

International economic outlook

Comparative employment and unemployment trends in the main Western countries in 2020

While the health restrictions had a strong impact on economic activity everywhere in 2020, unemployment rates followed more contrasting trajectories. Throughout the year, unemployment rose in all the major Western economies. However, at the height of the health crisis in the spring of 2020, an “misleading” drop in the unemployment rate was recorded in France and Italy, whereas it remained stable in the UK, but rose in Spain, Germany and the United States. These differences have multiple origins. Firstly, employment trends differed from country to country, and in some countries, short-time working arrangements or less stringent restrictive measures were introduced to maintain some employment. Secondly, labour-force trends also differed from country to country, sometimes to significant extents. Finally, concerning the United States, there are differences in the operation of the labour market and the associated statistical conventions.

At the height of the crisis, unemployment rates varied heterogeneously throughout Western economies

In 2020, the sharp decline in economic activity led to an overall increase in the unemployment rate in Western economies (► [figure 1](#)). However, the extent of these variations and their infra-annual dynamics differed greatly from country to country. In Spain and Germany, the unemployment rate increased between Q1 and Q3 2020 (from 14.4% to 16.3%, and from 3.1% to 4.0%, respectively). In contrast, the unemployment rate in France and Italy ran counter to the trend for economic activity in Q2, decreasing by 0.7 and 1.7 points respectively, before rebounding strongly in Q3 (+2.0 and +2.3 points). In the United Kingdom, the unemployment rate remained stable in Q2 before increasing by 1.0 percentage point to 4.8% in Q3.

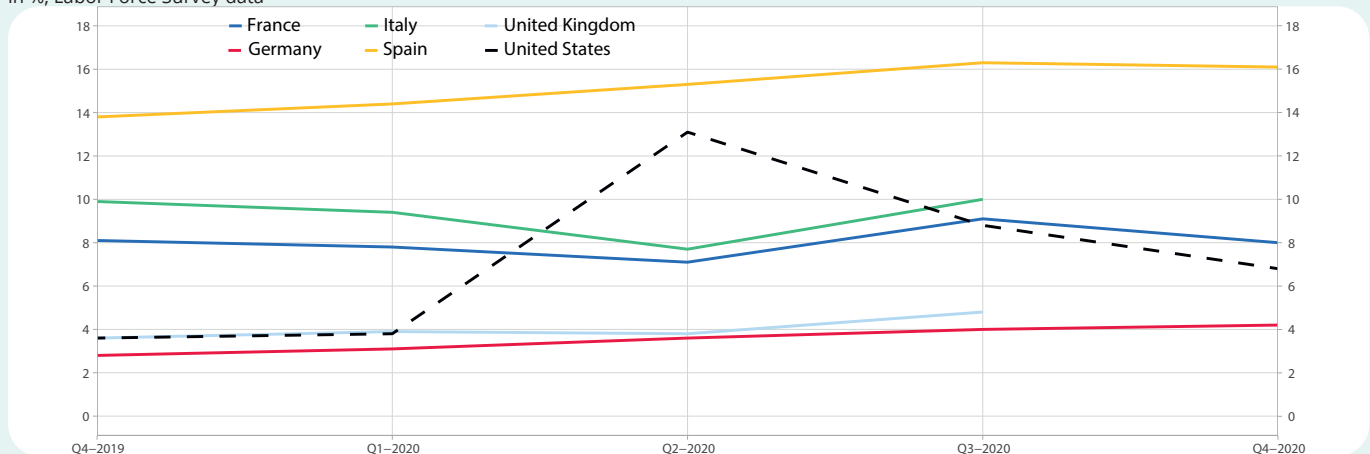
In addition, in the United States, the changes in unemployment seemed to bear no comparison with other countries (+9.3 points in Q2 followed by -4.3 points in Q3), notably due to the sudden increase in “temporary layoffs”. This category includes people who have been laid off but expect to return to work (normally within six months or when the situation improves during the health crisis), even though they no longer have an employment contract, no longer receive even partial remuneration from their employer, and have no formal legal assurance of being rehired¹. This designation differs from the “temporary layoffs” category in Eurostat that includes European short-time working arrangements such as the French *chômage partiel* scheme, which is considered to be a form of employment².

¹ According to ILO standards, people who have not worked for a short period of time, but who have maintained links with their job during that period, are considered to be “employed”. These links are determined on the basis of duration (absence lasting less than three months, or in the pandemic context, if these people expect to return to the same job once the restrictions have been lifted), or salary (partial remuneration by the employer). The BLS considers workers on “temporary layoffs” as having little or no connection to their jobs, and therefore counts temporary layoffs as an unemployment category.

² Despite certain aspects that bring them closer to the American definition of “temporary layoffs”, people on the French short-time working scheme retain strong links with their jobs, and are therefore counted as employed, but absent from their job, in the ILO classification.

