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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, Analysis” 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 and L. Pappalardo. The main contributor for part II was J. Caisl.

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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 fourth quarter of 2021 (2021 Q4), Eurostat data on the Labour Force Survey for the third quarter of 2021 (2021 Q3), and Eurostat data on monthly unemployment for January 2022. Data on which the report is based are the latest available as of 08/03/2022.

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¹ To access them, see [codes] mentioned under the charts, to be used with the Eurostat data search engine:
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Introduction

The tragic events occurring in Ukraine are dramatically changing the political, economic and social outlook in Europe. This March 2022 edition of the Employment and Social Developments Quarterly Review discusses data collected before the unjustified invasion of Ukraine by Russia on 24 February 2022. While it is too soon to evaluate the socio-economic consequences of this war, this report will briefly hint at potential developments when reviewing the outlook of some indicators.

The data collected until the end of 2021 show that the improvement in the economic environment that started in spring 2021 continued throughout the year, although with weaker growth in the fourth quarter due to the resurgence last autumn of the COVID-19 pandemic and continued supply bottlenecks. Although weaker, economic growth was accompanied by a robust increase in headcount employment and by a steady fall of the unemployment rate, with both indicators improving compared with their pre-crisis record levels. Labour shortages continued to increase and the labour market slack dropped considerably. The Winter Commission forecast published on 10 February 2022 considered that the impact of the rise of COVID-19 infections would soon fade out, supply bottlenecks progressively recede, and that the spike in inflation – caused mainly by a sharp rise of energy prices – would subside in the second half of 2022. The expectations of economic actors recorded at the very beginning of 2022 were also quite optimistic on future employment and unemployment developments, and the implementation of the Recovery and Resilience Plans is expected to provide a boost in investment.

While the aggravation of the geopolitical tensions in Eastern Europe were already considered in the above-mentioned Winter forecast as a risk factor for growth and inflation, the war on Ukrainian soil, the economic sanctions imposed on Russia by the European Union, and Russian export bans, will arguably have an impact, among other aspects, on economic activity and inflation, increasing pressure on households' finances. Managing the reception of the large number of refugees and their integration in Member States' labour markets also represents an important challenge. On 4 March, the Temporary Protection Directive was activated to give people fleeing the war in Ukraine a residence permit and grant them access to education and the labour market. To support Member States' integration efforts, the Commission adopted on 8 March a proposal for Cohesion's Action for Refugees in Europe (CARE), allowing them to provide emergency support to people fleeing from Russia's unprovoked invasion of Ukraine.

The thematic section of this review looks into factors behind the gender pay gap among young people, complementing a recent Eurostat study on the gender pay gap among the overall population² by focusing specifically on the 25-29 age bracket. It shows that the gender pay gap for younger workers is about half of that for all workers, suggesting that young workers today face lower gender pay gaps than their older counterparts. The section highlights the challenge of explaining pay differences between young women and men on the basis of available data. Differences in worker characteristics covered by data only account for a marginal share of the pay gap at EU level, although the situation varies considerably across Member States. Where differences in worker characteristics play an important role, these operate in different directions. Notably, young men tend to earn more because they work in higher paid economic activities whereas young women tend to earn higher wages because they are better educated.

² Eurostat (2021) Gender pay gaps in the European Union

Part I – Main economic and social developments

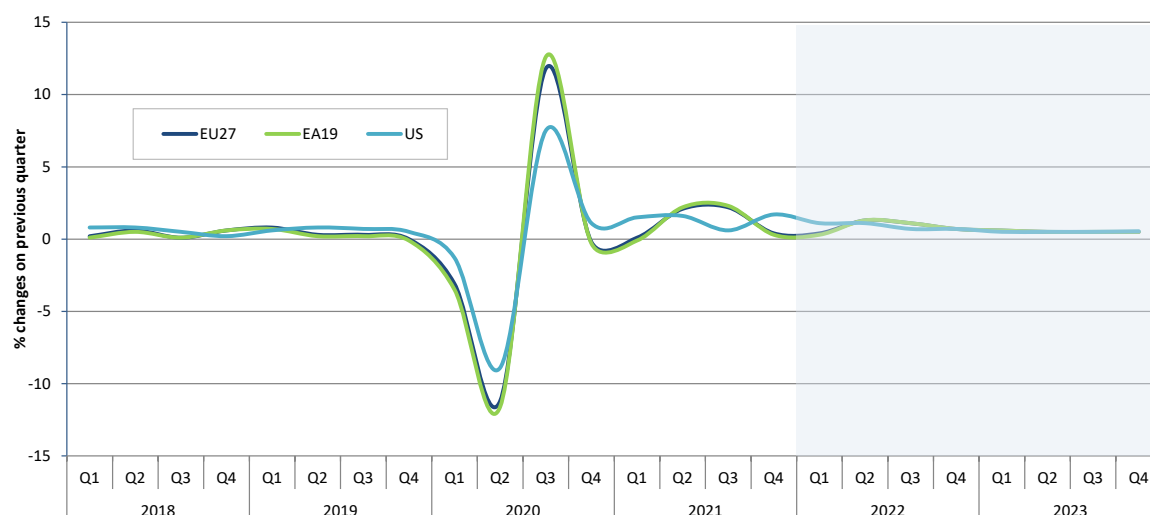
1. Macroeconomic outlook

Real GDP in the EU increased by 0.4% in the fourth quarter of 2021 (0.3% in the euro area), after growing by 2.2% (2.3% in the euro area) in the third quarter. Gross fixed capital formation contributed the most (+0.6pp) to this moderate expansion, while household final consumption expenditure had a negative contribution (-0.3pp). In comparison with the fourth quarter of 2020, EU GDP recorded an increase of 4.8% (4.6% in the euro area). US GDP rose faster than in the EU, growing by 1.7% in the fourth quarter compared to the third quarter of 2021, and by 5.6% compared with the same quarter of 2020 (Chart 1).

GDP grew by 5.3% in both the EU and the euro area in 2021 as a whole, and the Commission's Winter 2022 Economic forecast, published on 10 February 2022, projects that the economy in the EU and the euro area will expand by 4.0% in 2022. Compared to the previous Autumn 2021 forecast, the expected growth rate for 2022 was lowered in both the EU and the euro area (-0.3pp), as growth is projected to be weaker in the first part of the year before picking up in the second half. However, the Russian war of aggression against Ukraine might shift this outlook to a more pessimistic scenario, whereby growth could be weakened by a sharp increase of energy prices caused by EU sanctions, by supply chain disruptions – including the provision of raw materials – and by increased uncertainty for economic operators leading to lower consumption and investment.

In the fourth quarter of 2021, GDP increased in most Member States, but fell in six of them. On a quarterly basis, GDP dropped the most in Ireland (-5.4%), Austria (-1.5%), Romania (-0.3%), and Germany (-0.3%), and it rose most importantly in Slovenia (+5.4%), Malta (+2.3%), Spain and Hungary (+2.0% for both).

Chart 1: Real GDP growth – EU, euro area and US



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

Notes: Forecast in the shaded area. European Commission 2022 Winter forecast is used except for US (2021 Autumn forecast).

