted
[Click here to download chart.](#)

The employment rate (people aged 20 to 64 years) in the EU stood at 72.7% in the second quarter of 2021, 0.7pp higher than in the first quarter of the year. It stood at 72.1% for the euro area in the same period, also 0.7pp higher than in the first quarter of 2021. Differences among Member States remain very large, with the highest rate (82.0% in the Netherlands) exceeding the lowest one (61.2% in Greece) by 20.8pp.

About 23.3 million people in the EU (19.4 million in the euro area) aged 15 to 64 were in temporary employment in the second quarter of 2021, representing 12.1% (13.2% in the euro area) of total employment. This represents a slight increase from the first quarter of 2021 (about 0.4 million and 0.5 million people in the EU and euro area, respectively, or 0.1pp in the EU and 0.2pp in the euro area). The number of part-time employees amounted to 34.2 million, which is equivalent to 17.8% of total employment, 0.1pp more than the first quarter of 2021.

The employment rate grew slightly more for women than for men (+0.8pp to 67.2% versus +0.7pp to 78.3%) in the second quarter of 2021 compared to the first quarter. However, the gender employment gap remains considerably high at 11.1pp. The employment rate grew the most on a quarterly basis for younger workers (aged 15 to 24, +1.0pp to 32.3%), and for people aged 25 to 54 (+0.9pp to 80.2%), while it increased less for older workers (aged 55-64, +0.6pp to 60.2%). The employment rate for highly-educated workers was 88.6% (+0.7pp), 7.5pp above that of medium-educated workers (81.1%, +1.0pp), and 27.8pp above that of low-educated ones (60.8%, +0.6pp).

In the third quarter of 2021, EU employment expanded in all sectors except agriculture. Compared with the same quarter of 2020, the sectors that recorded the strongest growth were “information and communication services” (+5.5%), “professional, scientific and technical activities; administrative and support service activities” (+4.9%), and “construction” (+2.7%). The industry sector grew only by 0.4%.

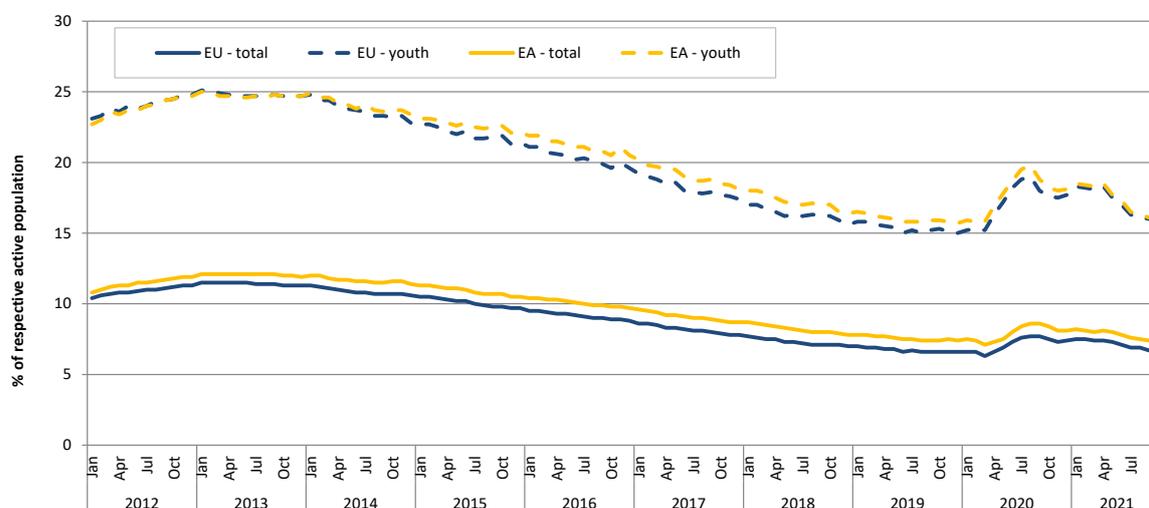
Expectations about employment became increasingly optimistic during the autumn of 2021. In November the Employment Expectations Indicator (EEI)⁴ index reached a three-month average of 114.4, a level last observed in spring 2018. Expectations are particularly optimistic for the service and industry sectors, while they remained less optimistic for the retail sector. The European Commission’s Autumn forecast considers that the economic recovery will keep fuelling employment growth. This should occur in the rest of 2021 mainly through a rise in working hours thanks to a reduced reliance on job-retention schemes, accompanied by a progressive increase in overhead employment. Total employment in the EU is foreseen to grow by 0.8% in 2021 (a substantially more optimistic projection than in the Spring forecast), by 1.0% in 2022, and by 0.6% in 2023.

3. Unemployment

The unemployment rate in both the EU and the euro area kept declining between August and October 2021. In October 2021, it stood at 6.7% in the EU and 7.3% in the euro area, 1pp and 1.3pp, respectively, lower than recorded at the peak in August 2020. There were 14.3 million unemployed people in the EU and 12.0 million in the euro area in October 2021, 2.1 million and 2.0 million, respectively, less than in August 2020. The difference between the unemployment rate of women and men remained stable at about 0.6pp in the last months (7.0% for women versus 6.4% for men in July 2021) (Chart 4).

⁴ The indicator is constructed as a weighted average of the employment expectations of managers in the four surveyed business sectors (industry, services, retail trade and construction).

