

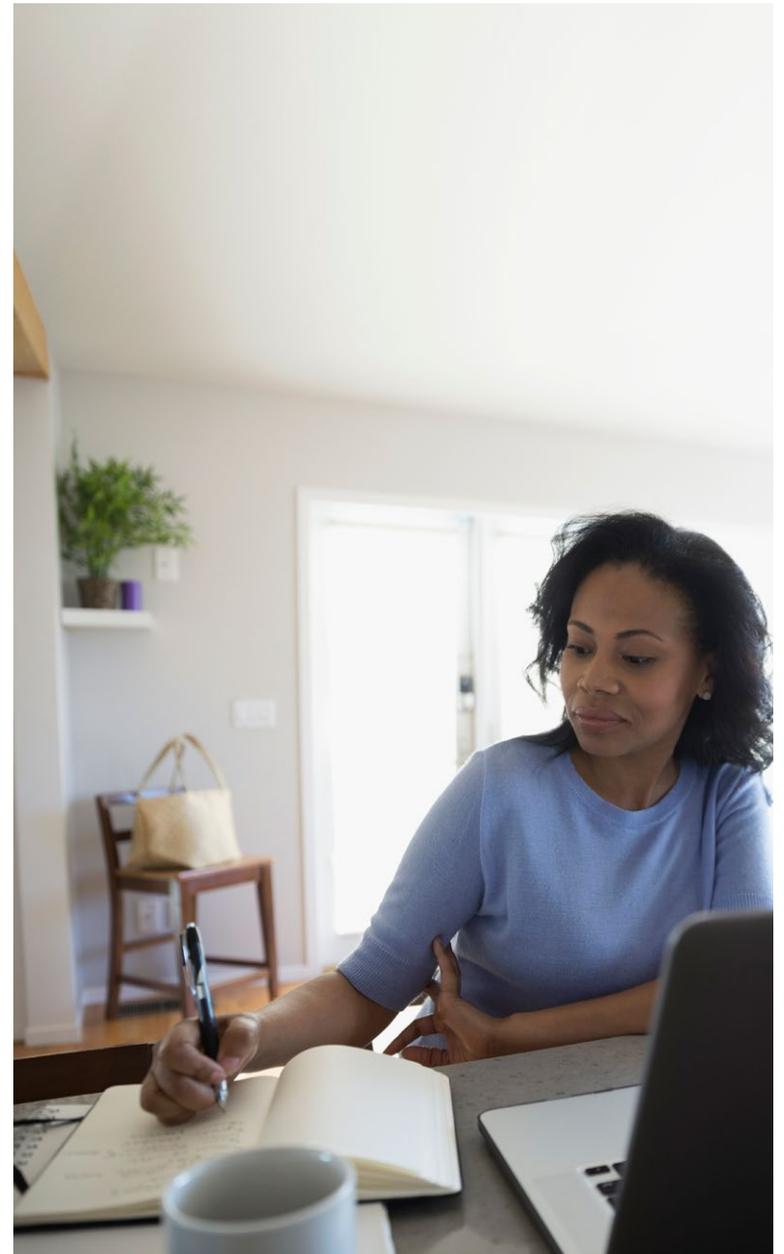
Shaping a brighter world of work

The European outlook



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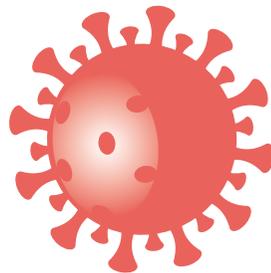
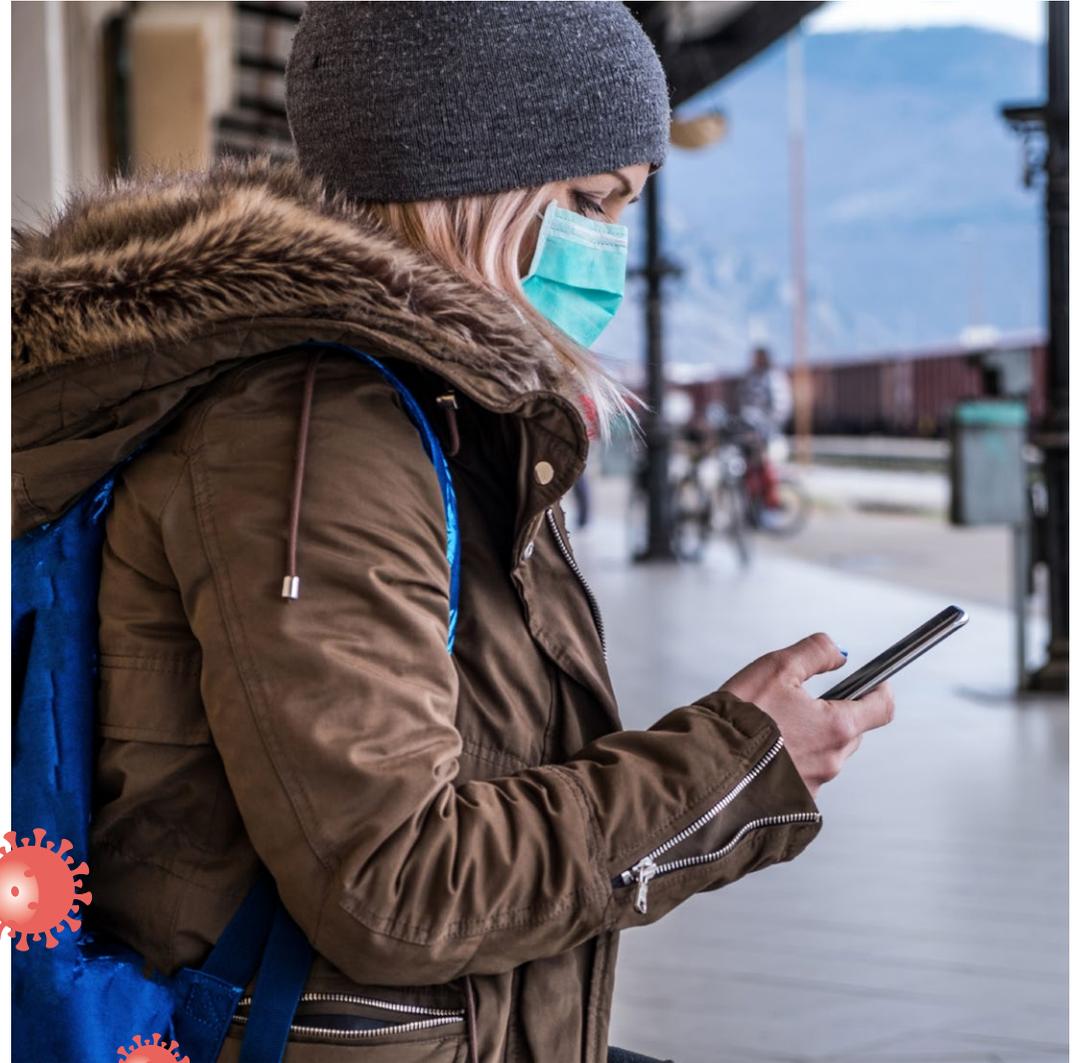
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Setting the scene

Europe had not been caught up in a large-scale pandemic like COVID-19 in over a hundred years. It is a testament to the region, its institutions, and its member states that, notwithstanding a relatively slow response to early signs of its emerging significance, the current pandemic has been contained, if not yet eradicated. Even before the outbreak of COVID-19, there was widespread consensus that a new social contract between workers, governments, and employers was urgently needed. Unfortunately, since another pandemic is likely to occur again within our lifetimes, we are optimistic to think we will be better prepared as it will be imperative that a new social contract be resilient to future shocks.

The consequences of COVID-19 for the EU and beyond are manifold. In this briefing document, we will touch on some of the challenges and costs associated with managing the pandemic in the workplace – whether centralized or remote. We stress the diverse experiences of member states while also highlighting commonalities that have made the pandemic such a global phenomenon. We also recognize the opportunities provided by the pandemic to look once again at how nation-states, the EU, and the global community can invest in social institutions and partnerships that will be resilient in the future.