[Click here to download chart.](#)

Inflation in the EU and euro area started to increase in 2021 as the economic activity picked up, and has accelerated in recent months. In January 2022, annual inflation in the euro area was 5.1%, the highest level since the publication of euro area inflation data began in 1997. This sharp rise in inflation is mainly driven by a surge in energy prices and supply chain bottlenecks caused by the rapid rebound of economic activity. The Winter forecast predicted that this increase would be temporary, as inflation in the EU and euro area is forecast

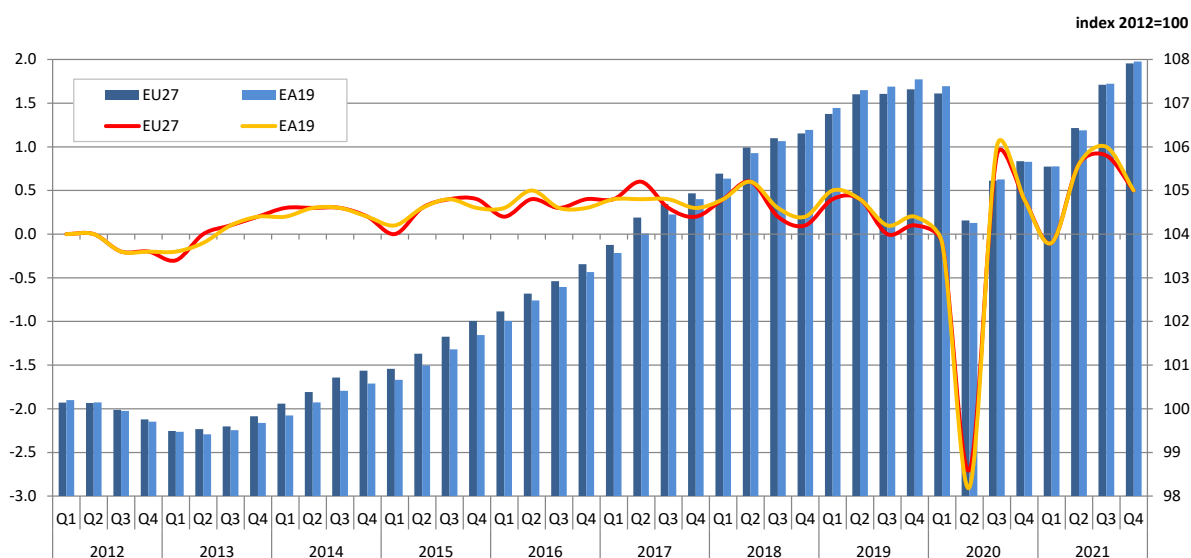
to peak at respectively 3.9% and 3.5% in 2021, before declining to below 2.0% in 2023, but the military aggression of Ukraine will arguably put further pressure on energy prices – linked to spikes in the price of oil and gas – and drive inflation much higher than what projected.

2. Employment

In the fourth quarter of 2021, total employment increased for the third quarter in a row. Headcount employment grew by 0.5% in both the EU and the euro area in comparison to the previous quarter (+2.1% in the EU and +2.2% in the euro area on a yearly basis). This brought employment levels to new records – since the beginning of the Eurostat's series in 1998 – of 210.9 and 161.9 million people, respectively (**Error! Reference source not found.**). These levels are higher than in the third quarter of 2021 by 1.0 million in the EU and 0.8 million in the euro area. In comparison with the third quarter of 2021, employment increased in all Member States but Latvia (-0.3%), Sweden and Portugal (stable for both). The strongest growth was recorded in Hungary (+1.2%), Denmark (+1.1%), and Spain (+1.0%).

For the year 2021 as a whole, total employment increased by 1.2% in the EU and 1.1% in the euro area. This follows a decline of 1.4% and 1.5%, respectively, in 2020.

Chart 2: Employment level and employment growth – EU and euro area



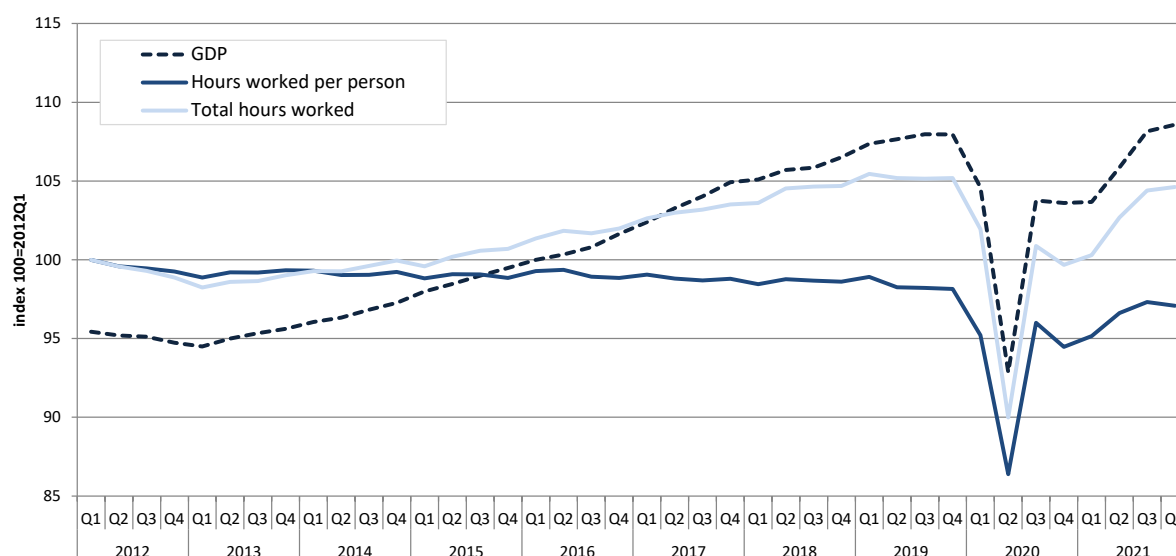
Source: Eurostat, National Accounts, seasonally and calendar adjusted data [namq_10_pe]

Note: Cumulative growth (bars, right-hand scale), percentage change on the previous quarter (lines, left-hand scale)

[Click here to download chart.](#)

In the fourth quarter of 2021, the number of hours worked rose moderately, but was overall a bit slower when compared to the number of people employed. The number of hours worked increased by 0.2% in the EU in comparison to the previous quarter and remained stable in the euro area. In comparison with the same quarter of the previous year, it grew by 5.1% in the EU and 5.0% in the euro area. The number of hours worked is still 0.5% lower than the level observed in the last quarter of 2019, while the number of hours worked per person in the fourth quarter of 2021 stood at 401, 1.1% 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 73.6% in the third quarter of 2021, 0.7pp higher than in the previous quarter. The euro area recorded 73.1% in the same period, also 0.7pp higher than in the second quarter of 2021. The employment rate rose from the previous quarter for all Member States except for Denmark (-0.1pp to 79.1%) and Croatia (stable at 67.9%). The largest increases were recorded in Cyprus (+2.0% to 76.9%), Greece (+1.8pp to 63.3%), and Ireland (+1.6pp to 76.2%). On an annual basis, the employment rate grew in all Member States but Latvia (-0.7pp to 75.9%), and most importantly in Ireland (+4.7pp to 76.2%) and Greece (+3.7pp to 63.3%).

In the EU, about 23.5 million people (19.7 million in the euro area) aged 15 to 64 were in temporary employment in the second quarter of 2021, representing 12.1% (13.3% in the euro area) of total employment. This is stable in the EU and a 0.1pp increase in the euro area compared with the second quarter of 2021. The number of part-time employees amounted to 34.5 million, which is equivalent to 17.8% of total employment, and remained stable compared with the second quarter of 2021.

The employment rate grew slightly more for women than for men (+0.8pp to 68.3% versus +0.6pp to 78.9%) in the third quarter of 2021 compared to the previous quarter. The gender employment gap remained above 10pp and stood at 10.7pp. The employment rate grew the most on a quarterly basis for younger workers (aged 15 to 24, +1.0pp to 33.3%), and for older workers (aged 55 to 64, +0.8pp to 61.0%), while it increased less for people aged 25 to 54 (+0.6pp to 80.9%). The employment rate for highly-educated workers went up 0.2pp to 88.9%, while it grew more for medium-educated workers (+0.8pp to 82.1%), and low-educated ones (+1.1pp to 62.0%).