Chart 4: Unemployment rate and youth unemployment rate – EU and euro area

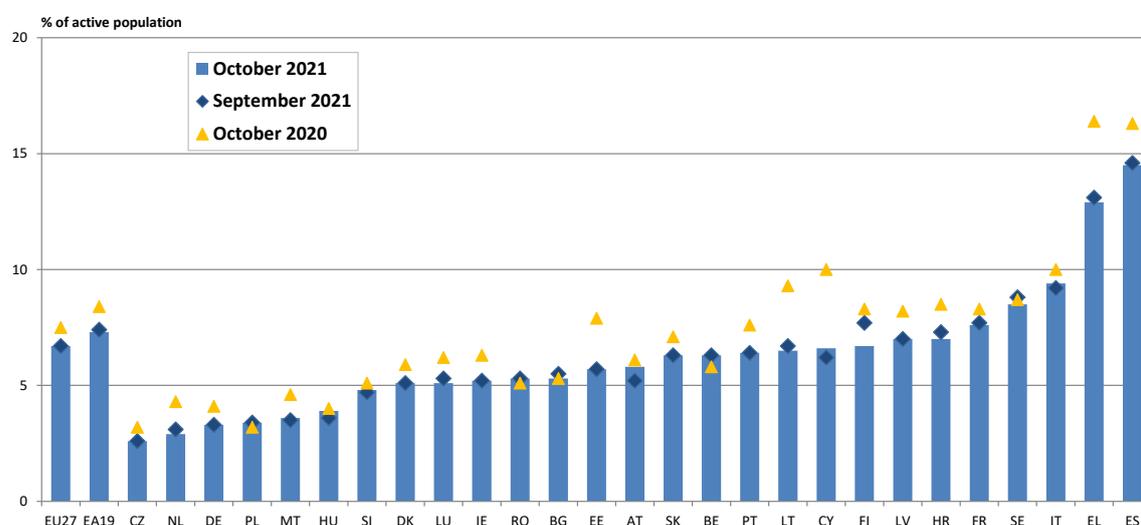


Source: Eurostat, series on unemployment [une_rt_m]. Seasonally-adjusted data.
[Click here to download chart.](#)

In recent months unemployment declined in most Member States, but with some exceptions. In October 2021, compared with the previous month, the rate fell most markedly in Finland (-1.0pp), Croatia, and Sweden (-0.3pp for both). The sharpest increases were recorded in Austria (+0.6pp), and Cyprus (+0.4pp). On an annual basis, the unemployment rate fell or remained stable in all Member States, with the exception of Belgium (+0.5pp), Romania (+0.2pp), and Poland (+0.2pp). The stronger decreases were observed in Greece (-3.5pp), Cyprus (-3.4pp), Lithuania (-2.8pp), and Estonia (-2.2pp) (Chart 5).

Youth unemployment also continued to decline in recent months in both the EU and the euro area. In October 2021, it stood at 15.9% in both the EU and the euro area, down by 3.1pp and 3.9pp, respectively, from the peaks recorded in August 2020. In October 2021, the number of young unemployed people in the EU and in the euro area was 2.9 million and 2.4 million, respectively, about 0.4 million lower than in August 2020.

Chart 5: Unemployment rates – EU, euro area and EU Member States



Source: Eurostat, series on unemployment [une_rt_m]. Seasonally adjusted data
Click here to download chart.

In October 2021, the youth unemployment rate rose in most Member States compared with September 2021, although it still decreased in most Member States on an annual basis. The rise was more pronounced in Greece (+5.1pp to 33.2%) and Hungary (+3.3pp to 13.4%), while it fell most significantly in in Sweden (-1.7pp to 24.8%), Italy (-1.4pp to 28.2%), and France (-1.0pp to 18.6%). On an annual basis, youth unemployment decreased or remained stable in all Member States but Hungary (+3.3pp), Latvia (+2.6pp), Austria (+2.0pp), and Bulgaria (+0.7pp). The highest overall annual decrease was recorded in Spain (-10.2pp), Estonia (-7.7pp), and Ireland (-7.0pp). The rate of youth unemployment remains very high in some Member States, in particular in Greece (33.2%), Spain (30.3%), and Italy (28.2%).

Unemployment expectations, as measured by the EU Business and Consumer Surveys (BCS), continued to improve in the last months. The Autumn Commission's forecast also revised downwards their unemployment rate projections for the EU, bringing them to 7.1% for 2021, 6.7% for 2022, and 6.5% for 2023.

4. Long-term unemployment and additional potential labour force

The activity rate in the second quarter of 2021 stood at 73.6% for the EU and 73.7% for the euro area, and increased by respectively 0.7pp and 0.8pp compared to the first quarter. In Greece (+2.6pp), Slovenia (+2.4pp), and Ireland (+2.3pp) the activity rate grew significantly, while Estonia (-1.5pp), Romania (-0.7pp), and Bulgaria (-0.6pp) recorded the highest decreases. The differences between the activity rates of men and women went down to 10.4pp (78.8% versus 68.4%, and +0.5pp versus +0.7pp compared to the previous quarter, respectively).

The labour market slack⁵ indicates that in the second quarter of 2021 the total unmet demand for work in the EU shrank to 14.5% of the extended labour force, 1.0pp less than in the first quarter. The decrease of the proportion of people available to work but not seeking a job (-0.6pp to 3.8%) contributed the most to the decline of labour market slack. Unemployment also contracted by 0.2pp to 7.0% of the extended labour force, while the proportion of part-time workers who would like to work more (also called “underemployed”)

⁵ These indicators measure the whole potential demand for employment: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Labour_market_slack_-_unmet_need_for_employment_-_quarterly_statistics

shrank by 0.1pp to 2.9%. Finally, the rate of people “seeking but not available for work” remained stable at 0.8% of the extended labour force.

The share of people aged 15-29 who are neither in employment nor in education or training (NEET) was 13.2% in both the EU and the euro area in the second quarter of 2021. This was 0.6pp lower than the rate observed in the first quarter of the year. The NEET rate decreased most notably in Slovenia (-2.3pp to 6.1%), Belgium (-1.7pp to 9.7%), and Slovakia (-1.3pp to 14.8%), and increased the most in Luxembourg (+4.5pp to 12.9%) and Lithuania (+2.1pp to 14.7%).

