LABOUR MARKETS IN THE POST-PANDEMIC ERA: WHAT SHOULD POLICYMAKERS DO?

Dr. Iva Tomić
Croatian Employers' Association

COVID-19 AND LABOUR MARKETS

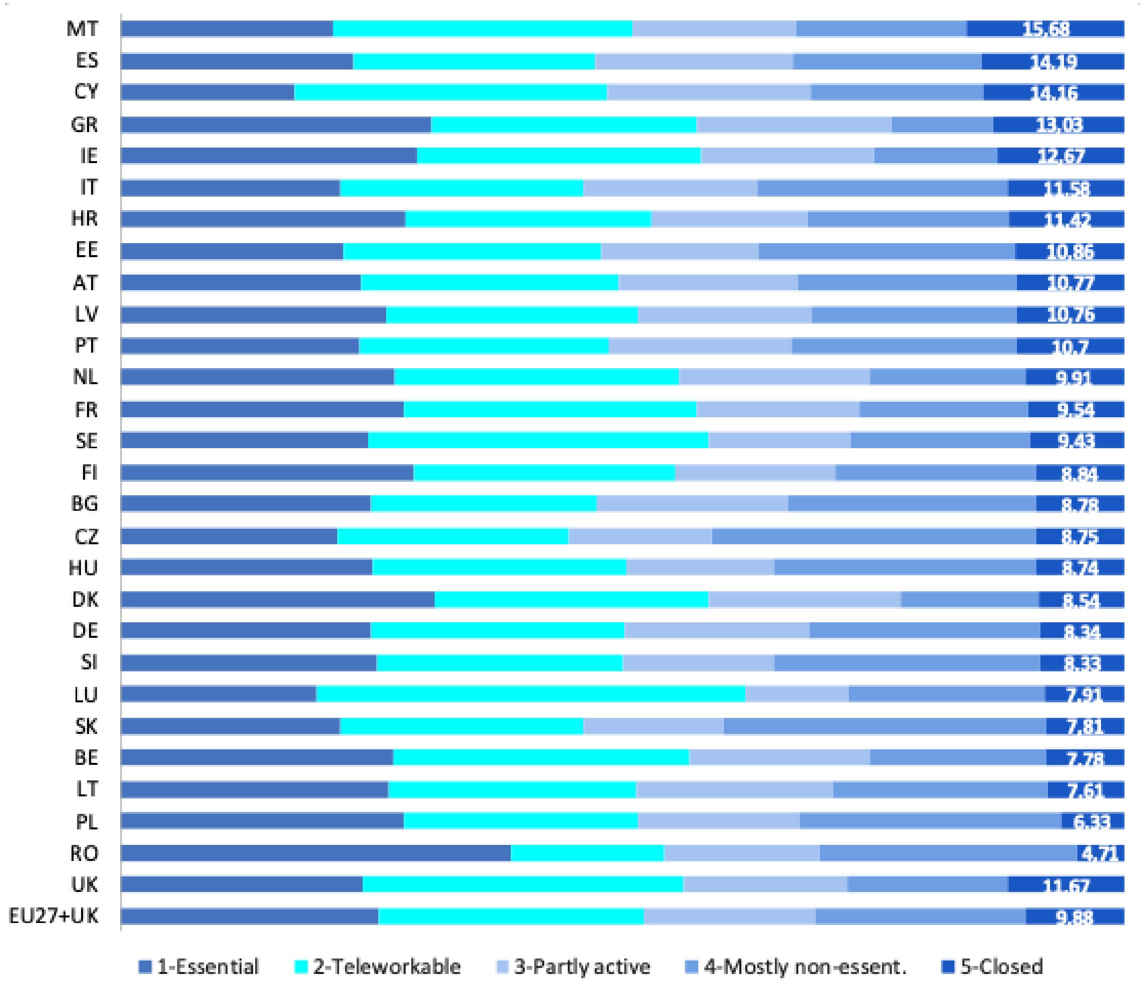
What happened?

COVID-19 IMPACT ON LABOUR MARKETS

- **Heterogeneous impact**
  - Leisure and hospitality sectors as main ‘victims’ of lockdowns
  - **Essential occupations!**
  - Rise of the gig economy
  - Remote work (where possible)
  - The most vulnerable were hit harder (immigrants, youths, women - lower job remotability, temporary contracts, …)
    - *The pandemic has exacerbated pre-existing inequalities* (Cortes and Forsythe, 2022).

- Different effects in different countries!

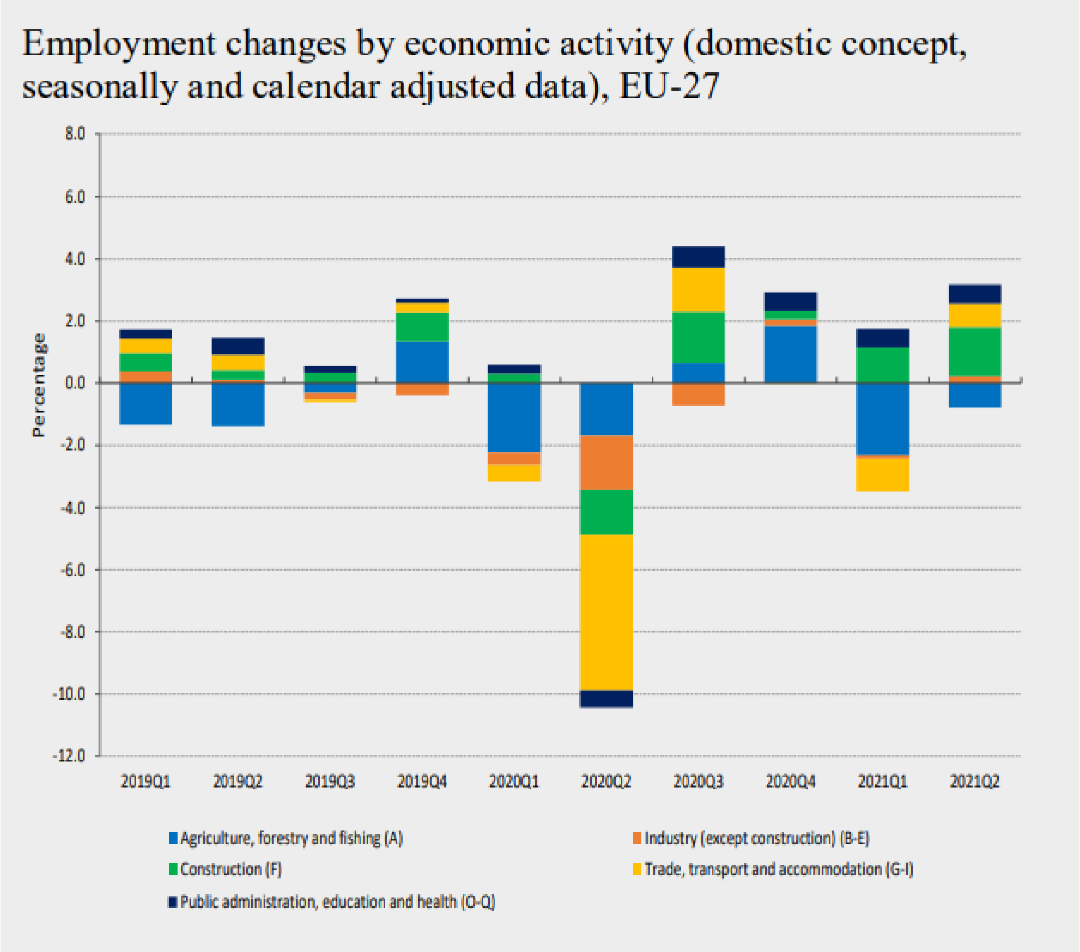
COVID-19 IMPACT ON LABOUR MARKETS



- Fana et al. (2020) - 5 categories of sectors according to the likely impact of the confinement measures on the EU-level:
  1. essential and fully active
  2. active but via telework
  3. mostly essential and partly active, but not teleworkable
  4. mostly non-essential and inactive, not teleworkable
  5. closed

The distribution of employment across the 5 categories of sectors, defined by likely impact of COVID crisis.
Source: Fana et al. (2020).