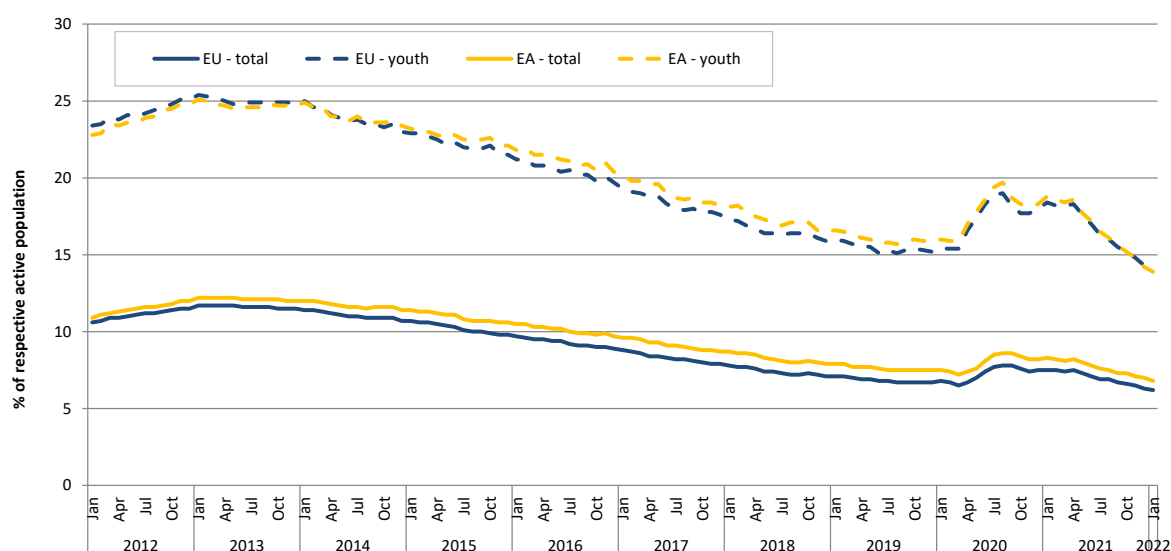
In the fourth quarter of 2021, EU employment expanded in all sectors except agriculture. Compared with the same quarter of 2020, the sectors that recorded the strongest growth were “information and communication services” (+6.1%), “professional, scientific and technical activities; administrative and support service activities” (+3.7%), and “wholesale and retail” (+3.0%). The construction sector grew by 2.8%, and industry by 0.8%.

Expectations about employment improved between the end of 2021 and the beginning of 2022. In February 2022 the Employment Expectations Indicator (EEI) ³ index reached a three-month average of 114.3, a level last observed in spring 2018. Expectations remain – as in the past quarter – particularly optimistic for the service and industry sectors, but they improved also for the retail sector. The Russian unprovoked invasion of Ukraine however is probably going to have an impact on employment expectations, as a brake on growth due to supply chain disruptions and higher energy prices could have negative repercussions on companies' hiring decisions.

3. Unemployment

The unemployment rate in both the EU and the euro area recorded their respective lowest level since the beginning of the Eurostat series. In January 2022, it stood at 6.2% in the EU and 6.8% in the euro area, 0.3pp and 0.4pp, respectively, lower than the previous record level in March 2020. There were 13.3 million unemployed people in the EU and 11.2 million in the euro area in October 2021, 2.5 million and 2.1 million, respectively, less than in January 2021. The difference between the unemployment rate of women and men remained stable at about 0.5pp in the last months (6.5% for women versus 6.0% for men in January 2022) (Chart 4).

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



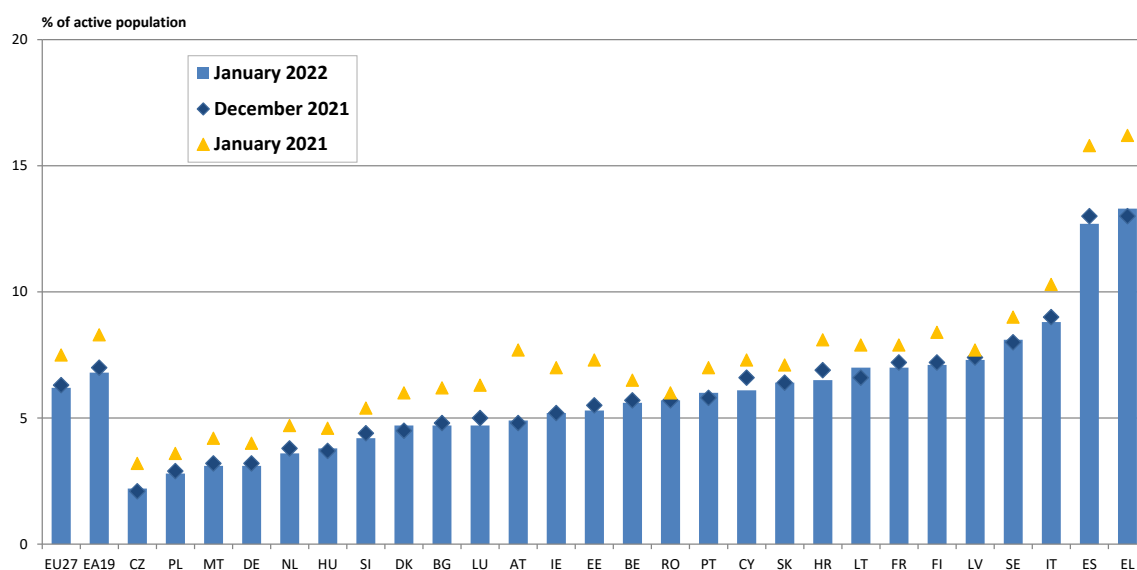
Source: Eurostat, series on unemployment [une_rt_m]. Seasonally-adjusted data.
[Click here to download chart.](#)

In January 2022, the unemployment rate fell in all Member States compared with the same month of 2021. The rate dropped most markedly on an annual basis in Spain (-3.1pp to 12.7%), Greece (-2.9pp to 13.3%), and Austria (-2.8pp). The lowest declines were recorded in Romania (-0.3pp to 5.7%), and Latvia (-0.4pp to 7.3%). Compared with December 2021, the unemployment rate fell in most Member States, and especially in Cyprus (-0.5pp) and Croatia (-0.4), while it rose most prominently in Lithuania (+0.4pp), and Greece (+0.3pp) (Chart 5).

³ 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).

Youth unemployment also declined sharply in both the EU and the euro area and reached in January 2022 the lowest rate ever recorded. The rate stood at 14.0% in the EU and 13.9% in the euro area, down by 4.4pp and 4.9pp, respectively, from the same month in 2021. In January 2022, the number of young unemployed people in the EU and in the euro area was 2.5 million and 2.0 million, respectively, about 0.7 million and 0.6 million lower than in January 2021.

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 January 2022, the youth unemployment rate fell in all Member States compared with the same month of 2021. On an annual basis, the decline was more pronounced in Greece (-14.1pp to 31.4%), Spain (-10.1pp to 29.4%), and Italy (-7.9pp to 25.3%), while it dropped the least in Estonia (-0.3pp to 17.8%) and Belgium (-0.5pp to 16.4%). The only Member State where the rate of youth unemployment is above 30% is Greece (31.4%), with Spain (29.4%) slightly below.