► 1. Unemployment rates in Western countries have followed differing trajectories during the crisis

in %, Labor Force Survey data



Note: for Germany, as labour force survey data were not available via Eurostat, the unemployment rate has been recalculated using data from Destatis. For the United States, the method of accounting for unemployment includes “temporary layoffs”. This makes it very difficult to compare the US unemployment rate dynamics with the those of European countries.

Source: INSEE, Eurostat (Labor Force Survey), Destatis, Census Bureau

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In the United States, the rise in unemployment in the spring of 2020 can therefore be mainly attributed to the increase in temporary layoffs (+17.3 million between February and April 2020). In February 2021, the majority of these unemployed people had returned to employment, but 2.3 million people were still classified as temporary layoffs, 2.2 million of whom considered that they had permanently lost their jobs. These temporary layoffs do indeed appear to be temporary in nature, but they nevertheless embody a form of unemployment, given the specificity of the US labour market. The differences in the functioning of the labour

market, and in the statistical conventions that describe it, thus call for caution when comparing the dynamics of the US unemployment rate with those of the unemployment rates in European countries.

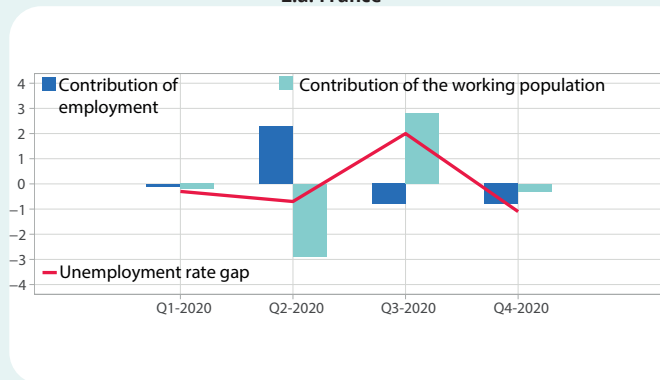
“Misleading” trajectories mask simultaneous fluctuations in employment and the labour force

These differences in unemployment rate trends from country to country can be analysed by distinguishing between the contributions of the two components of the unemployment rate: employment on the one hand,

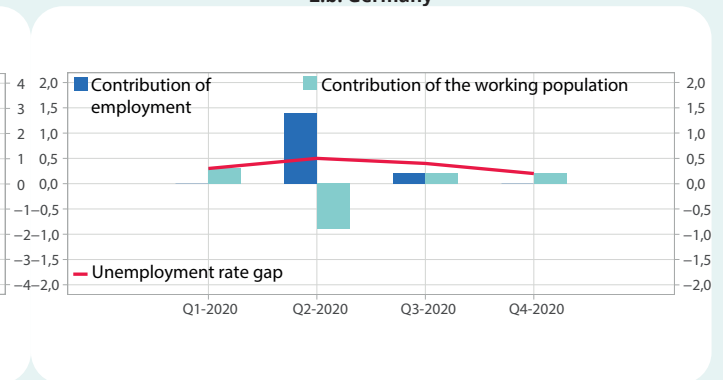
► 2. The heterogeneous variations in unemployment across countries stem from labour force trends as well as employment trends