COVID-19 IMPACT ON LABOUR MARKETS

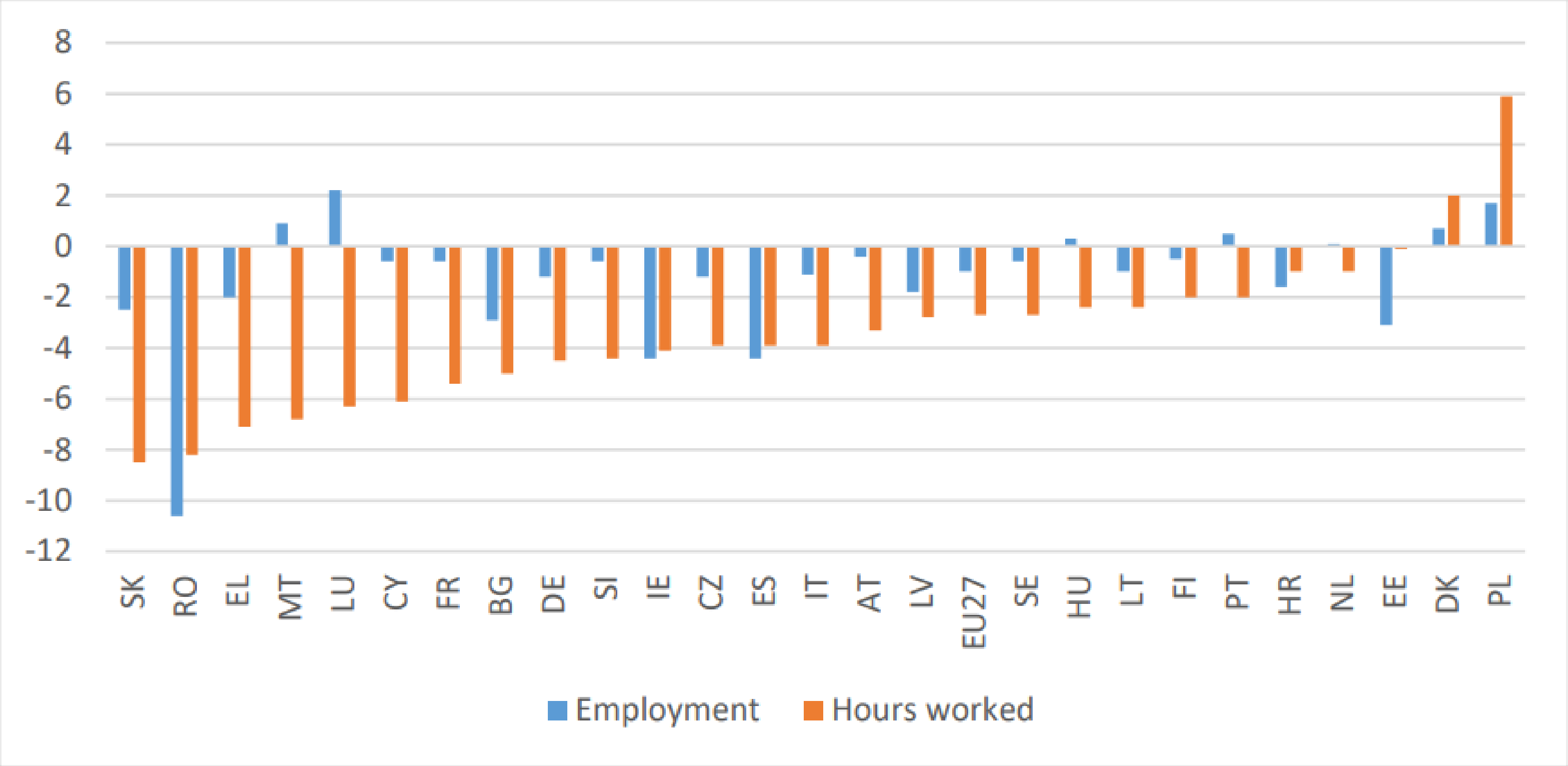


- Highest employment growth rates since Q2-2020 in construction, public administration and ICT activities
- Lowest employment growth rates since Q2-2020 in wholesale and retail trade, arts and entertainment and agriculture
- 1.6 million fewer employees (20-64) on temporary contracts in Q2-2021 compared to Q2-2019

COVID-19 impacted differently across sectors and types of workers.
Source: EC (2021).

COVID-19 IMPACT ON LABOUR MARKETS

Change in total employment and total hours worked between Q4-2019 and Q2-2021 (in %)



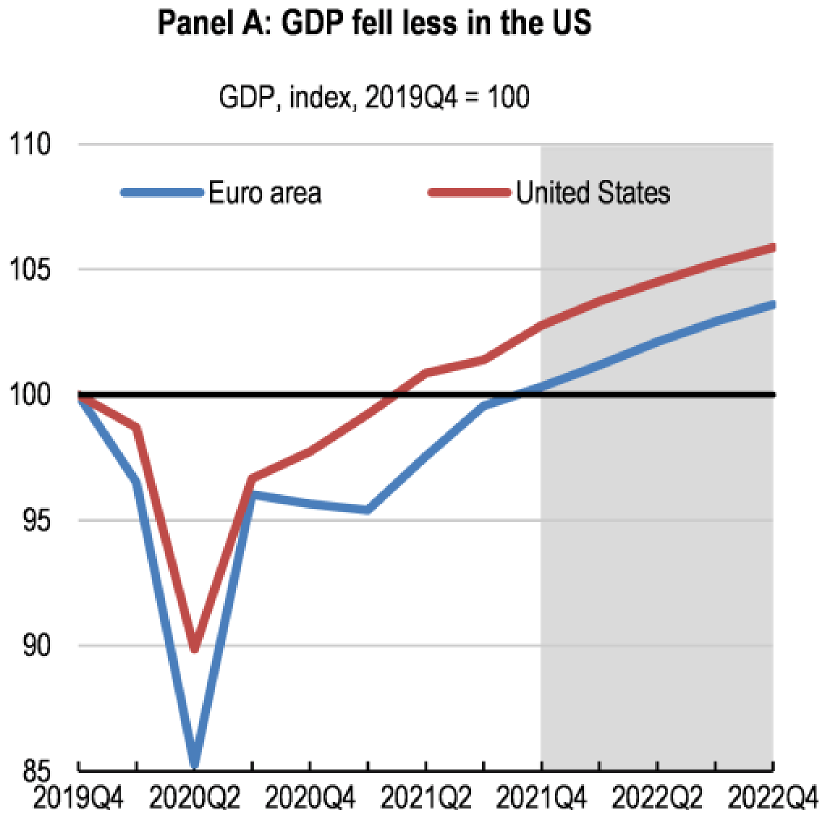
Most Member States recorded a significant fall in employment and total hours worked.
Source: EC (2021).

