

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 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.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.