in % points

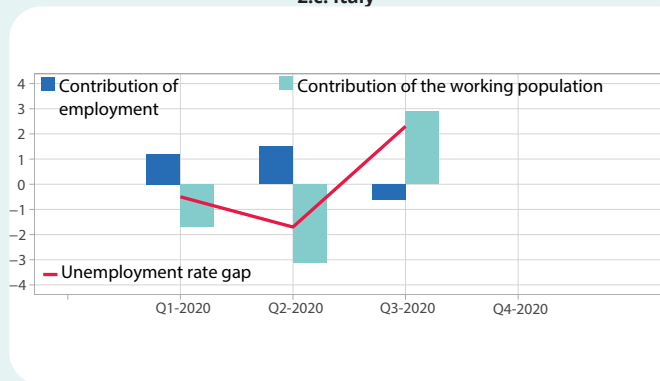
2.a. France



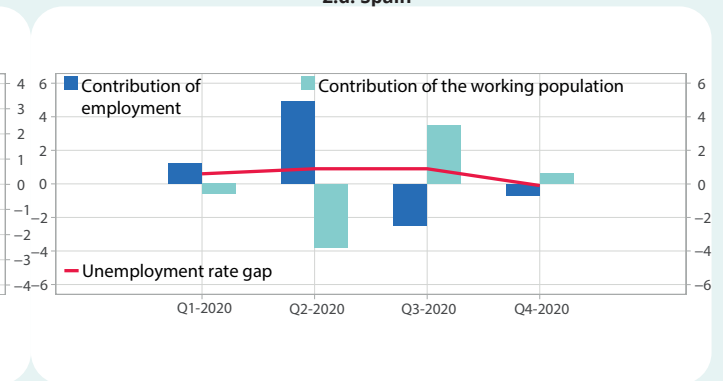
2.b. Germany



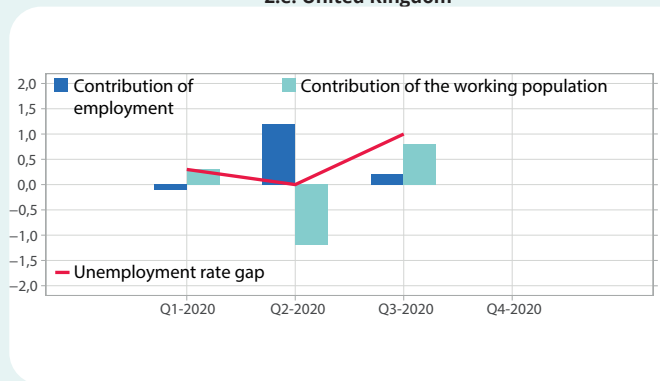
2.c. Italy



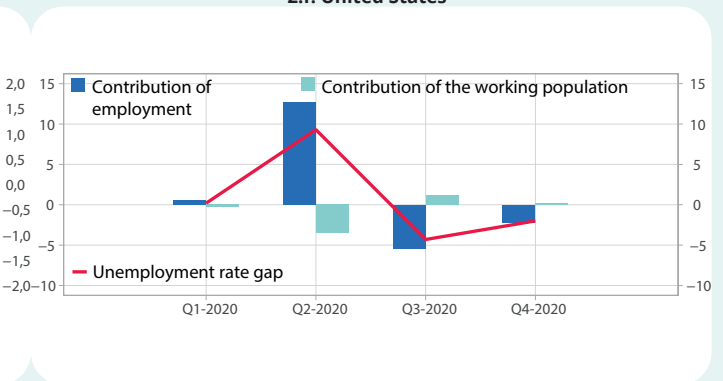
2.d. Spain



2.e. United Kingdom



2.f. United States



How to read it: in Q2 2020, the French unemployment rate decreased by 0.7 percentage points: the labour force contracted and contributed -3.0 points to the change in the unemployment rate, absorbing the effect of the decline in employment which nonetheless contributed +2.3 points.

Note: for the United States, the method of accounting for unemployment includes “temporary layoffs”. This makes comparisons between the dynamics of the US unemployment rate and those of European countries very difficult.

Source: INSEE, Eurostat (Labour Force Survey), Destatis, Bureau of Labor Statistics

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and the labour force on the other (► [figure 2](#)). In this way, in Q2 2020, at the height of the health crisis, two simultaneous trends impacted the unemployment rates of the countries in question. The introduction of health restrictions led to job losses, linked to the decline in activity, but also to a contraction of the labour force. In fact, some of the people who were unemployed or had just lost their jobs due to the adverse effects of the restrictions on activity, stopped actively looking for work and were therefore not counted as unemployed within the meaning of the International Labour Office (ILO).³ They were then considered as falling within the halo of unemployment,⁴ and therefore no longer belonging to the labour force. While job destructions linked to the decline in activity push the unemployment rate upward, the contraction of the labour force pushes it downward: a “misleading” drop, since in this case, the unemployment rate decreases while the number of unemployed people increases.

The differences in unemployment rate trends in Q2 2020 can therefore be explained, in accounting terms, by the relative importance of these two underlying movements: job destructions and the contraction of the labour force⁵. In Germany and Spain, for example, the effect of the decline in employment was predominant and the unemployment rate rose in Q2 2020. In contrast, the decline in employment in France and Italy – although significant, contributing +2.3 points to the rise in the unemployment rate in France and +1.5 percentage points in Italy – was overshadowed by the sharp decline in the labour force (making a negative contribution of –3.0 points in France and –3.2 points in Italy, much more than in Germany: –0.9 points). In the United Kingdom, a balance was struck between the employment and labour force trends, leading to a stable unemployment rate in Q2 2020. The labour force makes the greatest contribution in countries with the most stringent health restrictions, since this is where the biggest changes in the labour market access conditions occur, including opportunities to find a job, the availability of people, and the emergence of new job offers in the affected sectors.

In Q3, marked by a strong rebound in activity, the unemployment rate once again varied heterogeneously. In France, Italy and Spain, for example, the spill-over effects from the halo of unemployment on the labour force took precedence over the rebound in employment, causing unemployment to rise during the summer. In the

United Kingdom, employment continued to deteriorate in Q3, pushing up the unemployment rate, which was further increased by the rebound in the labour force. In Germany, however, labour force fluctuations seemed much more limited, and employment remained the dominant factor in the change in the unemployment rate.

