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The pandemic and the labour market in CEE: Impact and structural changes

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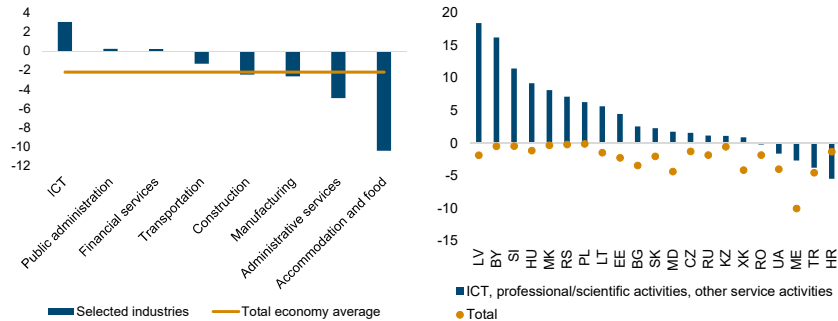
Pandemic has caused two types of labour market shocks in Europe and CEE:

1. "Traditional" labour market shock: Those who lost jobs, and in many cases became inactive, during the crisis. Can take a long time to return to labour market.
2. Shock specific to the pandemic: Changes in technology, work organisation, international supply chains etc – structural shifts in labour demand (in both directions).

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Measurable impact of these shocks so far highly differentiated, across sectors and countries...

Change in employment, %, 2020; CEE total by selected industry (left), and selected breakdown by country (right)



Source: National sources, Eurostat, wiiw. <https://wiiw.ac.at/the-uneven-effect-of-the-pandemic-on-cesee-labour-markets-n-525.html>.

...and also across gender, skills and age

Gender: No clear increase in inequality in 2020 (Estonia case-study)

- In early part of the pandemic, working mothers saw big decline in employment rate and hours worked.
- In 2020 overall, gender inequality did not increase (in terms of employment rates, wages and working hours). Higher returns to education and teleworking.
- For women with young children and/or employed in those industries most affected by pandemic, gender inequality may well rise in the coming years.

Skills: Lower-skilled workers suffered relatively much more:

- Regions in Europe with higher share of lower- and medium-educated workers saw relatively greater decline in employment in 2020.

Age: Youth have also suffered disproportionately greater declines in employment across Europe

Sources: <https://wiiw.ac.at/gender-gaps-in-employment-wages-and-work-hours-assessment-of-covid-19-implications-p-5827.html>
<https://wiiw.ac.at/the-covid-crisis-occupational-impacts-in-eu-economies-and-policy-suggestions-p-5988.html>.

Impact of the green transition: Will create new jobs, but major structural change to labour markets

- Even pre-pandemic, rapid employment growth in green jobs in CEE, higher than in Western Europe.
- But this is a major transition: European Commission sees negative labour market impact in worst-case scenario.
- Transition costs: Many CEE regions show limited potential to replace jobs linked to coal.

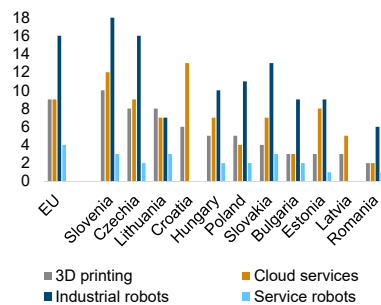
Employment vs. baseline, 2030			
	Lump sum transfers Perfect labour market Profit maximisation Free allowances	Lump sum transfers Imperfect labour market Market share max. Free allowances	Tax recycling Imperfect labour market Market share max. Free allowances
Low skill levels	0.08	-0.17	0.15
Medium skill levels	0.01	-0.25	0.08
High skill levels	-0.04	-0.31	0.00

Source: JRC-GEM-E3 model, using CEDEFOP forecast

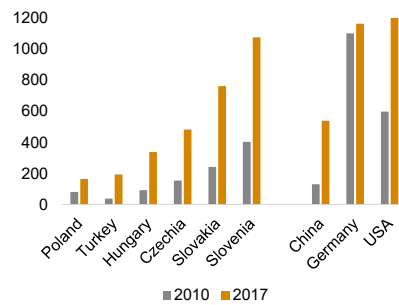
Sources: European Commission, <https://wiiw.ac.at/avoiding-a-trap-and-embracing-the-megatrends-proposals-for-a-new-growth-model-in-eu-cee-p-5987.html>.

Demographic decline being met by rapid increases in digitalisation and automation, pandemic will accelerate this

Share of enterprises using ADP technologies in manufacturing in 2018, %



Estimated number of multipurpose industrial robots per 10,000 people employed in the automotive industry



Sources: Eurostat, IFR, wiiw, https://www.oenb.at/dam/ocr:02851c10-fcbb-4d1f-b056-5095d246e2dc/11_Demographic_decline_feei_2018_q3.pdf.

The policy agenda

- Need to move workers from declining occupations to new areas of growth, retraining and marginal employment subsidies should form the central part of this strategy.
- But training will not solve all challenges. Also need to provide jobs for low- and medium-educated workers at their skill levels.
- Specific programmes for youth employment, which has now suffered two big negative shocks in 12 years.
- Government support schemes were very important in maintaining employment in 2020 and managing transition – this should continue, but will become more challenging as rising interest rates force fiscal consolidation.

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