Long-term unemployment, which captures people in unemployment for a period spanning over a year or more, increased in the second quarter of 2021 by 0.1pp in both the EU and euro area, standing at 2.9% and 3.3% respectively. The Member States where it rose the most were Portugal (+0.6pp to 3.0%), Spain (+0.5pp to 6.7%), Slovakia (+0.5pp to 3.7%), and Malta (+0.5pp to 1.2%). The strongest reductions were observed in Croatia (-0.5pp to 2.8%), Estonia (-0.4pp to 1.4%) and Luxembourg (-0.4pp to 1.5%). The very long-term unemployment rate, which captures people in unemployment for at least two years, was 1.4% in the EU and 1.7% in the euro area, stable compared to the previous quarter.

5. Labour demand

In the third quarter of 2021, the level of the unmet labour demand, as expressed by the job vacancy rate⁶, was estimated at 2.4% in the EU. This represents an increase of 0.2pp compared to the second quarter of 2021 and of 0.7pp compared to the same quarter in 2020. In the euro area, this indicator was estimated at 2.5%, 0.2pp higher compared to the previous quarter, and 0.7pp compared to one year ago. The job vacancy rate increased in all the sectors, but the phenomenon was more sizable in construction (+1.1pp), information and communication (+1.1pp), and professional, scientific and technical activities and administrative and support service activities (+1.0pp), all three sectors with already higher job vacancy rates than the others (Chart 6).

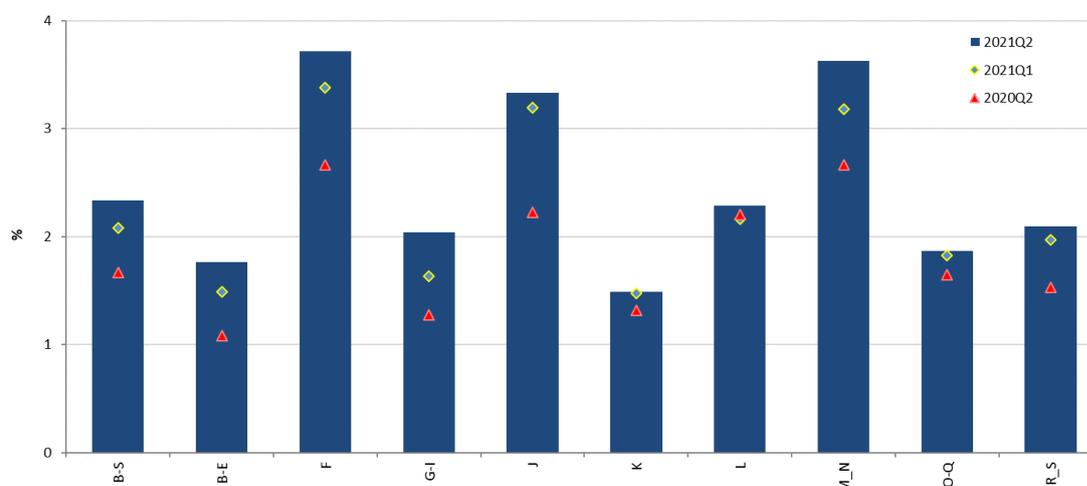
The labour shortage indicator⁷, a sentiment indicator in the manufacturing sector, continued to sharply increase in the fourth quarter of 2021 reaching 23.3%. This is the highest level reached since the beginning of the series (+2.7pp compared to the previous quarter, and +15.1pp compared to one year before), after having dropped to 7.1% in the third quarter of 2020 (the lowest level since the second quarter of 2015) as a consequence of reduced activity during the COVID-19 crisis. Among Member States, in the fourth quarter of 2021, the labour shortage indicator ranged from -0.1% in Cyprus to 46.5% in Malta. The Commission’s Autumn forecast also pointed out the pronounced sectoral differences in levels and trends of labour shortages reported by employers across sectors in Europe. The increase was particularly high in industry in the recent months⁸.

⁶ The Job Vacancy rate is the number of job vacancies divided by the sum of occupied posts and job vacancies. Data for NACE Rev. 2 Sections B to S (Industry, construction and services (except activities of households as employers and extra-territorial organisations and bodies)), data seasonally adjusted. Only 5 countries have available data for the third quarter of 2021. At national level, in the last available quarter, the job vacancy rate ranged from 0.5% in Greece (second quarter) to 5.0% in Czechia (third quarter).

⁷ The indicator presented here is published as part of the EU Business and Consumer Surveys. It reflects to what extent businesses see the availability of labour as a factor that limits production. Data seasonally adjusted.

⁸ European Commission (2021), *Autumn 2021 Economic Forecast: From recovery to expansion, amid headwinds*, https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2021-economic-forecast_en

Chart 6: Job vacancy rates, selected sectors - EU, 2020-2021



Source: Eurostat, Job Vacancy Statistics [jvs_q_nace2]. Seasonally adjusted data. EMPL calculation.

Note: Job vacancy rate = vacancies / (vacancies + occupied posts)

NACE rev2: B-S Industry, construction and services (except activities of households as employers and extra-territorial organisations and bodies); B-E Industry (except construction); F Construction; G-I Wholesale and retail trade, transport, accommodation and food service activities; J Information and communication; K Financial and insurance activities; L Real estate activities; M-N Professional, scientific and technical activities; administrative and support service activities; O-Q Public administration, defence, education, human health and social work activities; R-S Arts, entertainment and recreation; other service activities.

HU and IT missing. FR: Firm size >10. AT: B-E, F, G-I, J, K, L, M-N, O-Q, R-S missing; DK: B-S, O-Q, R-S missing; EE: B-S, K, L, R-S missing; IE: K, L missing; PT: L missing.