The statistics for Q4 2020 have not yet been published for all countries; however, labour force fluctuations appear to have been much more moderate. In France, another contraction of the labour force was observed, but this time combined with an increase in employment, as a quarterly average: these two effects contributed simultaneously to a drop in the unemployment rate (► [Employment sheet](#)).

Labour retention behaviour was contrasting across sectors and countries

Changes in employment in Q2 2020 followed variations in activity in a heterogeneous manner in different countries and sectors (► [figure 3](#)). European countries, most of which have implemented short-time working arrangements, have recorded limited drops in employment, which are not commensurate with their losses of activity. In the United States, however, where “temporary layoffs” are counted as job losses, employment contracted by 13.2% in Q2 compared to Q4 2019, i.e. more strongly than the decline in economic activity. The breakdown of the US economy into major sectors (► [figure 3.f](#)) shows similar changes in activity and employment within each of these sectors.

In European countries, workforce retention appears to have been strong in all sectors of activity. This concept refers to the short-term rigidity of employment in relation to activity: retaining employees during a slump – especially when they are placed on short-time working schemes – may be more profitable than laying off employees and hiring again soon after. The difference between activity losses and sectoral job losses can shed light on the extent of workforce retention within each sector. In Q2, retention thus seems to have been particularly strong in sectors with better prospects for recovery, such as industry and construction, in countries where construction projects were halted (France, Italy, Spain and the UK), while the most durably affected sectors (transport, hospitality and catering, culture) suffered relatively substantial job losses, from –3.0% in Germany to –12.5% in Spain (variation in relation to Q4 2019).

³ An unemployed person, as defined by the International Labour Office (ILO), is a person aged 15 years or older, without a job during a given week, and available for work within two weeks, who has been actively looking for work during the last four weeks or has found a job that starts within three months.

⁴ An unemployed person who has either looked for work but is not available for work, or has not looked for work but wants to work and is available for work, or who wants to work but has not looked for work and is not available for work.

⁵ For accounting purposes, the change in the unemployment rate in each quarter is calculated as follows. The unemployment rate in quarter t is expressed as $u(t) = 1 - L(t) / P(t)$ (ter t , where $L(t)$ is total employment and $P(t)$ is the labour force. The change in the unemployment rate in quarter t is expressed as follows: $u(t) - u(t-1) = -[1/P(t)] * [L(t) - L(t-1)] + [1 - u(t-1)] * [P(t) - P(t-1)] / P(t)$, where the first term of the sum is the contribution of the change in employment, and the second term is the contribution of the change in the labour force.

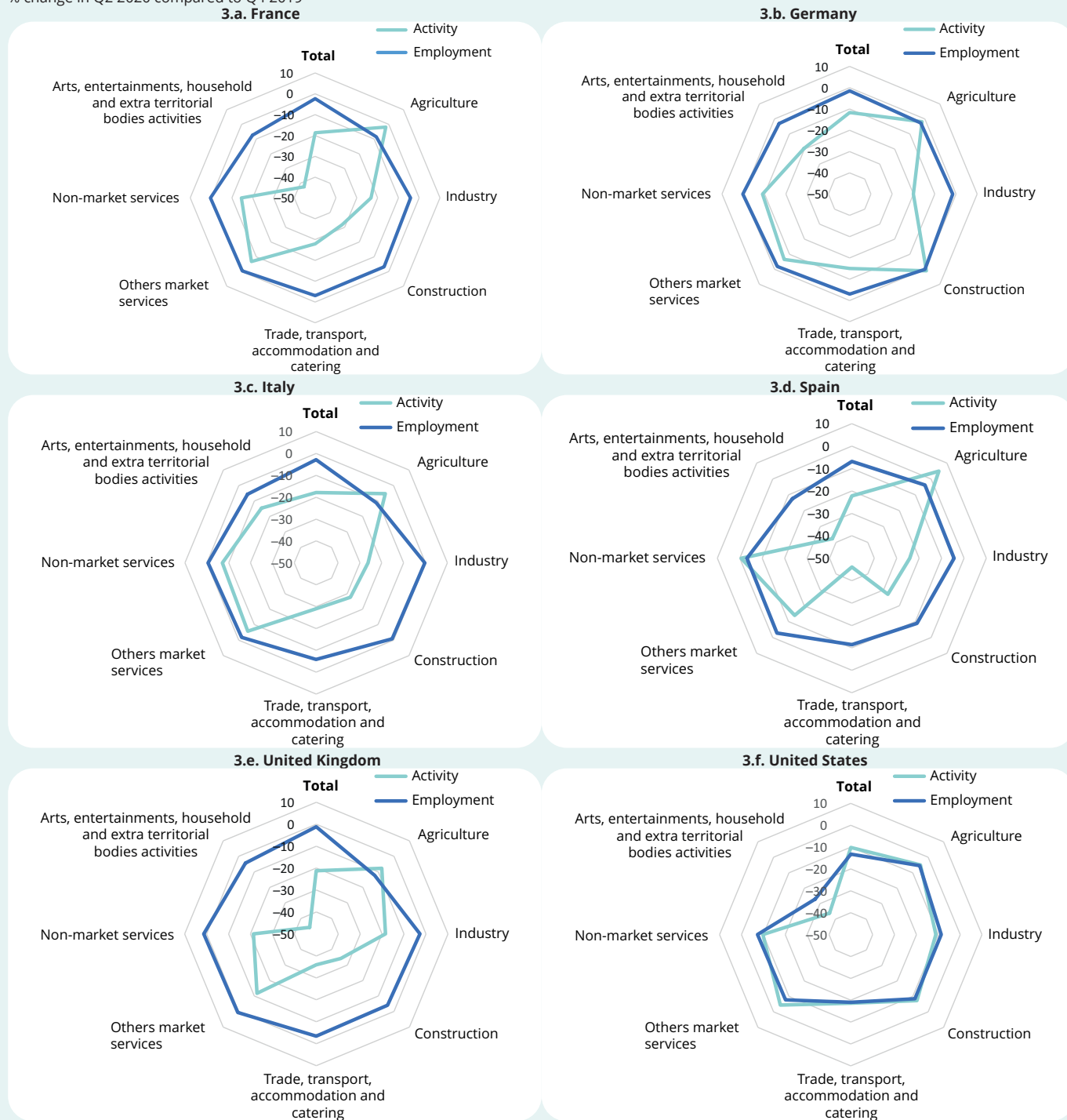
Several factors may help to explain these differences between countries. Firstly, mobility restrictions – especially lockdowns – have caused some unemployed people to temporarily stop looking for work. Moreover, while employment trends are also