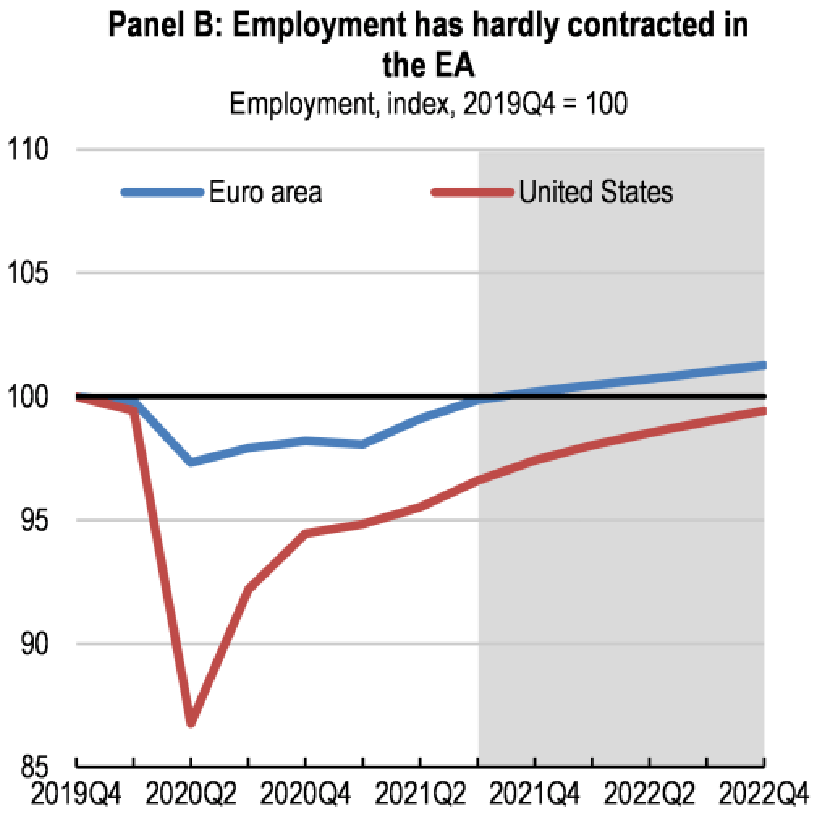
COVID-19 IMPACT ON LABOUR MARKETS

- **Policy responses**
  - Job retention measures
    - Furlough schemes / short-time working schemes (Europe?)
    - “temporary layoff” scheme (US?)
  - Direct income support
    - through tax credits and by extending and topping up unemployment benefits (US?)
  - Loans for companies
  - Financial/tax reliefs
  - …

  - EU-level response
    - *NextGenerationEU*
    - *SURE instrument*
    - *REACT-EU*

COVID-19 IMPACT ON LABOUR MARKETS





- *The euro area has successfully preserved income and jobs, keeping them in line with their pre-crisis level.*
- *Employment, participation and hours of work, on aggregate across the euro area, in spite of a swift recovery, remain lower than in the US - this requires **structural policies** alongside ongoing demand momentum.*

Recoveries in the United States vs. euro area.
Source: OECD (2022).

POST-PANDEMIC LABOUR MARKETS

Same or different?

PANDEMIC AND THE FUTURE OF WORK

- Baldwin (2020): Covid has changed the future of work via **4 shocks:**
1. massive job losses
2. massive digital transformations
3. massive debt burdens
4. massive costs of socially distanced office space

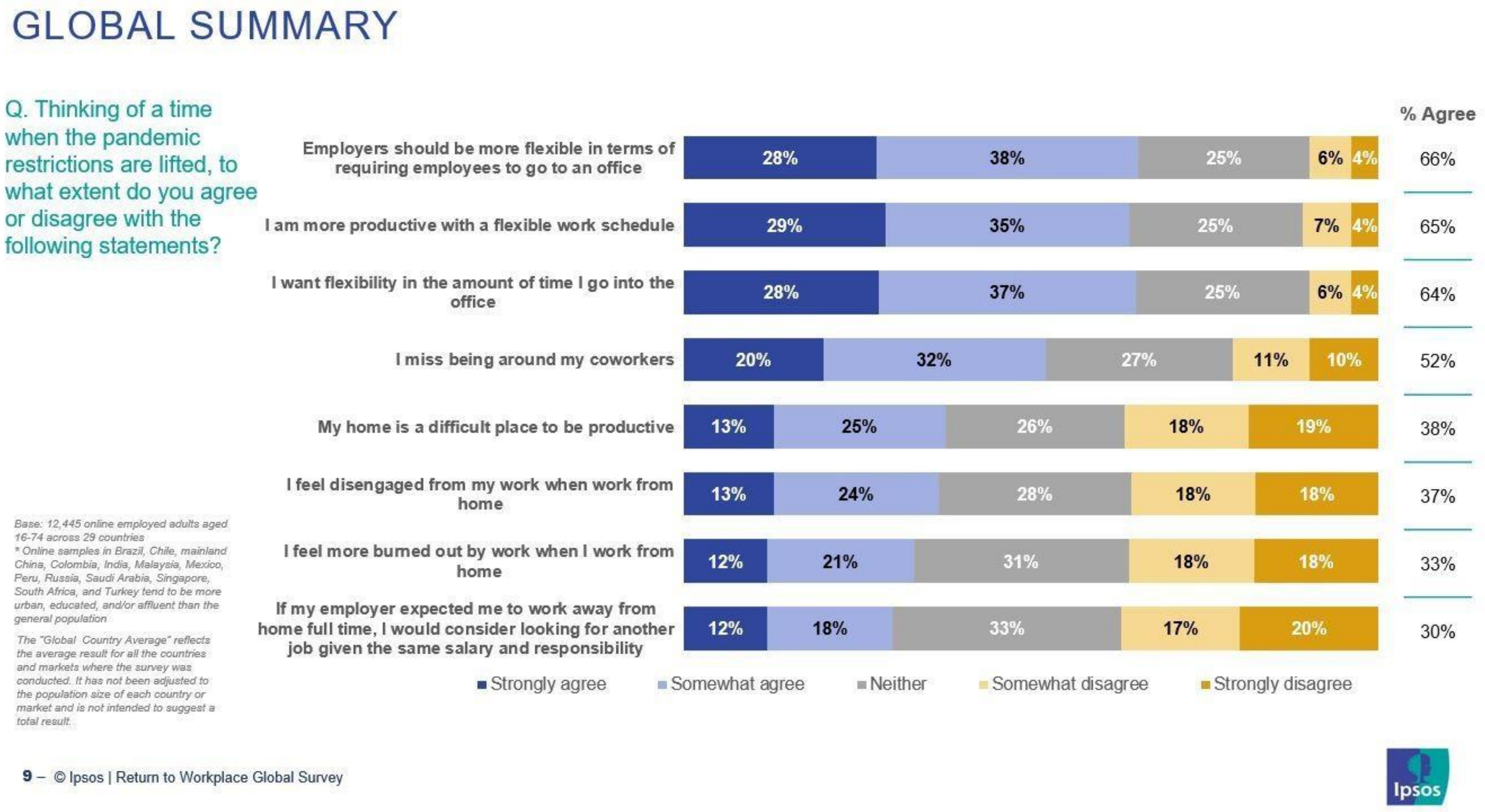
- 2 main consequences (due to sunk costs):
  1. re-hiring workers is very different than retaining workers
  2. digital transformations, office-space costs, and debt burdens will push firms to replace domestic workers with 'telemigrants' or 'white-collar robots' (office-place automation)

- ***Pushed by Covid-19, firms and workers have invested in, say, ten years' worth of digital transformation in just a few months.***

HAS THE PANDEMIC CHANGED THE WAY LABOUR MARKETS WORK?

- Covid-19 speeded up the processes of **automation, robotization** and **digitalization**
- **Freelance activities** on the rise
- Different **new forms of work**
- More emphasis on **work-life balance**
- **Remote work** as ‘a must’ in some occupations / activities?
- Shortening working week?
- The **Great Resignation**?
- …