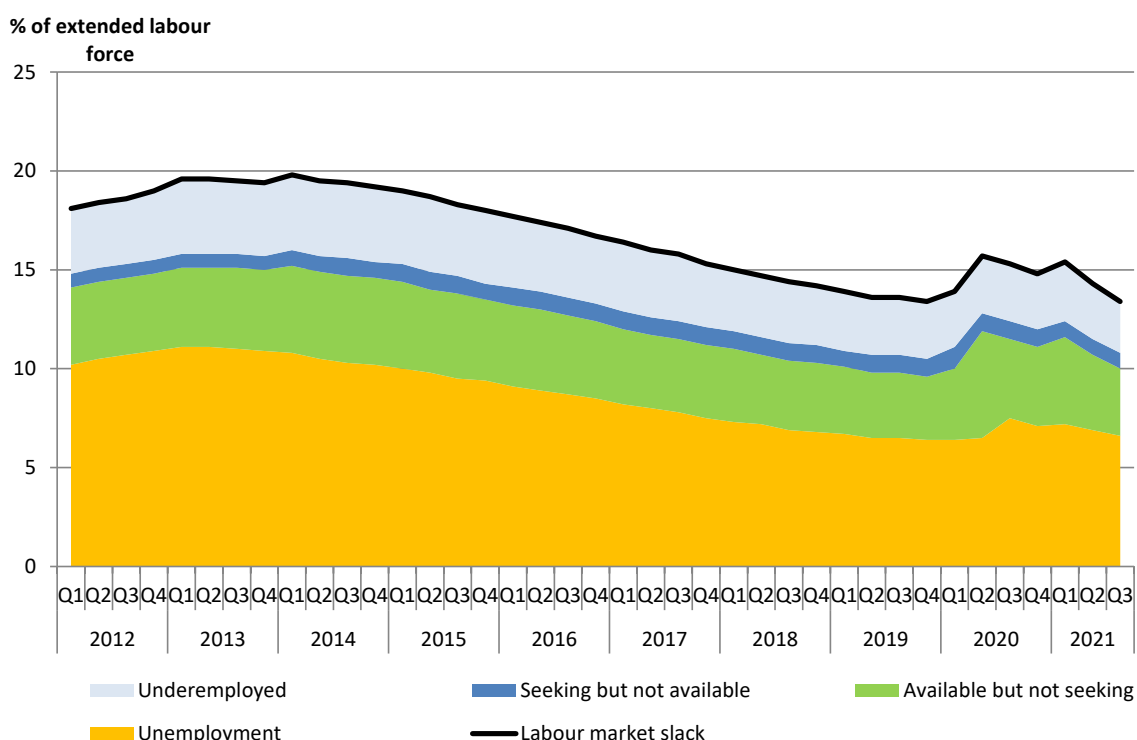
In February 2022, unemployment expectations, as measured by the EU Business and Consumer Surveys (BCS), remained relatively optimistic. Their level was similar to the one observed in the months preceding the 2020 crisis, although not as optimistic as between 2017 and the first half of 2019. As for employment, the current war in Ukraine will arguably make unemployment expectations more pessimistic, since the negative impact on growth (see section 1 and 2) could have future consequences on the labour market.

4. Long-term unemployment and additional potential labour force

The activity rate in the third quarter of 2021 stood at 73.9% for the EU and 74.1% for the euro area, and increased by respectively 0.3pp and 0.4pp compared with the previous quarter, and by respectively 1.4pp and 1.5pp compared with the same quarter of 2020. The Member States where the activity rate grew the most compared with the third quarter of 2020 were Ireland (+4.8pp), Slovenia (+3.0%), and Poland (+2.7%), while Latvia (-1.8pp) and Estonia (-1.0pp) recorded the highest decreases. The difference between the activity rates of men and women went down to 10.1pp (79.0% versus 68.9%), -0.4pp compared with the same quarter of 2020 (78.4% versus 67.9%).

The total unmet demand for work in the EU, measured by labour market slack indicators⁴, plummeted in the third quarter of 2021 and reached 13.4% of the extended labour force, 0.9pp less than in the previous quarter and 1.9pp less than in the same quarter of 2020. Compared with the third quarter of 2020, unemployment went down by 0.9pp to 6.6% of the extended labour force. The proportion of people available to work but not seeking a job, and the proportion of part-time workers who would like to work more (also called “underemployed”), also decreased considerably (-0.6pp to 3.4%, and -0.3pp to 2.7% respectively). Finally, the rate of people “seeking but not available for work” shrank by 0.1pp to 0.8% of the extended labour force (Chart 6).

Chart 6: Labour market slack - EU



Source: Eurostat, LFS [lfsi_sla_q]. Seasonally adjusted data
Click here to download chart.

The share of people aged 15-29 who are neither in employment nor in education or training (NEET) was 12.7% in the EU and 12.5% in the euro area in the third quarter of 2021. This was respectively 1.5pp and 1.7pp lower than the rate observed in the same quarter of 2020. The NEET rate shrank most notably in Ireland (-6.6pp to 8.4%), Spain (-4.9pp to 13.2%), and Greece (-3.4pp to 16.0%), and increased the most in Estonia (+2.6pp to 13.4%) and Austria (+1.9pp to 10.5%).

Long-term unemployment⁵ increased in the third quarter of 2021 by 0.2pp in both the EU and the euro area on an annual basis, standing at 2.8% and 3.2% respectively. Compared with the same quarter of 2020, the Member States with the most significant increase were Spain (+1.1pp to 6.3%) and Slovakia (+0.6pp to 4.0%). The strongest reductions were observed in Greece (-0.6pp to 9.0%), Italy (-0.4pp to 5.5%), and Malta (-

⁴ 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

⁵ The long-term unemployment rate captures people in unemployment for a period spanning over a year or more, while the very long-term unemployment rate captures people in unemployment for at least two years

0.4pp to 0.9%). The very long-term unemployment rate was 1.5% in the EU and 1.7% in the euro area, respectively 0.1pp more and stable compared to the previous quarter.

5. Labour demand

In the fourth quarter of 2021, the level of the unmet labour demand, as expressed by the job vacancy rate⁶, was estimated at 2.6% in the EU. This represents an increase of 0.8pp compared to the same quarter in 2020. In the euro area, this indicator was estimated at 2.7%, also 0.8pp compared to one year before. The job vacancy rate rose in all the sectors, but the phenomenon was more sizable in accommodation and food service activities (+1.6pp to 3.3%), administrative and support service activities (+1.4pp to 4.5%), and information and communication (+1.3pp to 4.0%).

The labour shortage indicator⁷, a sentiment indicator in the manufacturing sector, increased again in the first quarter of 2022⁸, and stood at 25.9%. This is the highest level reached since the beginning of the series (+2.4pp compared to the previous quarter, and +15.8pp compared to the same quarter of 2021). In the first quarter of 2022, the labour shortage indicator ranged from -0.2% in Cyprus to 54.4% in Ireland. The Commission's Winter forecast also pointed out that labour shortages became particularly important in some service activities.

The Beveridge curve⁹ shows the continuing rise of labour shortages between the third quarters of 2020 and 2021. Between the first and third quarter of 2020, the COVID-19 crisis led to reduced employers' needs in terms of workforce and to an increase in unemployment (Chart 7). The unemployment rate started to decline steadily from the second quarter of 2021 until the most recent data recorded in January 2022 (see section 3), while the most recent figures on labour shortages show a sharp rise in the same period (see above). Consequently, the Beveridge curve is likely to point towards a tighter labour market for the end of 2021.

In the third quarter of 2021 in the EU¹⁰, compared to the previous quarter, 95.9% of employees remained in work and 24.4% of unemployed transitioned towards employment. A little more than half of unemployed people (51.4%) remained in unemployment, while 23.9% of them became inactive. 3.2% of inactive people transitioned instead to unemployment, and 5.0% went directly to employment.

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)), unadjusted data.

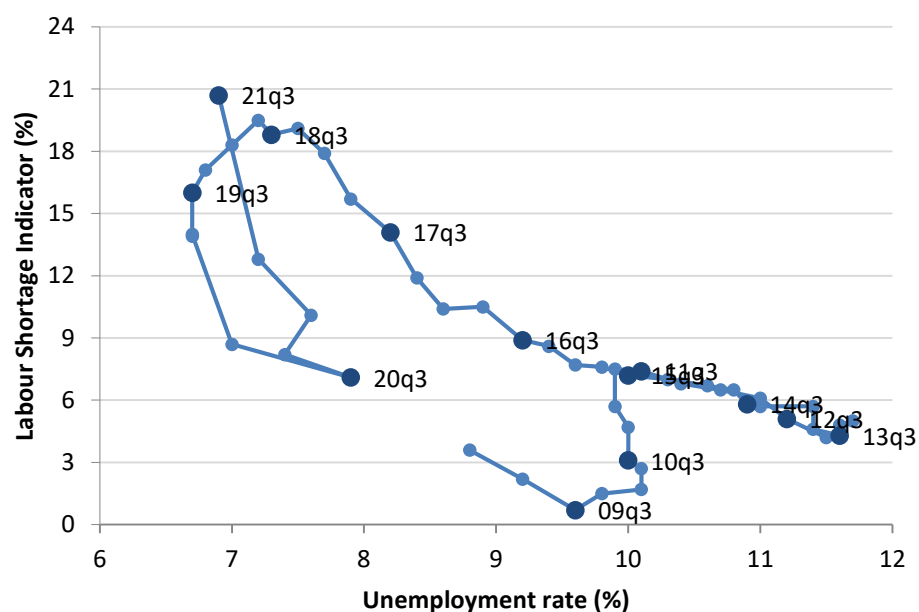
⁷ The indicator presented here is published as part of the EU Business and Consumer Surveys. It reflects to what extent businesses see the availability of labour as a factor that limits production. Data seasonally adjusted.