linked to health measures, since they are caused by the drop in activity induced by these measures, they are also influenced, and in this case mitigated, by the short-time working arrangements that have been put in place in several countries. ●

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► 3. Depending on the sector, the change in employment was not always proportional to the loss of activity

% change in Q2 2020 compared to Q4 2019



How to read it: in France, total value added contracted by 18.7% between Q4 2019 and Q2 2020, while total employment fell by 2.3% over the same period. Source: Eurostat (Labour Force Survey), Destatis, Bureau of Economic Analysis, Bureau of Labor Statistics

Box : The US job market underwent exceptional variations in 2020

In the United States, the coronavirus epidemic, and its economic consequences, triggered unprecedented variations in unemployment. In April, the unemployment rate surged to 14.8% – its highest level in the country's recent history – whereas it had not exceeded 10% during the 2008 crisis (► [figure 1](#)). If the labour force had not contracted by almost 2 points over the same period, this unemployment rate would have reached 19% in April 2020. This increase is explained by the massive job destructions coinciding with the first wave of the epidemic: up to 22 million in March and April for non-farm employment. Many of these job destructions were initially categorised as “temporary layoffs” (see *above*). The number of people on temporary layoffs reached 18 million in April 2020, a figure that had never previously exceeded 2.5 million. The lack of a special remuneration scheme for these unemployed people justified exceptional increases and extensions of unemployment benefits. The following section is based on data provided by the US *Bureau of Labor Statistics*, which considers anyone on the temporary layoffs scheme to be unemployed.

Employment then rebounded strongly in the following months with the creation of almost 10 million non-farm jobs until July, when these job creations levelled off and then gradually slowed down in H2 2020, before declining again in December as the epidemic intensified. In February 2021, the labour market still had 9.5 million fewer non-farm jobs than in February 2020.

The *Bureau of Labor Statistics* provides detailed monthly labour market statistics, enabling the shock that occurred in 2020 to be analysed in greater detail. Firstly, it enables the characteristics of the individuals most affected by this shock to be examined. Women are shown to have been hit harder than men by this contraction of the labour market (employment down by 18% for women in March-April compared to –14% for men, and –16% for all employment), as have younger workers (–31% for workers under 25, compared to –14% for workers over 25). The least skilled jobs were also more severely affected, as shown by a decline of –25% for workers with less than a high-school diploma, compared to –6% for those with a bachelor's degree or higher.

Indeed, analysing job losses per sector highlights the fragility of these low-skilled jobs when more stringent health restrictions were introduced. The flexibility of the private sector made the holders of such jobs more vulnerable to job losses than their counterparts in the public sector (–17% versus –4% between February and April 2020). Job losses in the public sector were actually spread out over a longer duration, given that the layoff arrangements are less flexible than in the private sector. In particular, local authorities and the different states were severely affected by the reduction in their revenues in 2020: job losses were spread out until May and then resumed from August until the end of the year. In contrast, federal employment did not decline in the spring, and even increased temporarily at the time of the decennial census in late summer.