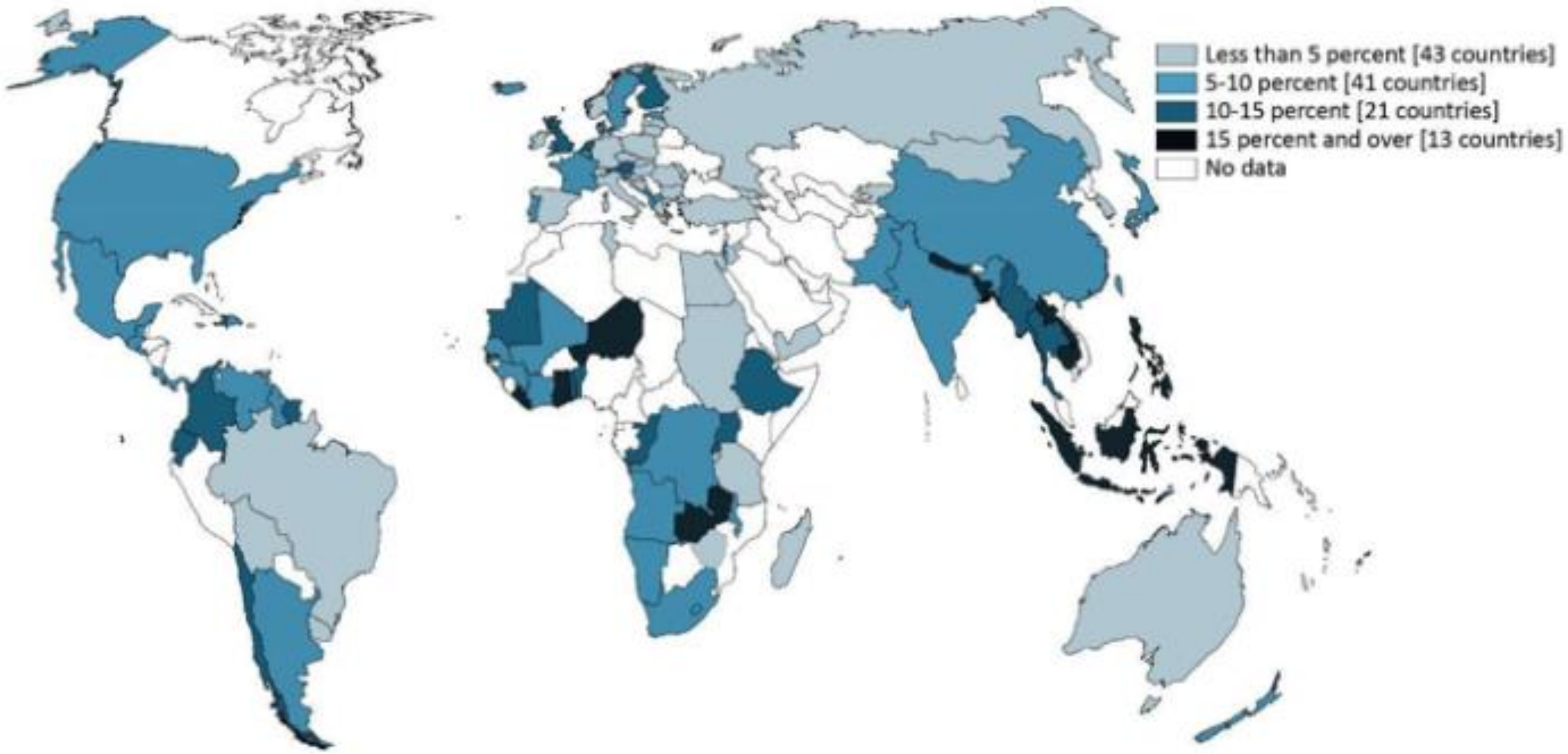
HAS THE PANDEMIC CHANGED THE WAY LABOUR MARKETS WORK?



- *2/3 of people around the world **want to work flexibly** when the Covid-19 pandemic is over.*
- *Almost 1/3 are **prepared to quit their job** if the boss makes them go back to the office full time.*
- *Before the pandemic 24% worked mostly from home; that's risen to almost 2/5 with a further 22% working outside their homes but not in an office (3/4 - say it's a consequence of Covid-19).*

Home or office? Survey shows opinions about work after COVID-19 (survey of workers in 29 nations).
Source: WEF (2021).

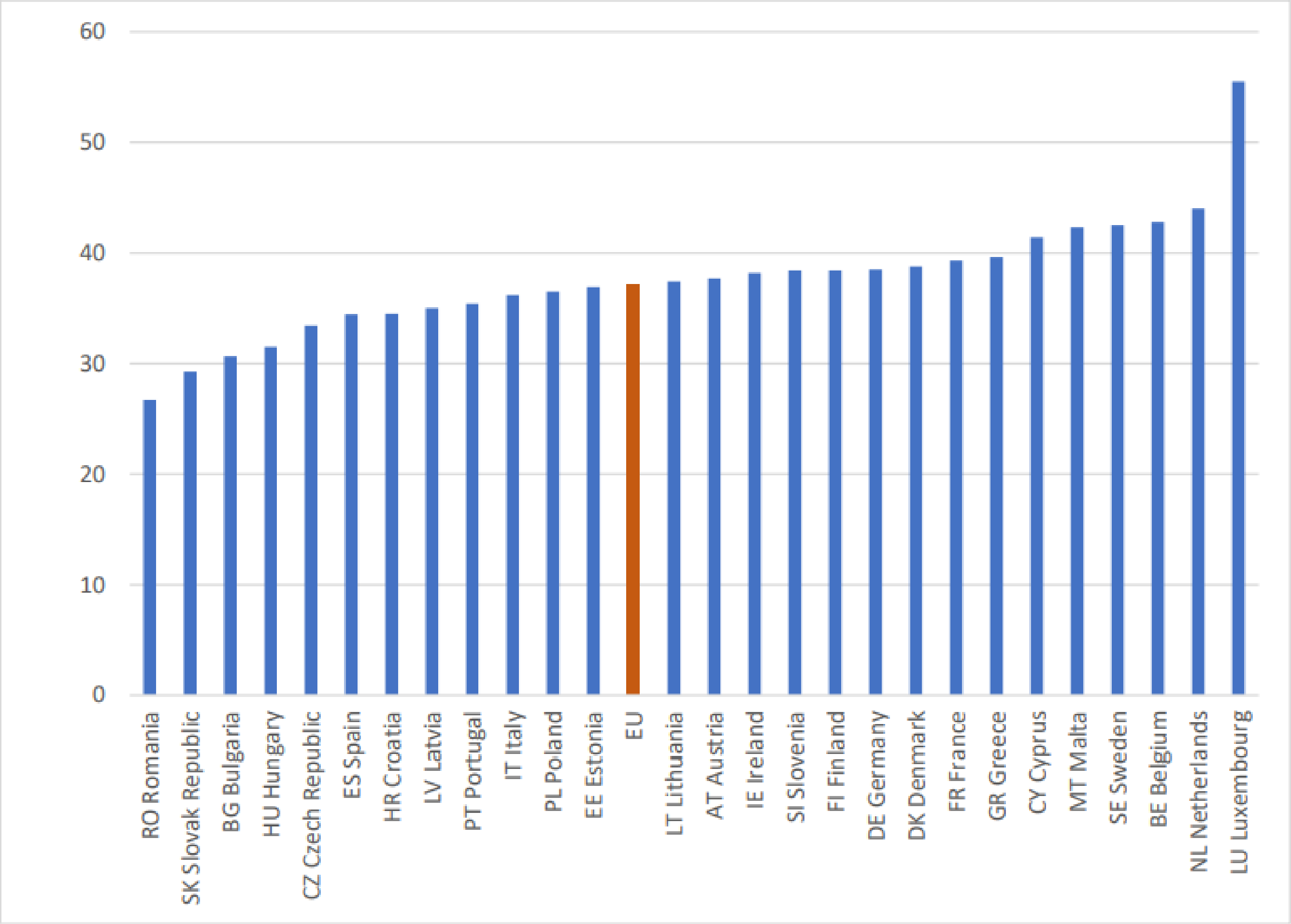
REMOTE WORK PRIOR TO PANDEMIC



- *Prior to the COVID-19 pandemic, the ILO estimates that 7.9% of the world's workforce (260 million workers) worked from home on a permanent basis (ILO 2020).*
- *Globally, among employees, 2.9% were working exclusively or mainly from their home before the COVID-19 pandemic (ILO 2020).*

Note: This figure includes all types of home-based workers, including teleworkers. These estimates are based on labour force survey data from 118 countries representing 86% of global employment. Data are from 2019 or latest year available.
Source: ILO (2020).

