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

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

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

Together with the goals set out in the European Pillar of Social Rights and the associated action plan, these investments aim to contribute to broadening labour market participation, increasing productivity through reskilling and upskilling and overall labour resilience. The targets of 78% employment and 60% of adults participating in training every year by 2030 will be achieved through a variety of social investment policies and reforms, which include a directive on adequate minimum wages, a reinforced youth guarantee and revised European mobility regulations. Concrete actions also include the Recommendation on Effective Active Support to Employment (EASE) following the COVID-19 crisis, which incentivises Member States to develop active labour market policies with funding from the Recovery and Resilience Facility. These plans are vital in the context of the COVID-19 adjustments to European labour markets, and new pressures stemming from geopolitical transformations and supply chain bottlenecks.

Key findings
- Following a sharp fall in employment caused by the pandemic, by 2021 employment levels in the EU had almost fully recovered to pre-pandemic levels.
- The recovery in employment levels was faster for women than for men. In the last quarter of 2021, there were an additional 2.5 million women in employment compared with the same quarter of 2020.
- The use of furloughing schemes sharply declined, with the share of workers on furlough returning to work close to pre-crisis levels in late 2021.
- Growing labour market shortages are affecting production and service delivery across the EU. While such shortages are affecting a range of economic sectors, including construction, healthcare, and information and communications, they are most severe in the accommodation and food service activities sector.
There were 1.4 million fewer workers in three key sectors – wholesale and retail trade, accommodation and food service activities, transport and storage – in the last quarter of 2021 compared to the last quarter of 2020.

Professionals remain the fastest-growing occupational group in the EU, with a 6% year-on-year growth in employment in the last quarter of 2021.

Employment loss continued to be concentrated in the lowest job–wage quintile and was especially high among low-paid female workers.

In terms of aggregate job quality, both male and female employment grew sharply in well-paid, knowledge-intensive sectors and declined in low-paid, in-person service sectors over 2019–2021, implying an ‘upgrading’ reallocation of labour. Employment losses in low-paid jobs have been compensated for by employment gains in well-paid jobs.

Service sectors account for nearly all of the net employment growth at the top of the wage distribution. Private service sectors were responsible for most new top-quintile jobs, while state-paid service sectors were predominantly responsible for the growth in the second-top wage quintile.

Retail salespersons – the job employing the most people in the EU, accounting for more than 1 in 20 workers – have been most affected by the pandemic. Around two in three job losses were among female workers in this predominantly female job. The combined category of personal service workers/sales workers in the accommodation and food service activities sector shed 649,000 jobs.

Teleworking continued to spread in 2021. However, the incidence of teleworking continued to be unequally distributed across occupational groups. The share of employees working remotely remained high in white-collar occupations and low in blue-collar occupations, a trend already visible at the peak of the pandemic.

**Policy pointers**

The increase in labour market shortages in the aftermath of the pandemic highlights the need for effective social investment and active labour market policies that build skills and enhance access to employment. Ensuring good-quality jobs, either through regulatory instruments or collective bargaining, can contribute to alleviating labour shortages.

Youth employment and employment for workers in low-paid jobs have still not returned to pre-pandemic levels. These groups are more likely to experience poor living conditions and to be at risk of material deprivation and social exclusion. Given the current inflationary pressures, the policy focus should be on providing support through social protection and assistance schemes.

Given the long-term shift to teleworking, national regulations around the use of telework need to be updated and modernised. As of July 2022, the European social partners have pledged to review and update the 2002 Framework Agreement on Telework and to work towards a legally binding agreement implemented through a directive.

**Further information**

The report Recovery from COVID-19: The changing structure of employment in the EU is available at http://eurofound.link/ef22022

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