Within the private sector, the epidemic shock hit services harder than production (–17% against –12% between February and April). This sharp decline in the service sector was mainly due to the impact of job losses in the leisure and hospitality sector (► [figure 5](#)): in March, these job losses contributed 6.1 points, amounting to almost half of the 14% drop in service employment, in addition to the losses in trade and transport (2.7 points), education and health (2.2 points) and business services (1.8 points). This vulnerability of the hospitality and catering sector is easily understood for two reasons: on the one hand, it includes low-skilled and flexible jobs that can easily be shed, when necessary, and on the other hand it is particularly exposed to the restrictions affecting mobility and household consumption, imposed during this health crisis. The massive job losses (–49%) in the leisure and hospitality sector can be analysed in even greater detail (► [figure 6](#)). All the different sectors were very severely affected, with the exception of “museums and historic sites” which were relatively unaffected at the time of the April-May shock. However, there was virtually no rebound in employment in this sector after the first wave of the epidemic, or in the “performing arts” sector, in contrast to the “food and catering” and “entertainment, betting and recreation” sectors which, by November, had recovered almost two thirds of the jobs lost during the first wave.

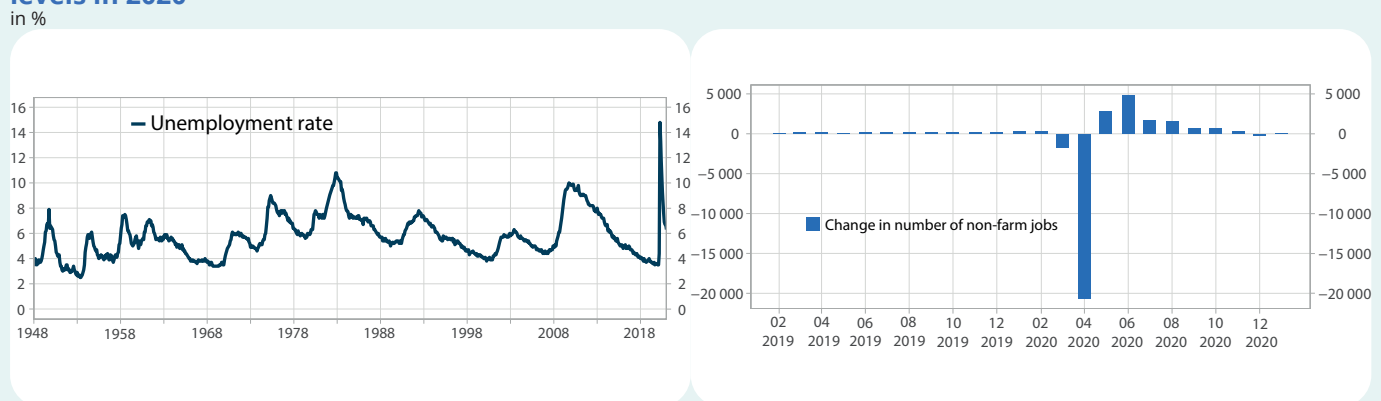
These job losses can also be analysed by carrying out a geographical analysis, based on the Local Area Unemployment Statistics survey, which provides data at the county level (► [figure 7](#)). Urban areas, which are more densely populated and attract more services and low-skilled jobs in sectors such as hospitality and catering, were logically the most severely affected by the decline in employment, whether in the Great Lakes region (Michigan, Indiana, Illinois), in the West (California, Nevada), on the East Coast (New York, Massachusetts, Rhode Island, New Hampshire) or in the South (Texas, Florida). In contrast, job losses were very limited in the central agricultural regions (Nebraska, North Dakota). A particularly noteworthy exception is Clark County, Nevada – home to Las Vegas

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– where 37% of jobs were lost between February and April 2020, largely due to the closure of Las Vegas’ leisure and hospitality activities, which account for a significant proportion of the county’s jobs.