THE POTENTIAL OF REMOTE WORK

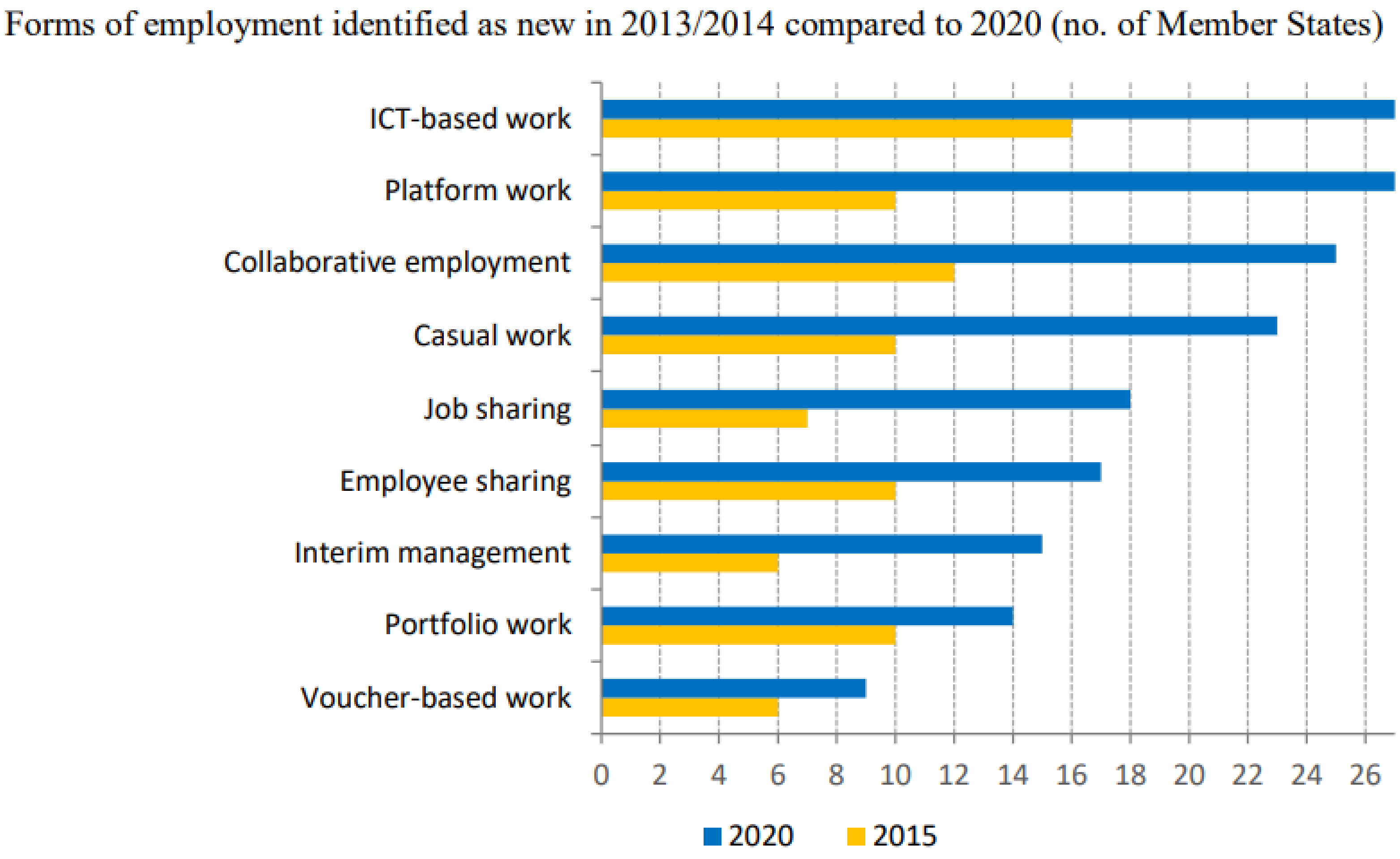


- *Close to 18% of workers work in occupations and live in countries with the infrastructure that would allow them to effectively perform their work from home (ILO 2020).*
- *Around 30% of North American and Western European workers are in occupations that allow home-based work, as opposed to only 6% of sub-Saharan African and 8% of South Asian workers. Latin American and Eastern European workers fall somewhere in between at 23% and 18%, respectively(ILO 2020).*

Share of teleworkable employment, by country, in EU27. Countries with higher shares of white-collar occupations – and the sectors where these are more prevalent – have a larger share of teleworkable employment. The estimates do not take into account differences in ICT technology, regulation, and size of companies

Source: Sostero et al. (2020).

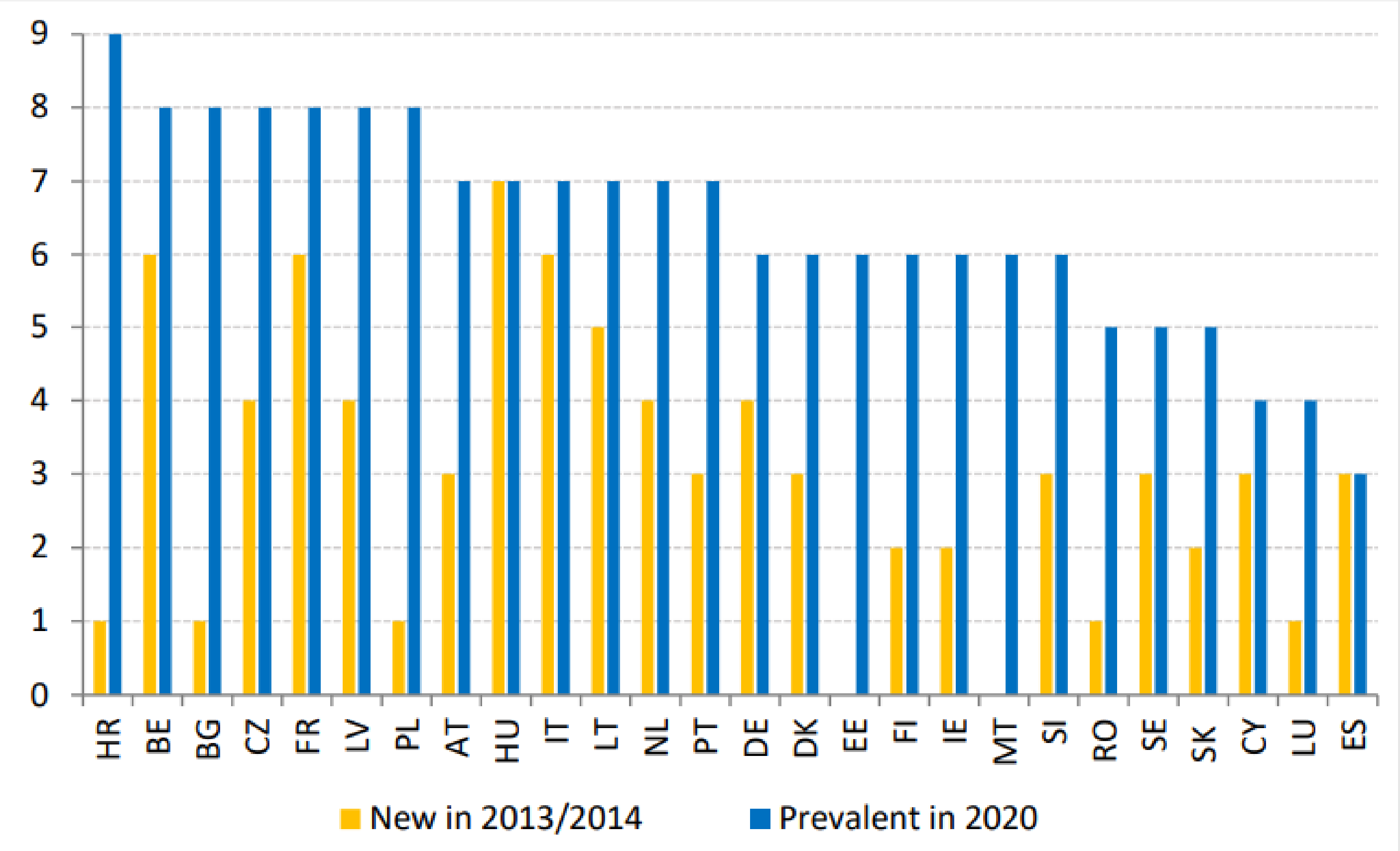
NEW FORMS OF WORK



New forms of employment are becoming more prevalent in the EU.
Source: [EC (2021)].