⁸ Survey made before the start of the Russian war of aggression against Ukraine; the situation may change following the influx of refugees.

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

¹⁰ People aged 15-74, data seasonally adjusted excluding Malta. Due to methodological changes, data cannot be compared to results before 2021.

Chart 7: Beveridge curve 2008-2021 – EU

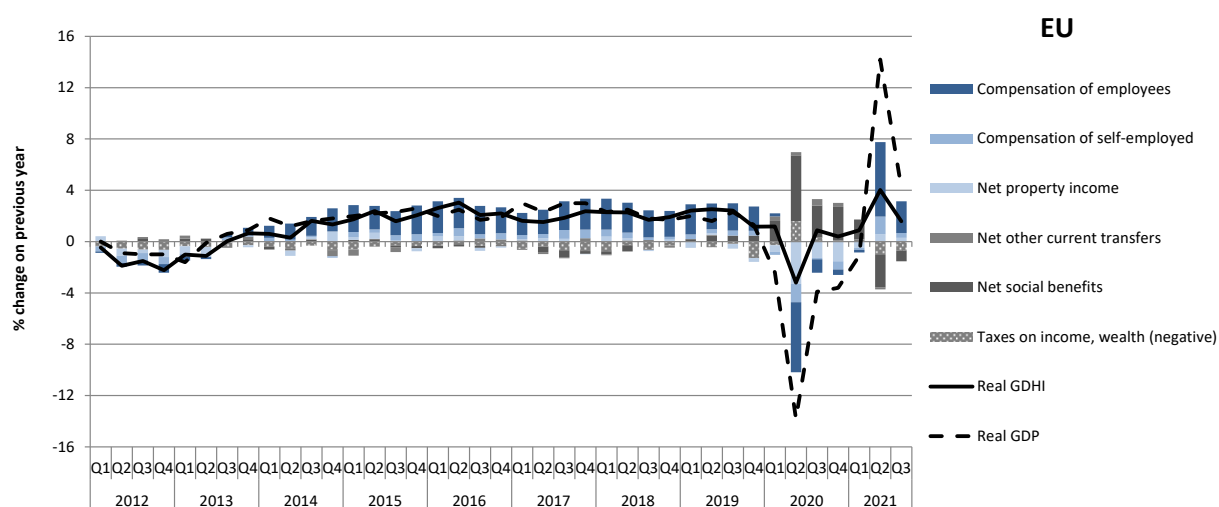


Source: Eurostat, LFS and European Commission, EU Business and Consumer Surveys [une_rt_q, ei_bsin_q_r2]. Data seasonally adjusted.
Note: Labour Shortage Indicator (LSI), derived from EU business survey results (% of manufacturing firms pointing to labour shortage as a factor limiting production).
[Click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

6. Income and financial situation of households

In the third quarter of 2021 in the EU, the financial situation of households improved again. In the third quarter of 2021, it was 1.6% higher than its level of the same quarter of 2020, mostly due to a high positive contribution of compensation of employees (+2.5%) to GDHI, the growth of the compensation of self-employed (+0.4%), and of net property income (+0.3%). As in the second quarter, taxes on income and wealth (-0.7%) and net social benefits (-0.8%) had a negative impact on the growth of the real disposable income in the third quarter of 2021 (Chart 8) after contributing positively to the GDHI growth during the crisis caused by the COVID-19 pandemic.

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



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

Note: The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. Click here to download chart.

In the third quarter of 2021, the change in real GDHI per capita was positive in most EU countries in comparison with the same quarter of 2020. In the third quarter of 2021 and on a yearly basis, out of 17 EU countries with available information, the real GDHI per capita¹¹ rose in 15 Member States. It increased the most in Greece (+4.7%) and Sweden (+3.7%), while a decrease in per capita GDHI was recorded in Germany (-0.8%) and Spain (-0.5%).

The proportion of people reporting financial distress remained stable at the end of 2021 and beginning of 2022, reaching 12.5% in February 2022¹². Reported financial distress¹³ is defined as the need to draw on savings or to run into debt to cover current expenditures, based on personal perceptions. In February 2022, 9.2% of the population declared the need to draw on savings, and 3.4% of the population stated they are running into debt, proportions that have remained stable in the last six months (Chart 9).

Financial distress remained low for the wealthiest households, while at a high level for those on low incomes. In February 2022, this indicator reached 23.3% for the lowest quartile of incomes, 14.2% for the second quartile, 10.2% for the second quartile, and 5.5% for the wealthiest quartile. Compared with their respective peaks, the reported financial distress declined much more for more affluent households than for the lowest quartiles. The third and the fourth quartiles reported a drop in financial distress of 1.8pp and 2.1pp since their peak in April 2020, while for the lowest quartile at the same time the decline was only 0.8pp since its peak recorded in April 2021 (Chart 9).

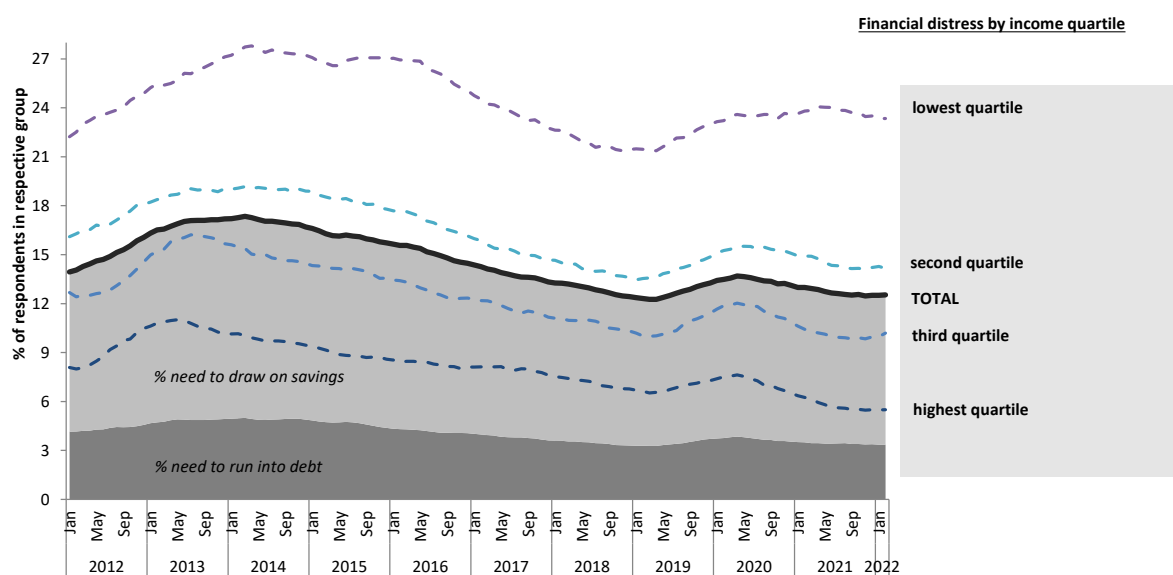
Reported financial distress decreased or remained stable for the lowest income quartile in most of the EU countries, with very different levels and trends. In the third quarter of 2021, and on a yearly basis, financial distress increased in several countries for the poorest households, especially in Hungary (+19.9pp to 35.4%), Estonia (+12.7pp; at 15.8%), and Finland (+5.3pp to 27.5%). The largest drops were recorded in Belgium (-11.0pp to 22.8%), Latvia (-7.1pp to 14.7%), and the Netherlands (-6.2pp to 23.1%). Luxembourg (9.2%) was the only country with levels below 10%, while France (30.7%), Spain (31.4%) and Hungary (35.4%) experienced levels above 30%.

¹¹ Index 2012 = 100. Considering that the data are not seasonally adjusted these figures can change from quarter to quarter.

¹² Moving average over 12 months.