Methodology behind the Zurich-Oxford research



Zurich Insurance Group and the Smith School of Enterprise and the Environment at the University of Oxford are examining the potential for lifelong, tailored, contemporary social protection under a three-year research program.

[This program builds on the success of the Income Protection Gaps project](#) a three-year research collaboration (2015-2018) focused on shortfalls in earned household income due to disability, illness, or the premature death of the main wage earner. Our current Agile Workforce Protection project (2018-2021) takes place in three phases, with results published at key points:



- An initial exploration of the trends and drivers underlying changes in the world of work (November 2018)
- The preliminary and more in-depth results of a survey of the working-age population in 17 countries across five continents (June and November 2019)
- Emerging trends in a post-COVID-19 world of work, and how key stakeholder groups can shape this new world of protection (October 2020)
- Country-by-country overview (May 2021)



The impacts of COVID-19 have exacerbated many of the vulnerability's workers have long faced. Our updated research program includes observations about these vulnerabilities, and about the nature and scope of the changing world of work. It is informed by detailed insights and justified implications supported by original data. We take care to acknowledge the continuing significance of national context: as much as the themes in our research have global importance, local variation is often highly significant.

View the [Global report](#)

View the [Employer report](#)

The foundational insights of the report draw on the bespoke quantitative and qualitative research listed below, which was executed over a period of 15 months:

A survey of employers across six countries (Australia, Brazil, Germany, Spain, Switzerland, and the UK); targeted at heads of HR and/or benefits at 1200 medium and large companies (conducted in January and February 2020); aimed at establishing through more than 50 questions key insights on issues such as recruitment, retention, the advice and education of employees, and the role of employers in providing pensions, savings and insurance.

A survey of consumers across 17 countries (Australia, Brazil, Finland, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Portugal, Romania, Spain, Switzerland, the UAE, the UK, and the USA) of over 19,000 working individuals age 20-70 (conducted in March 2019, with the exception of Portugal [May 2019] and Finland [February 2020]); aimed at establishing through approximately 100 questions individuals' current work situation, concerns about automation, attitudes towards retraining, and financial situation.

In-depth interviews with a group of 14 heads of employee benefits or risk managers at major corporations with activities in a diverse set of industries and with operations locally and globally (completed in summer 2019 and again in May 2020).



Employment and economic growth

The pandemic has been an economic shock of unparalleled proportions. The nearest equivalents are, of course, the global financial crisis of 2008 and the Euro crisis of 2011 – the fallout of which remains in financial markets, labor markets, and health and welfare systems. Some member states recovered quickly and largely escaped the worst effects of the Euro crisis, despite having been dramatically and adversely affected by the global financial crisis. Other member states have not been nearly as fortunate. In these countries, unemployment rates have remained stubbornly high, workforce participation rates have remained relatively low, and real wage growth has been modest.

During the current COVID-19 crisis, the tide of unemployment has been at least partly stemmed by the possibility of remote working. Such a mass exodus of workers from centralized offices to their homes, unthinkable just a few years ago, has been enabled by advances in technology. Attitudes towards the return to the office [vary by country](#). In particular there is a [sharp divide](#) between the UK, where reluctance to return is at very high levels, and France, Germany, Italy, and Spain, which have already witnessed a mass return given (relatively) greater levels of confidence about health and safety. Regardless, it now seems likely that many organizations will adopt a hybrid work model whereby employees blend in-office and remote working on a weekly basis. New social protections tailored to at-home work – specifically those ensuring workers' long-term physical and mental wellbeing – will be required in order to sustain productivity levels in the long term.

Widespread remote working will also have implications for competitiveness in labor markets. Given that cross-border migration has been all but curtailed

because of COVID-19-related travel restrictions, there is a great deal of uncertainty as to when and how closely worker mobility will approach pre-pandemic levels. It is possible that remote work will compensate at least to some extent for this loss of freedom of movement. However, this also means that there will be greater, and more globalized, competition for many jobs.

