

# Analyses

 **Bank Austria**  
Member of  **UniCredit**

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**The effects of the first  
pandemic wave on the  
labour market**



## OVERVIEW

### **Sector trends dominate developments on labour market during pandemic; labour market set to recover only slowly**

- Recovery during summer months prompted strong course correction following labour market upheaval after first wave of pandemic
- Unemployment rate in Austria still around 30 percent above pre-crisis level when second wave set in
- Varying impact of pandemic across sectors led to varying degrees of unemployment by gender, educational level, age and nationality
- In step with economic recovery, labour market recovery also expected from Q2 2021, though initially only very moderate
- Average unemployment rate of 9.6 percent expected for 2021 and 8.7 percent for 2022, compared with 9.9 percent in 2020
- Seasonally adjusted unemployment rate of around 8.3 percent expected by end of 2022 — still well above pre-crisis level
- Pandemic heralds long-term consequences for labour market: acceleration of digitalisation and growth of online commerce; realignment in tourism sector; increased commitment to flexible working; greater focus on sustainability and resilience

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## IN DETAIL

Although the economy did begin to recover over the summer months, the situation on the Austrian labour market was far from being "business as usual" by the time the second wave of the pandemic set in. Certain service sectors in particular remained especially badly affected, and this was also a key factor in the development of unemployment trends by gender, educational level, age and nationality. The deterioration of the situation on the labour market during the second wave of the pandemic is following established patterns. We do not expect to see things ease until there is sustained economic recovery in H2 2021. Whilst unemployment is set to remain above the pre-crisis level for a few years to come, the pandemic is likely to accelerate structural changes on the labour market — one example being the rapidly increasing significance of online commerce.

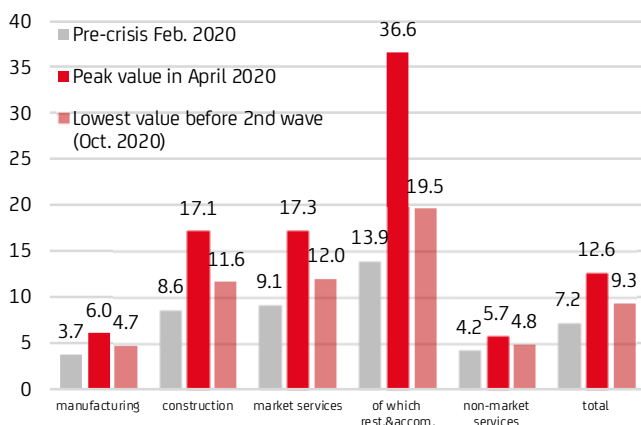
The spread of the pandemic and the measures introduced to contain it during the first lockdown in the spring of 2020 saw sudden and massive upheaval on the Austrian labour market. The seasonally adjusted unemployment rate, which by February 2020 had fallen to its lowest level in 7½ years at 7.2 percent, soared to 12.6 percent by April. As the economy gradually reopened, the unemployment rate fell to a low of 9.3 percent by the end of October, which was still nearly 30 percent above the pre-crisis level.

The measures to contain the pandemic determined the strength and length of the impact on the labour market in the individual sectors. The services sector has been the most significantly affected — the restaurant and accommodation businesses in particular, which saw the unemployment rate triple in the spring of 2020 to almost 45 percent. Ahead of the outbreak of the second wave, the unemployment rate in this sector was still 40 percent above the pre-crisis level.

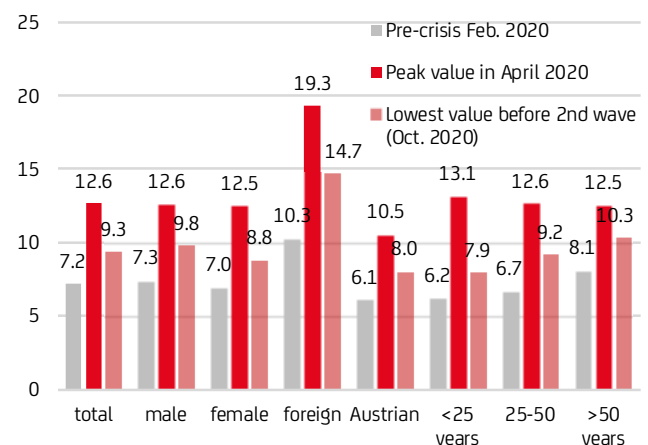
The construction sector also saw disproportionate deterioration in the short term but began to recover gradually from March onwards, with the positive trend even continuing at the start of the second lockdown. By contrast, the increase in unemployment in the industrial sector was disproportionately low, with use of short-time working models being particularly widespread. Despite this achievement, the unemployment rate was still around 30 percent above the pre-crisis level as the second wave of the pandemic began to set in. The areas with labour markets least affected by the pandemic are those offering non-market services, such as public services, education and health.

Services sector most significantly affected

**Chart 1: Unemployment by branches**  
(Unemployment rate in %, seasonally adjusted)



**Chart 2: Unemployment at a glance**  
(Unemployment rate in %, seasonally adjusted)



Source: Bali web, Statistik Austria, UniCredit Research

The differing effects of the pandemic on the individual sectors of the Austrian economy are reflected in the varying degree to which workers in the sectors are affected by unemployment by gender, age, educational level and nationality. We know that during the first wave of the pandemic, workers with fewer qualifications were fundamentally more at risk of losing their jobs than better-qualified workers.

However, the fact that sectors such as the restaurant and accommodation business and retail were particularly badly affected meant that, in a move away from this trend, people who had completed an apprenticeship were disproportionately affected by unemployment. Even before the pandemic began, the labour market was tougher for foreign workers, and their situation compared with Austrian workers actually deteriorated further in the period up to the start of the second lockdown.

