

Building an Inclusive Future for Workers in Europe

Ongoing trends in labor markets (automation and digitalization) will lead to loss of ~20 million jobs in the future. The COVID-19 pandemic has accelerated these developments, while at the same time uncovering that social safety nets have not kept up with the needs.

Key Problems in European Labor Markets

- Geographical disparities in job growth
 - o Dynamic hubs such as capital cities will account for ~50% of job growth in future whereas shrinking regions inhabited by 1/3 of European citizens will account only for 12%
 - o Side effects in such shrinking regions: aging population as youth migrates to hubs, high public spending
 - o Agglomeration is decelerated through digitalization (remote working) but benefits of economic clusters prevail
- Skill mismatch in labor market supply and demand
 - o Disappearing jobs in declining industries
 - o Lack of digital literacy
 - o Oversupply of college graduates vs. high demand for trade workers
- Positive correlation between job and health risks: COVID-19 exacerbates inequality
 - o 58.5 million Europeans (27% of workers) hold double risk jobs: increased chance of contracting Covid-19 and increased risk of job loss
 - o Characteristics: temporary contracts, low level of education, held by youth, immigrants

Suggested Policy responses

- Transform short-term COVID emergency response schemes (short-time work, employment protection) to targeted policies in the hardest hit sectors and youth labor market entry
- Extend safety nets: invest in good health infrastructure and efficient social protection schemes to prevent spread in poverty
- Provide training in digital skills to support workers' transitions to growing industries
- Shorten duration of (re-)training programmes from years to months
- Adapt policies to features of regional labor markets

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