¹³ 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

Chart 9: Reported financial distress by income quartile – EU, 2012-2022



Source: European Commission, Business and Consumer Surveys, unadjusted data, 12-month moving average (DG EMPL F.4 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

Gender pay gap among young workers

Young people are at a crucial juncture today. On the one hand, they have been among the groups most affected by the labour market impacts of the pandemic. On the other, new opportunities emerge for young workers for example in the context of population ageing or the digital and green transitions. To further explore such challenges and opportunities, the Commission decided to make **2022 the European Year of Youth**. To add to the evidence collected so far, this section takes on a well-known challenge women face in the EU labour market – gender inequality in pay – and explores to what extent it applies specifically to young workers.

Gender inequalities in worker's pay are a widespread, persistent feature of the EU labour market.¹⁴

Women tend to account for a lower share of overall earnings from work in the EU, and both their average monthly and hourly salaries tend to be lower than those of men. Women tend to earn less regardless of personal characteristics (such as educational attainment) or different work settings (e.g. type of occupation). Such inequalities can be measured in a number of ways. In the EU context, this is often done through the gender pay gap indicator, which compares the gross hourly earnings of women and men at work.¹⁵ While the comparisons of hourly pay are useful to assess issues linked to equal pay for equal work, they do not capture broader inequalities in earnings resulting from lower labour market participation of women.¹⁶ Lower overall earnings due to gender gaps in employment are an issue for women of all ages – even among young people entering the labour market (aged 25 to 29), only 68% of women worked compared to 77% of men in the EU in 2020.

The gender pay gap in the EU stood at 14.1% in 2019, decreasing only slightly over the past decade from 15.8% in 2010. Given the long-standing nature of such pay inequalities, there is now rich literature¹⁷ that documents a diverse range of contributing factors. These include gender segregation in occupations and economic activities, an underrepresentation of women in more senior positions (such as managers or board members), a higher prevalence of part-time work among women,¹⁸ a disproportionate share of caring responsibilities shouldered by women (which is often difficult to reconcile with work), opaque wage structures, an undervaluation of women's work, differences in wage bargaining attitudes, and various forms of gender stereotyping and discrimination.¹⁹

The importance of different factors behind pay gaps is likely to vary across age groups. Pay gaps increase with age, often because of a higher likelihood of career breaks due to caring responsibilities²⁰ among women.²¹ They extend beyond the working life, contributing (together with gender gaps in employment) to large gender gaps in pensions and related higher incidence of poverty risks among older women.²² They can interrupt

¹⁴ EIGE (2019) Tackling the gender pay gap: not without a better work-life balance; EIGE (2021) Gender inequalities in care and consequences for the labour market

¹⁵ More specifically, gender pay gap is defined as the difference between average gross hourly earnings of male and female employees as % of male gross earnings, following the definition used in the Social Scoreboard of the European Pillar of Social Rights.

¹⁶ For measurement of broader inequalities in total earnings, see Eurostat's indicator on gender earnings gap: <https://ec.europa.eu/eurostat/databrowser/product/view/teqges01?lang=en>

¹⁷ For recent contributions at EU level, see e.g. EIGE (2021) Gender inequalities in care and consequences for the labour market or Eurostat (2021) Gender pay gaps in the European Union

¹⁸ At EU level, around 1 in 3 women worked part-time compared to less than 1 in 10 men. The share of part-time work is particularly high in some Member States such as Netherlands, Austria and Germany.

¹⁹ See e.g. EIGE (2021) Gender inequalities in care and consequences for the labour market; Eurostat (2021) Gender pay gaps in the European Union; European Commission 2021 report on gender equality in the EU

²⁰ I.e. unpaid care work for children for adults in need of care or care of elderly relatives.

²¹ See EIGE (2021) Gender inequalities in care and consequences for the labour market. Note that pay gaps may increase later on in life due to other factors as well, such as employer discrimination in promotions (though in practice, these may be often closely linked to career breaks as well).

²² See e.g. EIGE (2020) Beijing +25: the fifth review of the implementation of the Beijing Platform for Action in the EU Member States

careers in a variety of ways, including dropping out of employment, longer parental/carer leaves, reduced working hours or the inability to put in the extra effort needed for a promotion.

Younger workers are less likely to have experienced substantial caring responsibilities or career breaks, which means that other factors (such as educational attainment the field of education and occupation) may have a stronger influence over inequalities in pay. To explore this, this thematic focus applies the methodology recently used by Eurostat to identify factors behind gender pay gaps in the EU labour market,²³ and applies it specifically to employees²⁴ aged 25 to 29. These workers are at the outset of their working lives and are therefore unlikely to be greatly affected by inequalities arising from differences in previous career paths.²⁵

The methodology used to analyse gender pay gaps allows the decomposition into two parts. The first part is explained by differences that can be observed, on average, between women and men in educational achievement, occupational choices, job experience, employment contracts, working time, field of economic activity, and employer characteristics. The second one measures what remains after correcting for such differences. While this part can be expected to capture discrimination through 'unequal pay for equal work', it also contains some effects of important characteristics not covered by data. Overall, the findings presented below should be interpreted with caution, as the data used in analysis²⁶ only covers a limited set of characteristics of women and men. Differences in other characteristics (such as field of education or household composition) may also have implications for the gender pay gap, but they were not available in the data used for this analysis.

Gender pay gap among young workers is difficult to explain by differences in characteristics

The gender pay gap among young workers aged 25 to 29 was 7.2% in the EU in 2018, around half of the gender pay gap observed for the overall population. Pay gaps were lower among young workers in all EU countries except IT, PL, SI and RO. In these countries, the gender pay gap for the overall worker population was much lower than the EU average, at least partly due to self-selection effects where women with higher education or skill levels (and therefore higher pay) participate more often in the labour market. Such self-selection effects are likely to be lower among the young because the work and family life trade-off is less pressing. In three Member States (EL, NL, LU), young women actually earn more per hour than their male counterparts.²⁷

²³ See Eurostat (2021) Gender pay gaps in the European Union for pay gap decompositions for the whole working population. For this report, Eurostat kindly provided the pay gap decomposition result files for population aged 25 to 29 only, following the same calculation process as for the overall population.

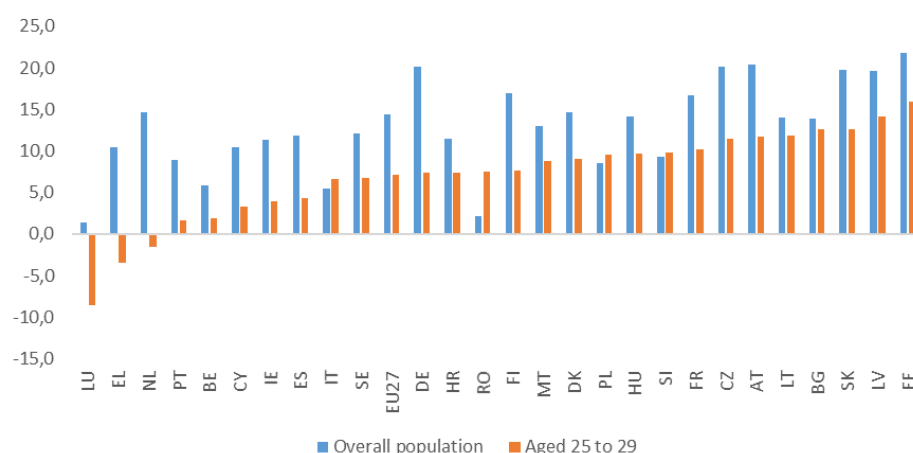
²⁴ This analysis is based on structure of earnings survey data for 2018, which only covers employees, hence a broader focus is not possible.

²⁵ Younger workers (18 to 24) were excluded from analysis as they are often still completing their education and are in less stable and favourable employment contracts, reducing the comparability of their employment situation to other workers and thus making this age group less suitable for the purposes of this analysis

²⁶ Structure of earnings survey 2018

²⁷ This was at least partly due to higher educational attainment of young women in these countries and their concentration in higher paid occupations and/or economic activities (see chart 12).