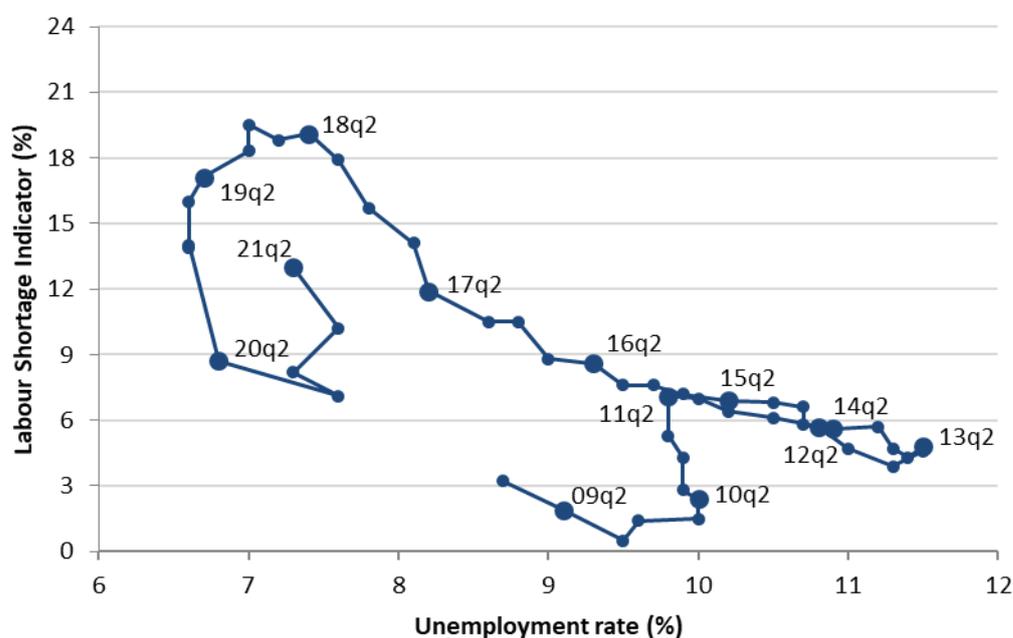
[Click here to download chart.](#)

The Beveridge curve⁹ shows the continuing rise of labour shortages since the fourth quarter of 2020 onwards¹⁰. Before the COVID-19 crisis and until the third quarter of 2020, a decrease in labour shortages could be observed in the Beveridge curve (Chart 7). This was driven by the health crisis, which led to reduced employers' needs in terms of workforce and, in turn, to a decrease in the number of new contracts or hours worked, and in an increase in unemployment. Monthly data, available until October 2021, show that the unemployment rate was rather stable during the second semester of 2020 and starting to decrease after February 2021 (7.5%) until October 2021 (6.7%) (see section 3 for more information), while the most recent figures on labour shortages show a sharp rise (see above). Consequently, the Beveridge curve is likely to point towards a tighter labour market in the second semester of 2021.

⁹ The Beveridge curve plots the unemployment rate against the labour shortage indicator.

¹⁰ Data seasonally adjusted.

Chart 7: Beveridge curve 2008-2021 – EU



Source: Eurostat, LFS and European Commission, EU Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]. Data seasonally adjusted.
Note: Labour Shortage Indicator (LSI), derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production).
[Click here to download chart.](#)

In the second quarter of 2021 in the EU¹¹, compared to the previous quarter, 96.0% of employees remained in work and 24.2% of unemployed transitioned towards employment. At national level, the share of people remaining employed ranged from 93.9% in Finland to 98.5% in Bulgaria and the share of unemployed transitioning towards employment ranged from 8.3% in Bulgaria to 42.6% in Denmark. Conversely, the rate of people still in unemployment from the first quarter to the second quarter oscillated between 35.2% in the Netherlands to 82.9% in Slovakia¹². Finally, 1.5% of inactive people changed status in Bulgaria (0.5% towards employment and 1.1% towards unemployment¹³) and that was the case of 16.2% inactive people in Ireland (10.2% towards employment and 6.0 towards unemployment)¹⁴. Part II analyses in details the transitions during 2020.

6. Income and financial situation of households

In the second quarter of 2021 in the EU, the financial situation of households rebounded and reached for the first time a higher level than before the COVID-19 crisis¹⁵. The crisis led to a drop in the real gross disposable income of households per capita (real GDHI) in the second quarter of 2020, which was the first decline

¹¹ People aged 15-74, data seasonally adjusted excluding Malta. Germany was included in 2021. Due to methodological changes, data cannot be compared to results before 2021. Figures for the second quarter of 2021 are the first ones since the entry into force of the new regulation on social surveys and the inclusion of Germany in transition data.

¹² In the EU: 54.6% of unemployed remained in unemployment, 21.2% goes into inactivity.

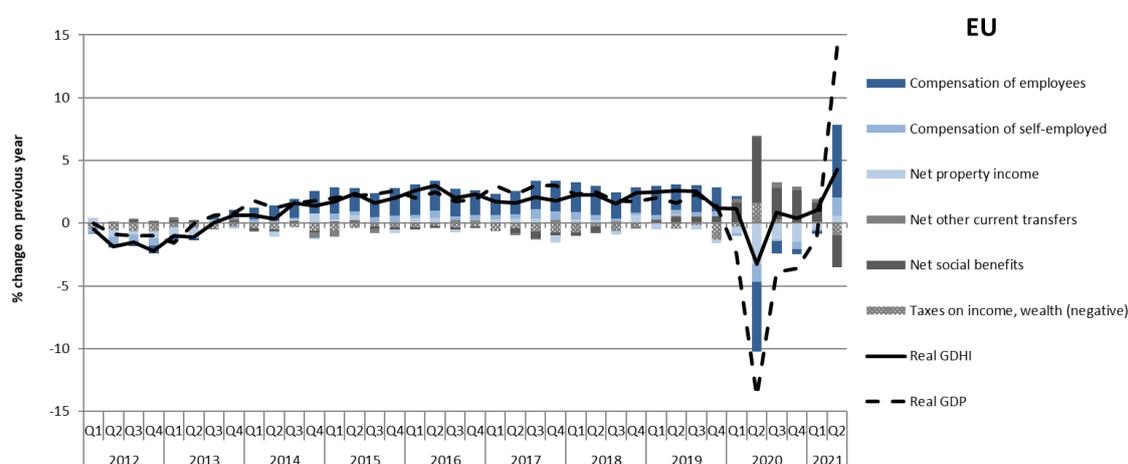
¹³ Sum not equal to 1.5% because of rounding.