This scenario is driven not only by the differing levels of employment in individual sectors of the economy but also by the fact that foreign workers tend to be strongly marginalised on the Austrian labour market. Analysis by age group indicates that younger workers are disproportionately affected, as they are more strongly represented in the sectors most affected, such as the restaurant and accommodation business, the arts, entertainment and leisure, and other services. This situation has been compounded by the difficulties facing those at the very start of their career trying to gain a foothold on the labour market during an economic crisis. By contrast, unemployment amongst older workers increased the least by comparison during the first lockdown, as this age group is likely to have benefited the most from short-time working.

Whilst at the beginning of the pandemic unemployment amongst women increased more than that amongst men, the picture for women began to improve more by comparison when tourism, retail and personal services opened up again during the summer months. At the end of October, the seasonally adjusted unemployment rate for women was actually one percentage point below that of men, at 8.8 percent. However, this advantage of women over men can be contextualised by the decline in labour supply, temporarily at least, which suggests that more women have withdrawn from the labour market due to increased family obligations.

The measures introduced from the spring of 2020 to contain the first wave of the pandemic have had strongly diverging impacts on the individual sectors of the economy, and this has driven the extent to which individuals have been affected on the labour market. Young workers, foreign workers, low-skilled workers and, in the long term, women were the losers on the Austrian labour market during the first wave of the pandemic.

**Pandemic set to accelerate  
structural changes**

Alongside the short-term upheaval, the pandemic is also expected to prompt lasting changes that will have consequences for the Austrian labour market. We have identified five key trends:

**Firstly**, following the initial "enforced" acceleration of digitalisation in the world of work when the pandemic began, this trend will become increasingly significant more quickly than had been expected before the pandemic.

**Secondly**, the lockdowns during the pandemic have contributed to a change in consumer shopping behaviour that will see online retail benefit from a lasting advantage over stationary retail.

**Thirdly**, tourism will make a comeback but will have to realign itself over the long term — in terms of increased safety requirements, for instance.

**Fourthly**, all these factors are likely to lead to an acceleration in the commitment to flexible working.

Last but not least, the **fifth trend** relates to sustainability and resilience, which is likely to gain great prominence in a variety of ways.

Slow labour market recovery  
expected

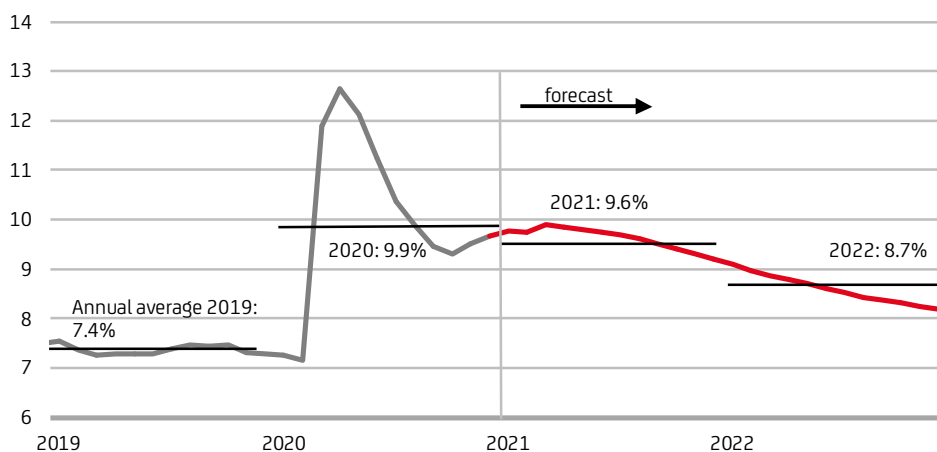
Short-time working models were a key tool that helped to mitigate the immediate consequences of the pandemic both for companies and for workers. As at mid-January 2021, some 440,000 people were affected by short-time working projects; it remains to be seen how effectively these people can be reintegrated into the workforce when this third phase of short-time working draws to a close at the end of March 2021.

The expectation is that it will not be possible to reabsorb all the affected workers into the regular cycle of work when short-time working ends, due to a lack of capacity utilisation within the businesses. We expect the unemployment rate during the second wave of the pandemic to remain lower than it did in the spring of 2020, albeit with a short-term return to double-digit figures over the winter months. Only once the warmer weather begins and the vaccination programme ramps up will the expected economic recovery in H2 2021 lead to lasting improvements on the Austrian labour market. We expect average employment of 9.6 percent for 2021, which is only a slight decrease on the 9.9 percent seen in 2020.

Greater movement in terms of the unemployment rate is not expected until 2022, when a fall to an average of 8.7 percent is anticipated. By the end of 2022, the seasonally adjusted unemployment rate will be around 8.3 percent, which is still well above the pre-crisis level. The average unemployment rate for 2019 was 7.4 percent. Historically, pandemics have often brought leaps forward in terms of development and innovation. Rising to the challenges posed by a pandemic means deviating from well-trodden economic paths and established thought processes. Against this backdrop, the current crisis could generate the spark for lasting structural reforms that will give Austria the opportunity to become a leader within Europe in terms of innovation and economic competitiveness.

**Note:** The entire study is only available in German on our homepage at <https://www.bankaustria.at/wirtschaft-online-wirtschaftsanalyse-oesterreich.jsp>

**Chart 3: Labour market in Austria**  
(Unemployment rate in %, seasonally adjusted)



Source: Statistik Austria, UniCredit Research



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