Chart 10: Unadjusted gender pay gap by age group and country (%), 2018



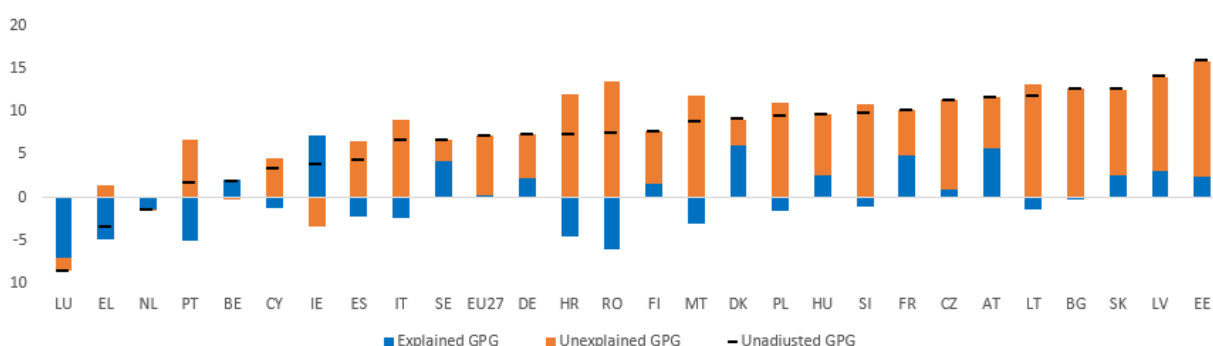
Source: earn_gr_gpgr2 & Eurostat calculations based on 2018 structure of earnings (SES) data

At EU level, gender pay gap among young workers is left largely unexplained by differences in characteristics of women and men. Only 0.5pp of the (unadjusted) gender pay gap among young workers is accounted for by differences in women's and men's educational achievement, occupational choices, job experience, employment contracts, working time, field of economic activity, and employer characteristics. The remaining 6.7pp of the unadjusted gender pay gap is left unexplained.

The explained proportion of pay gap among young workers is lower than for the overall population, where roughly a fifth of the pay gap is explained.²⁸ This is linked to gender differences in educational achievements and career paths. Differences in educational achievement tend to favour higher pay especially among younger women (who tend to outperform men more often than among older cohorts), which makes it more difficult to explain why pay gaps are mostly in favour of young men. At the same time, young women's career progression is less affected by motherhood and related caring responsibilities, one of the crucial factors behind gender pay gaps among older cohorts.²⁹

While differences in characteristics of young workers do not explain much of the gender pay gap at EU level, they do explain a sizeable proportion of the gap in several EU Member States – notably, they account for more than 4pp of the gap in DK, IE, FR, AT and SE. In other countries, such differences either do not contribute much to pay gaps, or they favour higher pay for young women (notably in EL, HR, LU, PT, and RO). A similar variation is also observed among workers overall.³⁰

Chart 11: Gender pay gap adjustments for characteristics of people aged 25 to 29, 2018



²⁸ Eurostat (2021) Gender pay gaps in the European Union

²⁹ See e.g. EIGE (2021) Gender inequalities in care and consequences for the labour market

³⁰ Eurostat (2021) Gender pay gaps in the European Union

Source: Eurostat calculations based on 2018 structure of earnings (SES) data

Young men work in better paid fields of economic activity, whereas women earn more due to higher educational attainment

While the overall proportion of the explained pay gap is low, certain differences in characteristics of young women and men considerably affect gender differences in pay. This applies especially to gender differences in fields of economic activity, educational attainment, and occupational choices. These factors have been identified as important among the overall working population as well,³¹ though the magnitude of their influence often differs for young workers.

- **At EU level, 3.2pp of the gender pay gap results from young men working more often in fields of economic activity with higher hourly pay than women.** This is roughly similar to the effect observed in the overall population (3.4pp),³² suggesting that segregation in fields of economic activity plays an important role right from the start of women's and men's careers. This is in line with findings from other studies highlighting that career aspirations and choices of educational fields differ sharply by gender even prior to entering the labour market – for example, men tend to dominate certain fields within the science, technology, engineering and mathematics studies, whereas women account for majority of students in education, health and welfare..³³ Segregation in fields of economic activity contributes to higher gender pay gap in all but 4 Member States (EL, CY, LU and NL). This factor is particularly important in DK, LV, LT and SI, where it accounts for more than 5pp of national gender pay gaps for young workers.
- **Differences in educational attainment favour young women's pay compared to men's.** In the absence of effects of other factors, higher average educational attainment of women would result in women earning 2.5% more per hour than men at EU level. This is a stronger effect than for the overall population, where women would earn 1% more than men based solely on differences in average educational attainment³⁴. This reflects longer-term trends in education, where young women first caught up with male rates of tertiary education attainment, and currently have even reached considerably higher rates.³⁵ Young men also tend to leave education early more often than young women.³⁶ The differences in educational attainment reduce the gender pay gap in all Member States apart from Belgium. They contribute to higher pay for young women particularly (by more than 3%) in HR, PL, PT, RO and SI.
- **Occupational differences³⁷ between women and men play a more ambiguous role, reducing the gender pay gap for young workers in the majority of countries but increasing it in a few others.** At EU level, occupational differences among young people would result, in absence of effects of other factors, in slightly higher hourly pay (by 0.8%) for women. In fact, occupational differences reduce gender pay gap by 1 or more pp among young people in 17 Member States. However, there is also a small group of countries (IE, FR, CY, NL, AT and SE) where such differences contribute to higher pay for young men, increasing the gender pay gap by 1 or more percentage points. A similarly mixed pattern can be observed for the population overall.³⁸

Beyond these more systematic differences, a few others only apply in a limited number of countries. **Working part-time accounts for at least one percentage point of the gender pay gap among young workers in BE, DE, IT, NL and AT.** In these countries, part-time work is associated with lower hourly earnings, and young

³¹ Eurostat (2021) Gender pay gaps in the European Union

³² *ibid*

³³ See e.g. McNally (2021) Gender Differences in Tertiary Education: What Explains STEM Participation?; EIGE (2018) Study and work in the EU: set apart by gender

³⁴ Eurostat (2021) Gender pay gaps in the European Union.

³⁵ According to Eurostat data for 2018 (dataset edat_ifse_03), around 44.2% of women aged 25 to 34 attained tertiary education compared to 33.2% of men in the EU. For population aged 25 to 64, this difference is much smaller (32.9% of women compared to 28.6% of men).

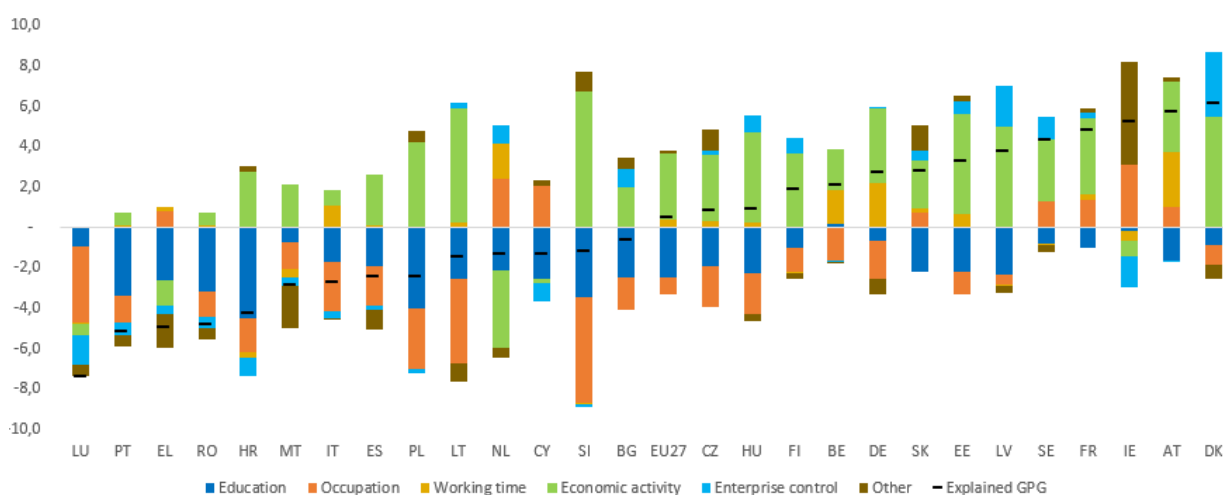
³⁶ According to EU-level Eurostat data for 2018 (edat_ifse_14), around 12% of men aged 18 to 24 left education early, compared to 8.8% women.