NEW FORMS OF WORK

Number of new forms of employment in the EU-27. Comparison between the number of those identified as new in the year 2013/2014 and those prevalent in 2020.



- *The forms of employment vary across Member States, including both regulated and unregulated work.*
- *Platform work is growing strongly, bringing issues related to legal status, working conditions and access to social protection to the fore.*

Mapping the scale and scope of the incidence of new forms of employment across Member States.
Source: EC (2021).

PLATFORM WORK

- ILO (2022):
  - Platforms are agile and organize work in a fundamentally different way than traditional businesses: they connect businesses and clients to workers, and transform labour processes with major implications for the future of work
  - Platforms are either **online web-based**, with tasks performed online by workers (for example, freelance and microtask services, competitive programming), or **location-based**, with tasks carried out in-person at specific locations (for example, taxi, delivery, domestic and care services)
  - Platforms engage two types of workers: the **core workforce**, directly hired by the platform, and workers whose work is mediated through these platforms and carried out as a **"gig"**
    - Across sectors, workers on online web-based and location-based platforms are typically **below age 35**
    - Most workers on online web-based platforms are **well-educated**, as are many taxi and delivery workers on location-based platforms
    - Platform labour is still largely **male-dominated**

- *Flexible work schedules, freedom to choose tasks, and the choice to work anytime anywhere make platforms* ***popular.***
- *Workers also join platforms to earn additional income or due to the lack of other employment opportunities.*
- *Platform work presents* ***challenging working conditions****: low earnings and income volatility, unfair termination of workers' accounts, limited access to work and social protection, and barriers to multi-homing (connecting to more than one platform).*

Algorithmic management shapes work processes and performance in ways that limit platform workers' autonomy.

PLATFORM WORK

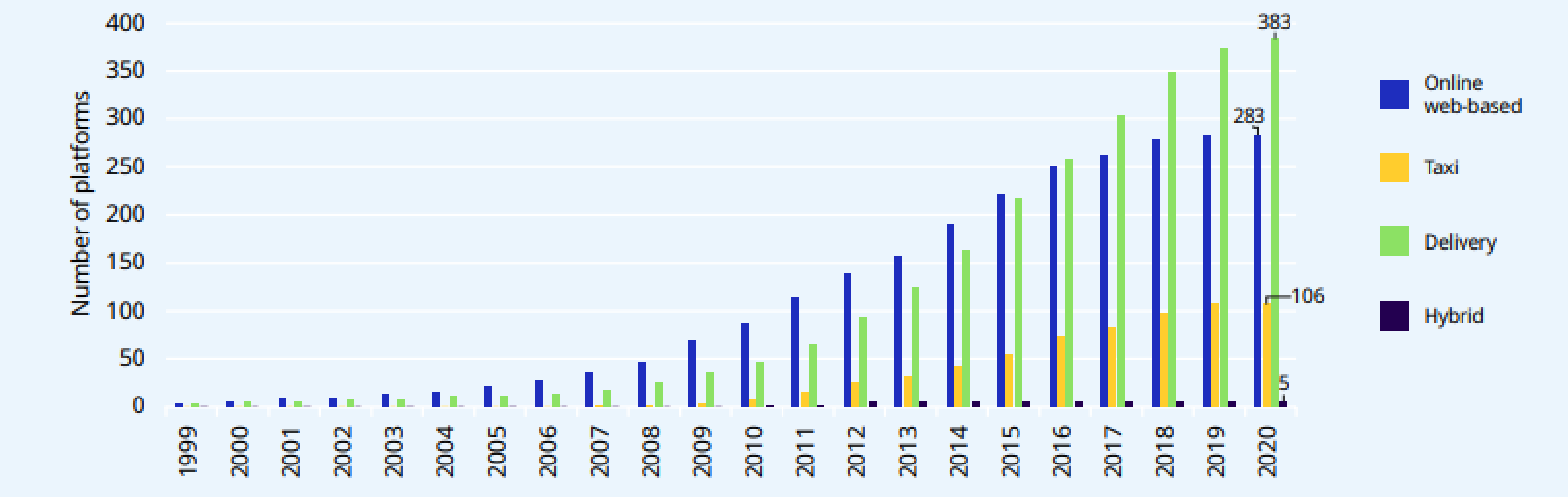
- European Commission (2021):
  - Over 28 million people in the EU work through digital labour platforms
    - More than 500 digital labour platforms
  - **In 2025, their number is expected to reach 43 million people**
  - The vast majority of these people are genuinely self-employed
    - 5.5 million are estimated to be **incorrectly classified as self-employed**
  - Between 2016 and 2020, the revenues in the platform economy grew almost fivefold from an estimated €3 billion to around €14 billion

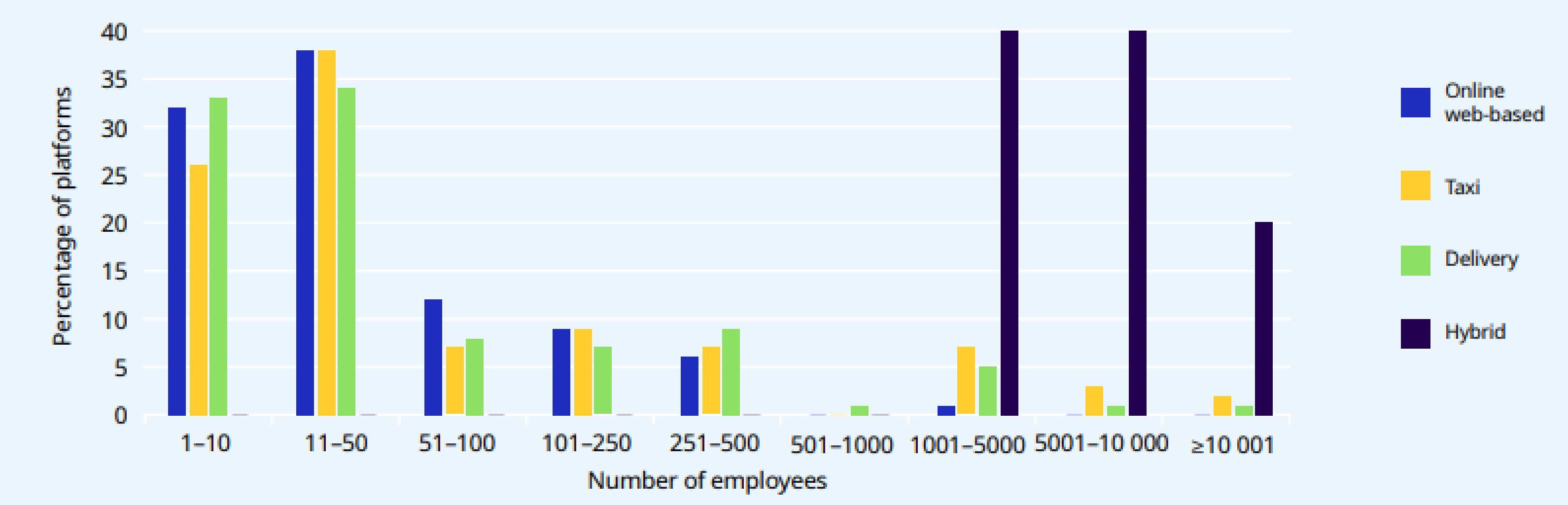
Results from the second ETUI Internet and Platform Work Survey (IPWS):

- *17% of the working age population did some internet work in the past year*
- *4,3% did platform work*
- ***1,1% can be classified as 'main platform workers'**; that is, working 20 hours or more per week or earning more than 50% of their income through platforms (ETUI, 2022)*

Digital labour platforms create opportunities for businesses, workers and self-employed, as well as improved access to services for consumers. However, new ways of work also come with new challenges (European Commission, 2021).