¹⁴ In the EU: 8.7% inactive people transitioned (4.9% towards employment and 3.8% towards unemployment).

¹⁵ In the EU, the real GDHI per capita reached 111.4 in 2021Q2 (index 2012=100, non-seasonally adjusted data). It was at 110.6 in 2020Q1 and dropped at 109.6 in 2020Q2.

since the second quarter of 2013. Following this, real GDHI started to grow again. By the second quarter of 2021, it was 4.3% higher than its level of the previous quarter, mostly due to a high positive contribution of compensation of employees (5.8%) to GDHI and a significant growth of compensation of self-employed (1.4%). It is the first time since the beginning of the crisis that these components contribute positively to the growth of real GDHI. From the second quarter of 2020 to the first quarter of 2021, income losses were mitigated by redistributive policies, broadly supported by the EU measures such as the SURE instrument: whereas GDP fell by 13.8% in 2020 Q2 and remained negative up to 2021 Q2, real GDHI decrease by just 3.3% in 2021 Q2 and turned positive since then, thanks to social benefits and other transfers. In the second quarter of 2021 and similar to the situation before the crisis, the main driver of the improvement of GDHI was again employment related income. At the same time, taxes on income and wealth (-1.0%) and net social benefits (-2.6%) started to have a negative impact on the growth of the real disposable income (Chart 8).

Chart 8: Real GDP growth, real GDHI growth and its main components, 2012-2021



Source: Eurostat, National Accounts, unadjusted data [namq_10_gdp, nasq_10_nf_tr] (DG EMPL F.4 calculations)

Note: GDHI EU aggregate for Member States for which data are available, GDP for EU.

[Click here to download chart.](#)

The change in real GDHI per capita year-over-year was positive in most EU countries. In the second quarter of 2021 and on a yearly basis, out of 16 EU countries with available information, the real GDHI per capita¹⁶ rose in 13 Member States. The increase ranged from 1.7 points in Czechia (latest data Q1) to 15.1 points in Italy. Only three EU countries experienced a decrease in GDHI: -0.7 point in Slovenia, -1.1 points in Poland and -3.5 points in Hungary.

The proportion of people reporting financial distress slightly decreased between the April 2020 peak at 13.7% and November 2021, reaching 12.4%¹⁷. Reported financial distress¹⁸ is defined as the need to draw on savings or to run into debt to cover current expenditures, based on personal perceptions. This result can be counter-intuitive when put side-by-side with the sharp fall in real GDHI in 2020 Q2¹⁹. Against this background, there are two trends that could explain the reduction of the share of financially distressed households during the crisis: a lower expenditure and a higher saving rate as shown by national accounts figures on household final consumption expenditure and gross household saving rate.²⁰ In November 2021, 9.1% of the population (-0.8pp

¹⁶ Index 2012 = 100. Considering that the data are not seasonally adjusted these figures can change from quarter to quarter.

¹⁷ Moving average over 12 months.

¹⁸ For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of households, see http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

¹⁹ After a fall of 3.3%, real GDHI started to recover in the third quarter of 2020 with an increase of 0.8%. See above for more details.

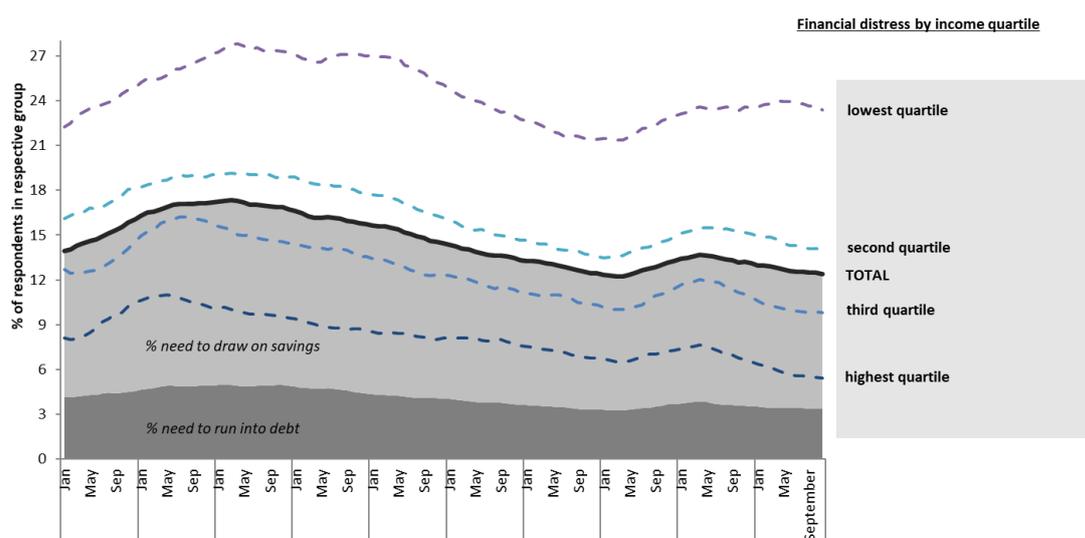
²⁰ Eurostat (2021), *Impact of Covid-19 crisis on non-financial corporation and household accounts*, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_Covid-19_crisis_on_non-financial_corporation_and_household_accounts

compared to the peak in April 2020) declared the need to draw on savings or to run into debt (3.4%; -0.5pp) (Chart 9).

