Eurozone unemployment ticked up marginally in April, dominated by short-time work

Massive filings for short-time work schemes across the eurozone have subdued the increase in unemployment but a further rise is inevitable

The eurozone unemployment rate increased to just 7.3% in April while the March figure was even revised down to 7.1%. This surprisingly small increase since the start of the corona crisis can be attributed to two main factors:

- Most importantly, short-time work schemes are incredibly effective at cushioning the initial impact of the economic crisis. Across the EU, the proportion of workers that participated in short-time work schemes was close to 27% at the end of April, according to a study by ETUI. Combine that with an already rather rigid labour market and you get a negligible immediate effect of the historical economic contraction on jobs so far, which stands in large contrast with the number of unemployment claimants in the US which has topped 40 million.
- Also important in some countries is that a significant number of the newly unemployed has not been not picked up by the statistics as people need to be looking for work to be counted as unemployed. In Italy, unemployment fell from 9.1% in February to 6.3% in April, which is

> not because people have been finding jobs but mainly because people have stopped looking for work in the lockdown period. Unemployment is expected to rise significantly over the coming months when people start looking for work again.

The short-time work schemes absorb a lot of the immediate impact of the crisis on the labour market, but at the same time it also masks the job losses that are likely still up ahead. The same holds true for people not looking for work at the moment. As the recovery is likely going to last for quite some time, unemployment is set to rise significantly although short-time work will help output to recover more quickly once demand returns.

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