PLATFORM WORK



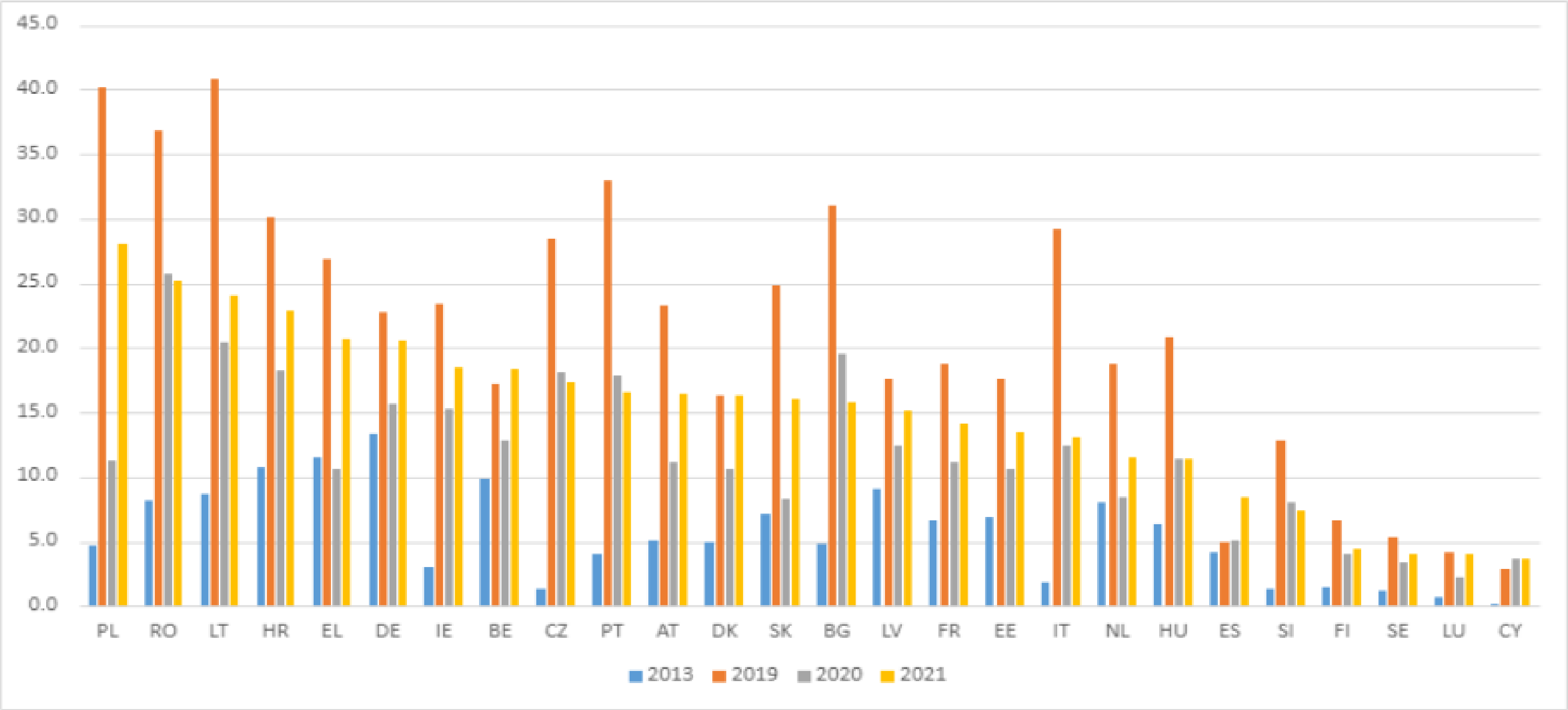


The past decade has seen a fivefold increase in the number of digital labour platforms, which are concentrated in a few countries (ILO, 2021).

1. Number of active digital labour platforms globally, selected categories
2. Global share of digital labour platforms, by number of employees, January 2021

LABOUR SHORTAGES

Labour shortage index - Share of employers in manufacturing, services and construction reporting that labour shortages are a major factor limiting their production (in %, 2013-2021).



Reported labour shortages declined as a result of the pandemic in most Member States, but they are again on the rise with the recovery taking hold.

Source: EC (2021).

WHAT (SHOULD) POLICYMAKERS DO?

Same old same old or…?

POLICY RESPONSE(S) ON THE EU LEVEL

- **Directive** (EU) 2019/1152 of the European parliament and of the Council **on transparent and predictable working conditions** in the European Union
  - New rights for all workers, particularly addressing insufficient protection for workers in more **precarious jobs**, while limiting burdens on employers and maintaining labour market adaptability
- **Directive** (EU) 2019/1158 of the European parliament and of the Council **on work-life balance for parents and carers** and repealing Council Directive 2010/18/E
  - Aims to improve families' access to **family leave** and **flexible work arrangement**
- A proposal for a **Directive** on improving **working conditions in platform work**
  - Includes measures to correctly determine the **employment status** of people working through digital labour platforms and **new rights** for both workers and self-employed people regarding algorithmic management

POLICY RESPONSE(S) ON A NATIONAL LEVEL

- Amending national regulations of relevance for **new forms of employment** and for flexible working arrangements, including **telework**
  - Portugal, Romania, Slovakia, Spain, Slovenia, Cyprus, Greece, …?
- Measures to regulate the **platform economy**
  - The Netherlands, France, …?
- Review of regulations to ensure adequate **occupational health and safety at work**
  - Latvia, France, Romania, …?
- Amending legislation on **dismissals** to mitigate the impact of the Covid-19 crisis on the labour market
  - Spain, Italy, …?
- Adapting frameworks for **social partners'** involvement and collective bargaining
  - France Cyprus, Greece, Spain, Romania, …?

Source: EC (2021).

POLICY RESPONSE(S) ON A NATIONAL LEVEL

- Proposing new or amending regulations on **fixed-term work** to respond to existing and emerging labour market challenges
  - Spain, Italy, Slovakia, Lithuania, France, …?
- Targeted measures to foster **transitions towards open-ended employment**
  - Spain, Portugal, Italy, …?
- Efforts to tackle **undeclared work** with additional measures taken, including capacity-building for labour inspectorates
  - Greece, Spain, Croatia, Lithuania, Romania …?
- Passing new regulations or amended existing ones to encourage the **free movement of workers**, while ensuring the **protection of workers' rights**
  - Romania, Finland, Luxembourg, France, Belgium, France, Germany, …?

Source: EC (2021).

POLICY RESPONSE(S) ON A NATIONAL LEVEL

- Adjusting their **public employment services** to better respond to recent labour market developments
  - Estonia, Greece, Finland, Hungary, …?
- Measures to improve the support provided by public employment services, also to reach out to more **vulnerable population groups**
  - Luxembourg, Romania, Ireland, Bulgaria, Belgium, Greece, …?
- Introducing (mainly temporary) measures to make existing **ALMP** frameworks more effective, in particular for **tackling long-term unemployment**
  - Greece, Belgium, France, Austria, Finland, Denmark, …?

Source: EC (2021).

POLICY RESPONSE(S) ON A NATIONAL LEVEL

- Introducing new (mostly temporary) measures or extended existing ones to reinforce their **unemployment benefit systems**
  - Denmark, Portugal, Belgium, Spain, Estonia, Lithuania, …?
- Some of the measures adopted on unemployment benefit systems are designed to improve the situation of **specific population groups**
  - Luxembourg, Italy, Latvia, Austria, Ireland, …?
- Adjusting regulatory frameworks to ensure the **adequacy and coverage of unemployment benefits,** also accounting for conditionality requirements
  - Finland, Italy, Estonia, Greece, Malta, …?

Source: EC (2021).