Financial distress remained low for the wealthiest households, while at a high level for those on low incomes. In November 2021, this indicator reached 23.4% for the lowest quartile of incomes, in contrast with 5.5% for the wealthiest quartile. The second quartile was at 14.1% and the third one was at 9.8%. Since the beginning of the COVID-19 crisis, the decrease was more pronounced for the most affluent households. The third and the fourth quartiles reported both a drop in financial distress of -2.2pp, compared to the peak in April 2020, while it decreased only by 0.2pp for the lowest quartile at the same time (Chart 9).

Reported financial distress decreased or remained stable for the lowest income quartile in most of the EU countries, but a large diversity in levels and trends persists. In the third quarter of 2021, and on a yearly basis, financial distress increased in several countries for the poorest households, especially in Hungary (+14.4pp; at 35.4%), Austria (+7.9pp; at 25.8%), Czechia (+5.5pp; at 16.5%), Sweden (+5.0pp; at 14.5%) and Estonia (+3.6pp; at 5.7%). On the other hand, the most consistent decreases were recorded in Belgium (-26.4pp; at 14.3%), the Netherlands (-10.0pp; at 16.8%), Bulgaria (-8.6pp; at 8.6%), Greece (-5.5pp; at 13.0%), Slovenia (-4.6pp; at 11.3%) and Poland (-4.6%; at 20.2%). Estonia (5.7%) and Bulgaria (8.6%) were the only two countries with levels below 10%, while Spain (31.4%) and Hungary (35.4%) experienced levels above 30%.

Chart 9: Reported financial distress by income quartile – EU, 2012-2021



Source: European Commission, Business and Consumer Surveys, unadjusted data, 12-month moving average (DG EMPL calculations).
Note: Lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey areas, which together represent total financial distress.
[Click here to download chart.](#)

Part II – Thematic focus

Labour market transitions of employed persons in 2020

The lockdowns following the outbreak of the pandemic strongly affected the European output in 2020. At the same time, the reduction in employment was mitigated by public policies at both national and European levels. The short-time work schemes (STW) helped reduce the impact on the labour market²¹, but some categories of workers struggled substantially more than others. In fact, the first wave of the crisis deeply affected less educated workers²², young, and foreign²³ workers²⁴, especially during the second quarter of 2020. This was analysed in ESDE 2021, with data until the second quarter of 2020. In this ESDE Quarterly Review, newly available data until the fourth quarter of 2020 is analysed and adopt an improved analytical approach allowing us to compare the labour market performance among the different socio-economic groups.

Since the activity slump in the second quarter of 2020, the situation has improved for most categories of workers, as revealed by the labour market transitions²⁵ estimated by Eurostat based on quarterly data.²⁶ The indicators of labour market transition show the probability of movements of persons employed the preceding quarter towards employment²⁷, unemployment and inactivity²⁸.

Table 1 reports the latest available estimations for the EU in the fourth quarter of 2020. The breakdowns allow to compare the transition probabilities among different socio-economic categories of workers. Overall, the workers have 74% chance of remaining in full employment, 14% of working less, 10% of being “Employed, absent from work”, 1% of becoming unemployed and 3% of moving into inactivity. There are no major differences among the different groups in terms of employment, while the transitions into unemployment and inactivity seem to concern mainly young (6%) and less educated workers (3%) as well as those on temporary contracts (6%).

Table 1: Labour market transitions in Q4/2020 – EU - percentage

	Employed, neither absent nor working less than usual hours	Employed, worked less hours than usual	Employed, absent from work	Unemployed	Outside the labour force
Overall	72	14	10	1	3
Gender					
women	74	14	8	1	2
men	70	13	12	1	3
Age					

²¹ For example, Fischer and Schmid (2020) show that unemployment has not increased even more dramatically in the EU due to the extensive use of short-time work.

²² The three different levels of educational attainment correspond, following the International Standard Classification of Education (ISCED) system, to the level of formal education achieved by the person: i) pre-primary, primary and lower secondary (ISCED 0–2) for low level; ii) upper secondary and post-secondary non-tertiary (ISCED 3–4) for medium level and iii) first and second stage of tertiary (ISCED 5–6) for high level.

²³ The huge impact on immigrants mainly depend on the fact that they are largely overrepresented in sectors strongly affected by the pandemic (OECD, 2020).

²⁴ Weber and Neupert, 2021.

²⁵ For a technical discussion on the underlying econometric model and its interpretation, see Kiiver and Espelage (2016) and Fulvimari, Grzegorzewska and Salanauskaitė (2016).

²⁶ EUROSTAT calculates labour market transitions based on EU-Labour Force Survey (LFS) longitudinal data as experimental statistics. They are probabilities estimated by evaluating margins at the mean after a multinomial logit regression, matching quarterly data sets for individuals who are interviewed twice in two consecutive quarters. <https://ec.europa.eu/eurostat/web/experimental-statistics/labour-market-transitions>

²⁷ Beside the full employed, there are other two different status of employment regarding the number of hours usually worked and the absence from work.