³⁷ I.e. differences in representation of women and men in different occupations at ISCO 2-digit level.

³⁸ Eurostat (2021) Gender pay gaps in the European Union

women tend to work part-time considerably more often than men.³⁹ This influence is less pronounced than for the population overall,⁴⁰ reflecting the fact that gender differences in the prevalence of part-time work often grow with age. This is at least partly because women tend to resort to part-time work due to caring responsibilities much more often than men do later in life.⁴¹

Chart 12: Decomposition of the explained gender pay gap for people aged 25 to 29, 2018⁴²



Working in a private or public enterprise accounts for at least one percentage point of the gender pay gap in a few countries (DK, LV and SE), while it leads to higher pay for young women in a couple of others (IE and LU). Since women tend to be overrepresented in public sector employment,⁴³ the effect on the pay gap depends on how well employment in the public sector is paid relative to work in the private sector. In countries where public sector pays less than private employers, the overrepresentation of women in the public sector widens the pay gap (by as much as 3 pp in Denmark). In countries where public employment offers higher salaries than private sector, this can lead to somewhat lower earnings for men – in Ireland and Luxembourg, the gender pay gap is 1.5 pp lower after correcting for this. This mixed pattern is rather similar to the one observed in the working population overall.⁴⁴

Strong influence of other characteristics considered in analysis on pay gaps for young workers is rare. This includes job experience, type of employment contract, enterprise size and geographical location of enterprise. This broadly corresponds with results for all workers, where these characteristics also play a limited role in explaining the gender pay gap.⁴⁵

Lack of evidence on additional factors affecting the gender pay gap that go beyond adjustments for characteristics of young workers

Women aged 25 to 29 earn on average 6.7% less than men from the same age group after adjusting for gender differences in worker characteristics. Much of these pay inequalities are likely to result from a combination of a) a different value being placed on individual characteristics of young women and men (e.g. if larger wage premiums for holding a university diploma accrue to either women or men); and b) effects of worker

³⁹ See Eurostat dataset lfsa_eppga

⁴⁰ Eurostat (2021) Gender pay gaps in the European Union

⁴¹ EIGE (2020) Beijing +25: the fifth review of the implementation of the Beijing Platform for Action in the EU Member States

⁴² Note that age was dropped from analysis as it did not have any significant effects at all. This is likely due to the narrow age band selected.

⁴³ EIGE (2020) Beijing +25: the fifth review of the implementation of the Beijing Platform for Action in the EU Member States

⁴⁴ Eurostat (2021) Gender pay gaps in the European Union

⁴⁵ Ibid

characteristics not covered by available data (such as the field of achieved education). To explore the importance of the former, the analysis below focuses on comparing wage returns⁴⁶ to different characteristics of women and men. While such comparisons are linked to discrimination through ‘unequal pay for equal work’, they may also capture some effects of worker characteristics not covered by data – hence the results should not be interpreted as due to discrimination only.

Gender differences in wage returns to worker characteristics are rather infrequent among young people and much less pronounced than for the working population overall:

- **While job experience⁴⁷ often has higher wage returns for men than women over their careers,⁴⁸ this is not the case for workers aged 25 to 29.** For the overall working population, higher wage returns to years of job experience of men were identified in 9 Member States.⁴⁹ This was the case only in four Member States (DK, FR, IT, SE) among young workers, probably because differences in job experience are unlikely to play an important role during the first couple of years of one’s career.
- **Higher wage returns to education for men than women are less common among young workers than for the overall population.** Achieving higher than lower secondary education does not bring systematically higher wage returns for young men in any country, though this is the case in a few countries (BE, DE and SK) for men in general.⁵⁰ There are several countries where achieving specific higher education levels brings higher returns for young men (BE, DE, IE, CY, AT, SK), yet such differences are less frequent than among the overall population as well.
- **Working part-time is associated with higher wage penalties for young men compared to young women in six EU Member States** (CZ, DK, DE, EE, HU and AT). Among workers in general, this is the case in roughly a half of all EU Member States. While determining the cause of such penalties would require a standalone research, it is possible to offer some potential explanations. For example, the fact that men work part-time rather infrequently may make this option more costly for them – to be able to work part-time, they may need to accept larger pay cuts. Alternatively, there may be lack of part-time options for men in certain higher paid sectors of economic activity, such as information and communications technology.⁵¹

Gender differences in wage returns are found even less frequently for other characteristics of young workers.⁵² This dearth of evidence makes it difficult to understand what lies behind the pay gap that remains after adjusting for differences in worker characteristics. It points towards important data limitations (such as lack of data on field of achieved education) that limit our understanding of the pay gap among young workers.

Concluding remarks

Young women (aged 25-29) face a 7.2% unadjusted gender pay gap at the start of their professional careers in the EU labour market. This is about half of the pay gap for all workers, indicating larger pay inequalities among older workers, potentially as a consequence of career breaks due to caring responsibilities among women. Pay differences between young women and men are difficult to explain based on available data. Differences in average worker characteristics only account for a marginal share of the pay gap at EU level, though the situation varies considerably from country to country. Certain differences in worker characteristics account for substantial pay differences, but they operate in different directions – notably, young women tend to work in lower paid economic activities, whereas young men tend to have lower salaries due to lower educational attainment. Gender

⁴⁶ Wage returns in the context of this analysis are defined rather narrowly. They relate solely to differences in hourly pay received from employers linked to certain individual characteristics – for example, workers who hold university degrees often have higher hourly wage compared to those who do not have such qualifications.

⁴⁷ Among the overall working population, men also had a systematically higher wage returns to age. For younger workers, given the narrow age bracket chosen (25 to 29), it was not possible to replicate this analysis.

⁴⁸ Eurostat (2021) Gender pay gaps in the European Union

⁴⁹ Ibid

⁵⁰ Eurostat (2021) Gender pay gaps in the European Union

⁵¹ For summary, see e.g. EIGE (2020) Gender Equality Index 2020: Digitalisation and the future of work

⁵² Note however that the lack of differences among young workers may partly result from focusing on a narrow age bracket, which is likely to limit the precision of statistical measurement.

differences in wage returns to young workers' characteristics are rather infrequent and limited to a few Member States. Overall, the lack of explanatory power points towards data limitations – some important factors likely contributing to pay gaps among young workers (such as field of achieved education) are not available in data used.

The wide spread and persistence of gender pay gaps in the EU receives considerable attention in EU policy – most recently, the closing of the gap was highlighted as a priority in the Gender Equality Strategy 2020-2025⁵³ of the Commission. Following actions outlined in the strategy, the Commission adopted a proposal for a Directive strengthening the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms on 4 March 2021. This proposal drew on the evidence collected during previous Commission's evaluations of the relevant legal provisions⁵⁴ as well as an ex-ante impact assessment.⁵⁵ The Council of the EU agreed its approach on the proposal on 6 December 2021.⁵⁶ Currently, the European Parliament is preparing its position regarding the Directive (expected in March 2022). In 2020, the Commission also prepared a proposal for a Directive on adequate minimum wages in the European Union⁵⁷, which is expected to help to close the gender pay gap. This is now being discussed with the Parliament and the Council.

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⁵⁴ https://ec.europa.eu/info/sites/default/files/swd-2020-50_en.pdf

⁵⁵ https://ec.europa.eu/info/files/impact-assessment-accompanying-proposal-directive-establishing-minimum-requirements-pay-transparency-strengthen-principle-equal-pay_en

⁵⁶ <https://www.consilium.europa.eu/en/press/press-releases/2021/12/06/council-agrees-on-common-position-to-tackle-gender-pay-gap/>

⁵⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020PC0682>

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](#)
- 3) [Annex to the thematic section](#)