COUNTRY CASE OF CROATIA

Employers' perspective

CROATIAN ECONOMY

- Economic activity returned to its pre-crisis (2008) level only in 2019
- The economy was hit hard by the Covid-19
  - -8.1% y-o-y fall in real GDP in 2020
  - Unequal distribution of the fall among different sectors (high share of tourism)
- Quick (V) recovery from the pandemic
  - +10.2% y-o-y rise in real GDP in 2021
- Rather unfavourable economic structure
  - Trade, transport and tourism (wholesale and retail trade, transportation, storage, accommodation and food service activities) are the most dominant sectors, followed by industry (manufacturing, mining and quarrying and other industries)
  - Touristic activities alone account for about one fifth of the total economic activity
  - Low overall productivity and value added

CROATIAN LABOUR MARKET

- Low activity and employment rates
  - Employment rate of 68% for the population 20-64 in 2021
- Labour shortages
  - Tourism, construction, ICT, …
  - Partially caused by huge emigration in the pre-pandemic period
- Low labour productivity
- Inadequate skill-level
- High tax burden?
- Inflexible labour legislation?
- …

FUTURE OF CROATIAN LABOUR MARKET

- McKinsey & Company Adriatic (2021):
  - Approximately 340,000 jobs will disappear by 2030 due to automation and trends fueled by the Covid-19 pandemic
  - Yet, these will be replaced by almost the same number of new jobs in new occupations and growing industries and due to a general increase in productivity
  - Net labour demand will remain virtually unchanged; however, there will be **significant changes in the structure of occupations**
    - By the end of the decade, **almost 140,000 Croatian workers will need to change their occupations in order to remain employed**
  - 6% of total working hours in Croatia will shift from jobs requiring physical skills to jobs requiring **cognitive, social, emotional and technological skills**
  - By 2030, Croatia will achieve an **automation adoption rate** of around **22%**

WHAT SHOULD POLICYMAKERS DO – EMPLOYERS' PERSPECTIVE (CEA)

- 2 main initiatives to address labour market issues in 2022:

1. Adjustments of labour legislation (Labour Act)
   - In order to increase flexibility for both employers as well as employees in fast-changing economic environment

2. Lower tax burden on labour income
   - In order to attract new and retain existing workers by enabling employers to pay higher net wages

WHAT SHOULD POLICYMAKERS DO – EMPLOYERS' PERSPECTIVE (CEA)

1. Adjustments of labour legislation (Labour Act)
   - *Labor market flexibility can be useful for both workers and firms*
     - *Simplifying legal provisions concerning **more flexible working hours** or **more flexible choices of the place of work** can benefit both workers and employers, and most of all create a dynamic labor market and a thriving economy*
     - *Flexibility on the labor market implies an easy **change of an occupation** of workers (related to lifelong learning) and **mobility within the company***
     - *Flexibility in **payments and benefits** that will support excellence*
     - ***Facilitating or simplifying provisions that make employment protection legislation (EPL) rigid** creates **opportunities for easier and faster employment**, rather than easier and faster dismissal*
       - *Expensive and complicated dismissal procedures (for permanent contracts) lead to a larger share of fixed-term contracts*

The liberalisation of permanent contracts has led to an increase in overall employment, while only partial EPL reform concentrated on temporary contracts was actually detrimental, as it induced an increase of the share of temporary contracts without increasing the overall employment level (Tomić, 2020).

WHAT SHOULD POLICYMAKERS DO – EMPLOYERS' PERSPECTIVE (CEA)

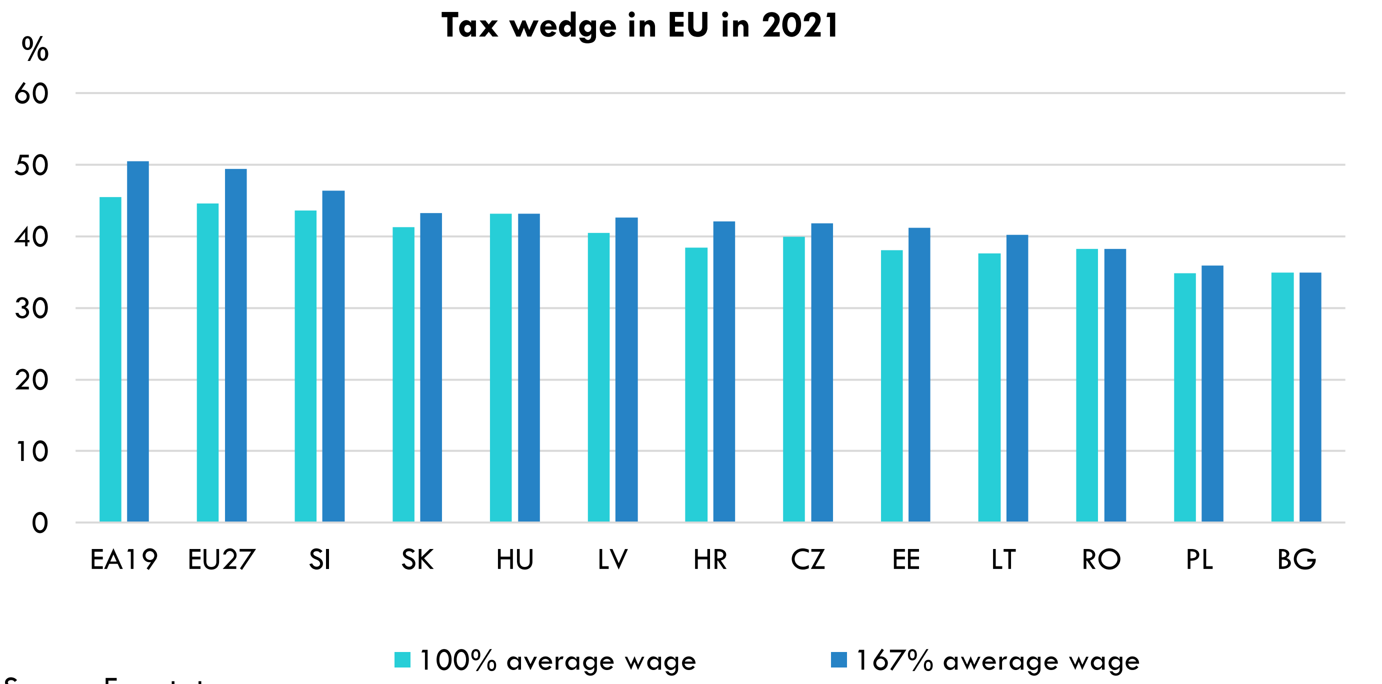
1. Adjustments of labour legislation (Labour Act)
   - *DEVOTE – Developing of Teleworking Future* project
     - The aim of the project is to use/strengthen tripartite dialogue as social dialogue and cooperation between Croatian (CEA and OITU) and Norwegian (NHO) partners, especially for the implementation of teleworking in employers' organizations and raising awareness of the need for its implementation as a common work practice
     - ***Guidelines for the change of the legislative framework in Croatia***:
       - New institute of Labor Law – „Teleworking"
       - Teleworking contract: permanent telework – labor contract or an occasional telework – labor contract or other written act
       - The employer should be responsible for work safety in accordance with the standard of reasonable measure, i.e. reasonable risk

DEVOTE – Developing teleworking future is a joint project of the Croatian Employers' Association (CEA), the Oil Industries Trade Union (OITU) and the Confederation of Norwegian Enterprise (NHO).

The project is supported by Norway through the Norway Grants 2014-2021 within the framework of the Programme "Social Dialogue – Decent Work".

WHAT SHOULD POLICYMAKERS DO – EMPLOYERS' PERSPECTIVE (CEA)

2. Lower tax burden on labour income



Source: Eurostat.

Main aim: to decrease the tax burden (tax wedge) on labour income to the level in similar (east European) countries, especially for highly-qualified work, i.e. decrease tax wedge from 42% to 36-37%.

We expect a systematic reform not only of the tax system, but also of the entire expenditure side of the government budget in order to finally leave room for the private sector for investment, innovation and new employment.

THANK YOU...

QUESTIONS?

Iva Tomić
Croatian Employers' Association (CEA)
iva.tomic@hup.hr