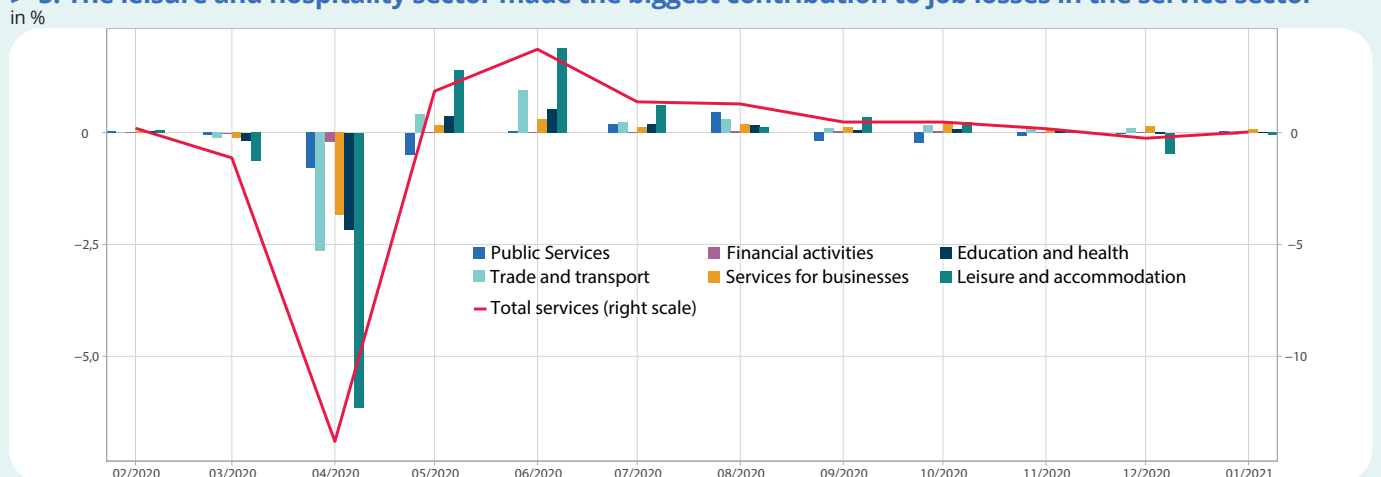
Today, the employment situation is a major issue in the United States, due to a slowdown in the pace of job creations given that a significant number of people have not yet returned to employment. This is reflected by the aid for the unemployed and the amounts invested in stimulus plans. Indeed, the number of long-term unemployed (more than 27 weeks) reached 4 million in January 2021 (more than three times its level in January 2020), raising questions about the expiry of their benefits and their opportunities to re-enter the labour market after a long period of inactivity (► [figure 5](#)). This increase goes hand in hand with the rise in the number of “permanent layoffs” (3.5 million unemployed in this situation in February 2021, i.e. 2.2 million more than in February 2020), with an upward trajectory continuing well after the shock in March-April. The labour force has remained at around 61.5% of the civilian population for several months, almost 2 points below its February 2020 level. ●

► 4. After the destruction of 22 million jobs in March-April, the US unemployment rate reached record levels in 2020



Source: Bureau of Labor Statistics

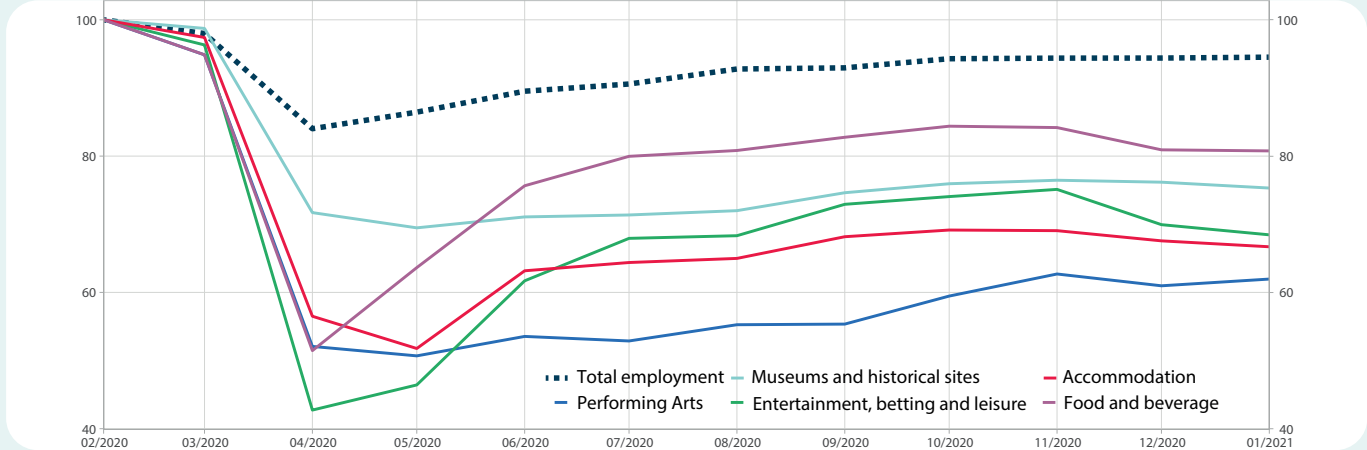
► 5. The leisure and hospitality sector made the biggest contribution to job losses in the service sector