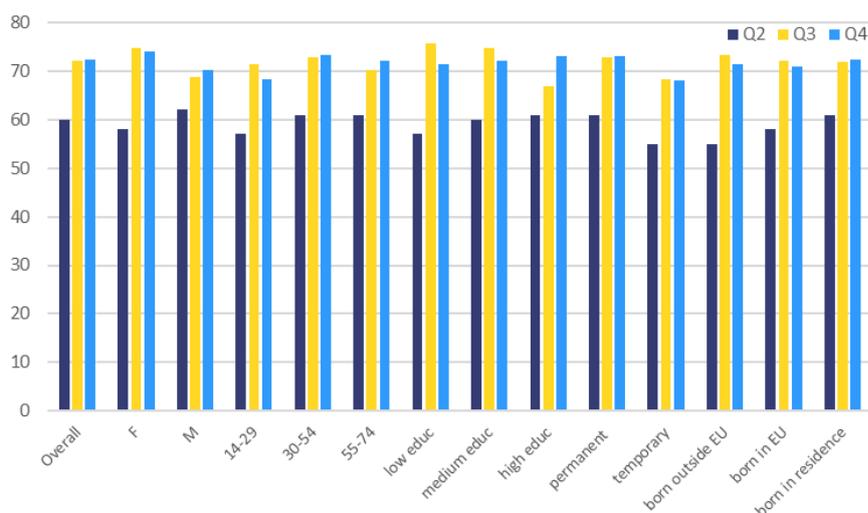
²⁸ The status of “Outside the labour market”.

14-29	68	12	11	3	6
30-54	73	14	10	1	1
55-74	72	13	10	1	4
Educational Attainment					
low	72	13	10	2	3
medium	72	14	10	1	3
high	73	14	10	1	2
Contract					
permanent	73	14	10	1	2
temporary	68	12	8	6	6
Born					
outside EU	72	12	12	2	3
in EU	71	12	12	2	4
in country of residence (EU)	72	14	10	1	3

Source: DG EMPL elaboration on Eurostat estimations

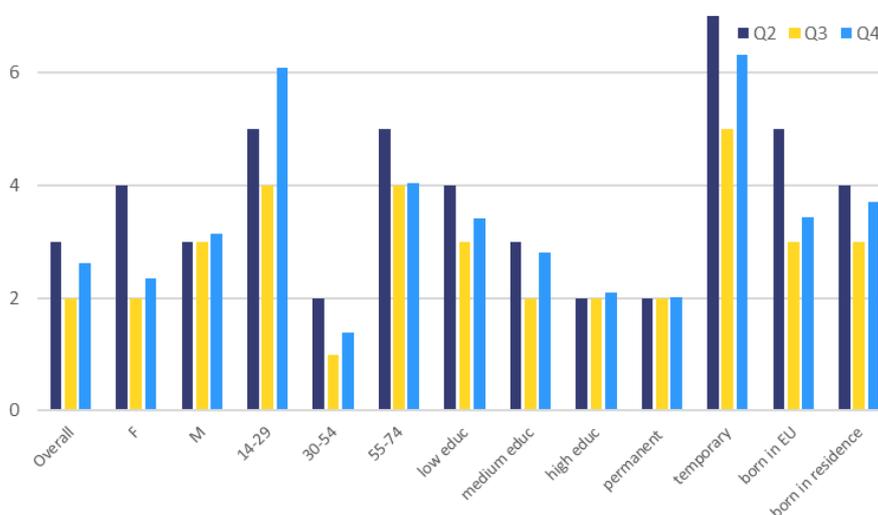
Focusing on the capacity of preserving jobs, based on Chart 10, which shows the probability of staying in full employment over the last three quarters of 2020, it emerges: **first, all groups were faring better in the third and fourth quarters of 2020 compared to the second quarter. Second, workers with temporary contracts and young have continued to face more difficulties.** These two groups are also those who were most at risk of being pushed out of the workforce (Chart 11). Notably, in the fourth quarter of 2020, 6.1% of the young and 6.3% of temporary workers moved from employment into inactivity.

Chart 10: Labour market transitions to “Employed, not absent or working less than usual hours” – EU in 2020 – percentage



Source: DG EMPL elaboration on Eurostat estimations

Chart 11: Labour market transitions to “Outside the labour force” – EU in 2020 - percentage



Source: DG EMPL elaboration on Eurostat estimations

Looking at the probabilities of labour market transitions compared to the same quarter of the previous year **Table 2** reports, for the EU and by group of workers, the labour market transitions in the second quarter of 2020, from the initial status of employed in the previous quarter, compared to the same quarter in 2019. The Employment and Social Developments in Europe (ESDE) 2021²⁹ showed that, **although the overall probability of preserving full employment dropped by 12 percentage points (pp), some socio-economic groups suffered an even sharper decline: workers aged 14-29 (-13pp), workers with low educational attainment (-19pp), under temporary contracts (-15pp) and born outside EU (-20pp)**. At the same time, there are no major differences regarding the gender of the workers. The figures also reflect the large use of STW schemes across all categories of employed persons that were absent from work³⁰, notably among lower skilled (+15pp) and non-EU workers (+14pp). **Data suggest that the pandemic mainly affected the vulnerable groups of workers, although public policies allowed preserving many jobs, notably by increasing the number of people, who were employed but absent from work.**

Table 2: Labour market transitions in Q2/2020 compared to Q2/2019 by groups of workers – EU - pp

	Employed, not absent or working less than usual hours	Employed, worked less hours than usual	Employed, absent from work	Unemployed	Outside the labour force
Overall	-12	1	10	1	1
Gender					
women	-13	1	10	1	2
men	-12	1	8	1	2
Age					
14-29	-13	0	10	1	2
30-54	-12	2	9	0	1
55-74	-11	0	8	0	2

²⁹ European Commission. (2021) Employment and Social Developments Annual Review.

³⁰ All types of absences from work are included, not only those due to temporary lay-off that could be completely attributed to COVID-19.