Source: Bureau of Labor Statistics

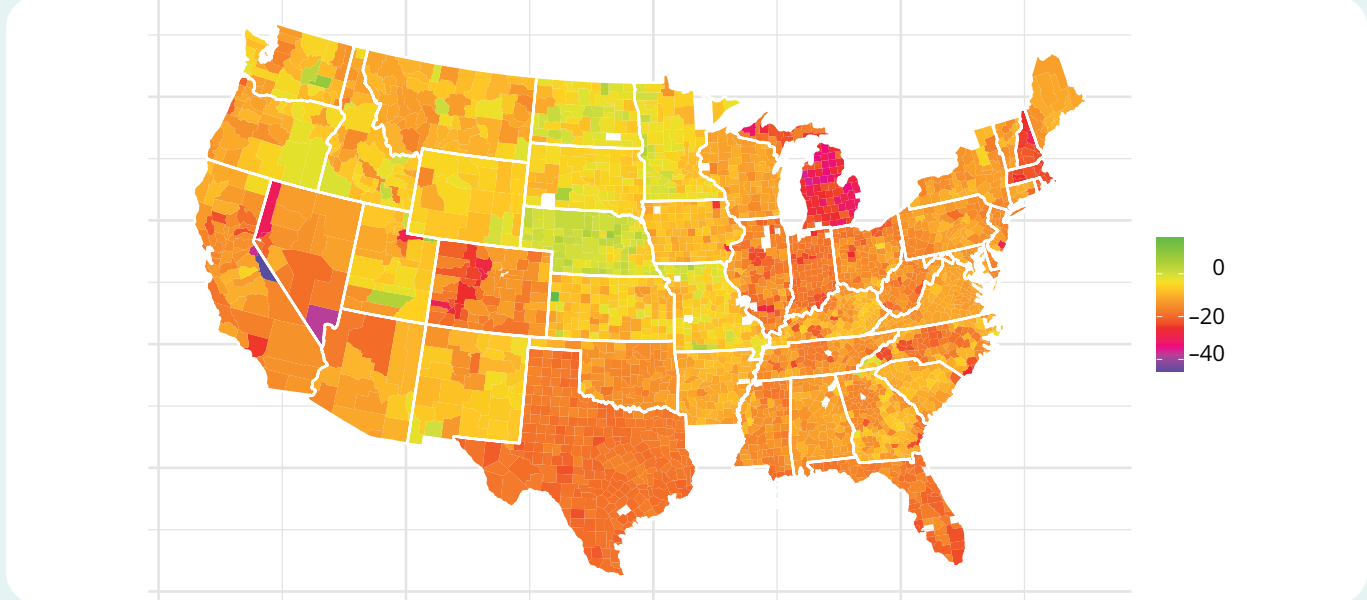
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6. The leisure and hospitality industries were all adversely affected by the health restrictions but rebounded in different ways



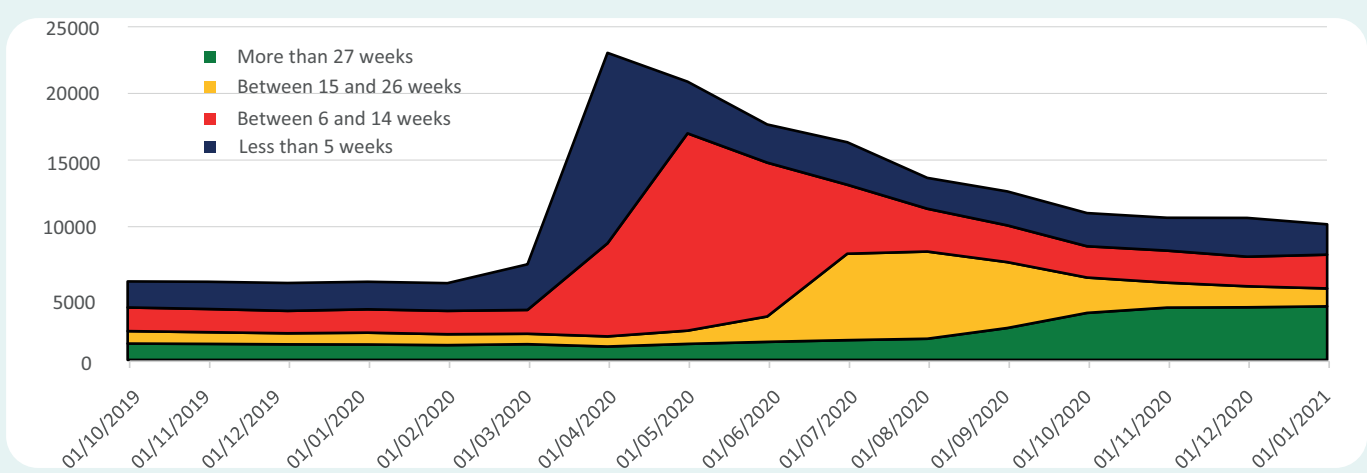
Source: Bureau of Labor Statistics

7. The most populated regions lost the most jobs



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

8. The number of long-term unemployed has risen sharply



Source: Bureau of Labor Statistics