Educational Attainment						
low	-19	1	15	0	2	
medium	-13	0	10	1	2	
high	-9	2	6	0	2	
Contract						
permanent	-12	1	10	0	1	
temporary	-15	0	9	1	3	
Born						
outside EU	-20	1	14	1	3	
in EU	-16	2	10	0	1	
in country of residence (EU)	-11	1	9	0	1	

Source: DG EMPL elaboration on Eurostat estimations

The picture dramatically improved at the end of 2020, where the figures from the fourth quarter (Table 3) indicate that the probability of transitions returned to levels similar to 2019. The probability of staying in full employment, declined by 3pp compared to the same quarter of 2019, while the probability of being employed but absent from work increased by +3pp.

Table 3: Labour market transitions in Q4/2020 compared to Q4/2019 by groups of workers – EU - pp

	Employed, neither absent nor working less than usual hours	Employed, worked less hours than usual	Employed, absent from work	Unemployed	Outside the labour force
Overall	-3	0	3	0	0
Gender					
women	-3	0	3	0	0
men	-3	0	3	0	0
Age					
14-29	-2	-1	3	0	0
30-54	-3	0	3	0	0
55-74	-3	0	2	0	0
Educational Attainment					
low	-5	1	3	0	0
medium	-4	0	4	0	0
high	-1	-1	2	0	0
Contract					
permanent	-3	0	3	0	0
temporary	-1	0	2	0	0
Born					
outside EU	-5	0	4	0	1
in EU	-5	0	5	0	1
in country of residence (EU)	-3	0	3	0	0

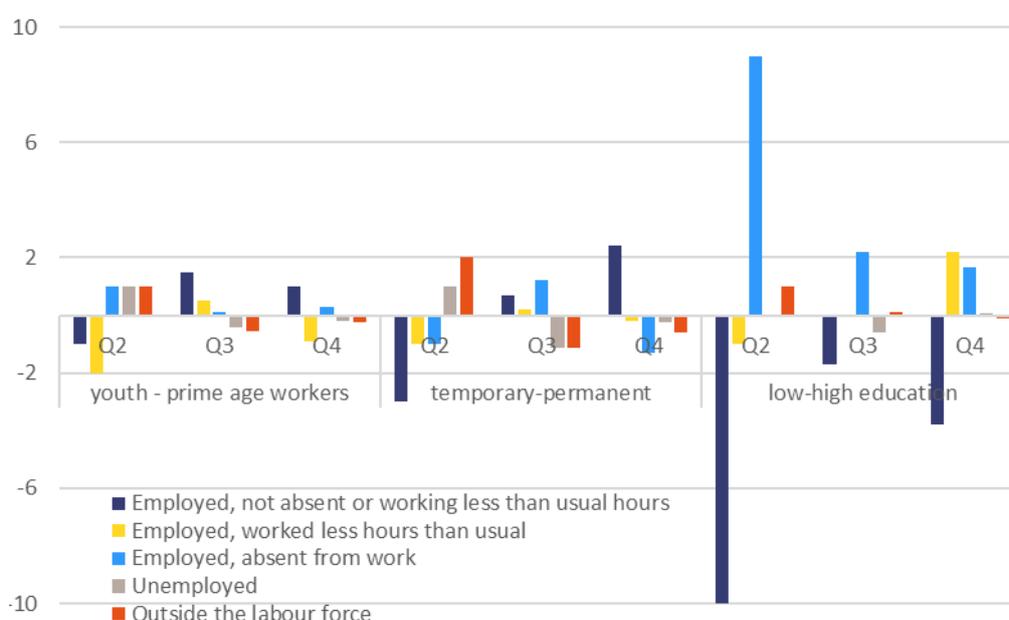
Source: DG EMPL elaboration on Eurostat estimations

Although the situation had improved by the fourth quarter of 2020 for most categories of workers, the less educated workers continued to be strongly affected. Following this approach and contrary to what previous figures suggest (notably Chart 11), at first view young workers do not seem to suffer more than other categories, suggesting the need for a deeper analysis.

Chart 12 looks at the pattern of labour market transitions over time of the workers aged 14-29 against those in prime-working age (30-54) through the difference-in-difference (DID) probabilities by , taking, first, the difference between labour market transitions for the same quarter of the two years (2020 – 2019) and, second, the difference between the two age groups (youth – prime-age workers). Compared to the previous year, there does not appear to be a major difference between the performances of workers with respect to the age group. In other words, the same kind of dynamics penalising the youth in 2020 were also observed, in relative terms, during the 2019. Actually, the labour market for young is always highly sensitive to the economic cycle.³¹ **Therefore, a careful look at of the figures suggests that, relative to 2019, the first year of pandemic has affected workers with lower education more severely than the young and those on temporary contracts.** Moreover, workers on temporary contracts fared worse in the second quarter in 2020 , relative to those on permanent ones. However, their situation improved at the end of the fourth quarter as visible in chart 12. On the contrary, workers with a **low level of education**, compared to those with higher level, have continued to struggle, in spite of the support provided by the STW arrangements. Moreover, they were the worst hit by the first wave of the pandemic in the second quarter of 2020.

Overall, the analysis shows that less educated workers have been exposed to an exceptionally higher risk of being left behind during the crisis compared to other socio-economic groups. They might require further attention until activity returns to its pre-crisis level. However, it is worth keeping in mind that these data refer to the year 2020, and only to the labour market transitions from the status of employment, not those from the other labour market statuses. This represents the most relevant analytical approach for the year 2020, where GDP declined sharply and there was limited sectoral reallocation of workers.

Chart 12: DID labour market transitions by age, type of contract and education and quarters 2020 vs 2019 - EU - pp



³¹ Weber and Neupert, 2021.

Source: DG EMPL elaboration on Eurostat estimations

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Annexes

- 1) Quarterly recurrent Excel file with main charts
- 2) Excel files with charts per Member State and for the EU and euro area
 - i. Employment growth by sectors
 - ii. Beveridge curves
 - iii. Real GDP growth, real GDHI growth and its main components
 - iv. Real GDP growth, real GDHI growth, employment growth and unemployment rates

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