While the global pandemic has had significant consequences for member states' labor markets and economic activity, in some cases these effects have been absorbed (if not entirely offset) by recent economic growth and high levels of employment. These positive pre-COVID-19 trends had in turn been enabled by more flexible employment regulations as well as more disciplined fiscal policies. In other cases, the effects of the pandemic have reinforced adverse trends in labor markets and economic activity.

As such, the intervention by the EU in the form of a recovery plan underwritten by member states large and small has been a remarkable and transformative action. It has shared the burden of dealing with the crisis between rich and poor states, while taking some of the responsibility for planting the seeds of economic recovery otherwise assumed by the European Central Bank. At the same time, the administration of the recovery solidarity fund will necessarily be accompanied by a debate about the alignment of member states' fiscal policies, labor market regulations, and workforce protection regimes.

Nonetheless, we recognize that many European workers face profound shocks to their employment and earned income, and moreover that this is occurring at a time of remarkable changes in the nature of employment and the skills and expertise needed to be successful in the labor markets of the future.



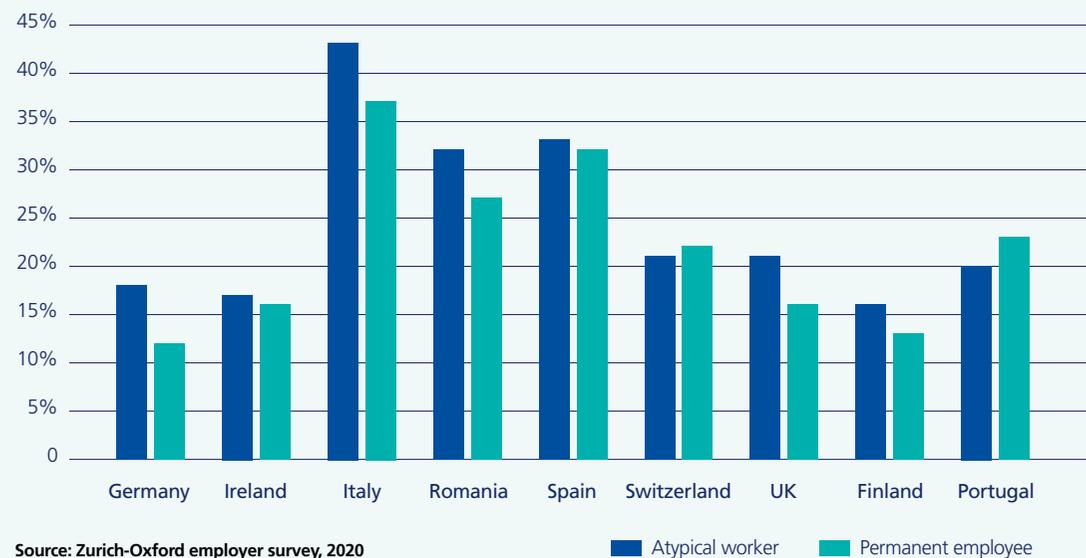
Acceleration of digitization and skilling

The economic crisis caused by the pandemic has accelerated rather than slowed the pace of automation in the workplace and beyond. For organizations, COVID-19 will bring forward the necessity of rationalizing how and where things are produced, the skills needed to produce various kinds of products – and, as a result, the numbers of employees. “Simpler” forms of automation have already been adopted as a cost-effective means of replacing tasks or occupations during the onset of the pandemic. In the longer term, ongoing (and in some cases increasing) investments in artificial intelligence (AI) will bear fruit, with further effects on the structure of the labor market.

There is a question as to whether current higher levels of unemployment will raise awareness of technological change and fears of its impact on future employment prospects. Our pre-COVID-19 research suggest it will: Our [consumer survey](#) of individual attitudes showed that in robust European labor markets (e.g. Germany, Switzerland, the UK), workers were less worried about losing their jobs to automation in the next five years, whereas workers in less robust markets (Ireland, Italy, Spain) were more concerned.

The same survey results suggest that those with greater awareness of the threats posed by automation to their jobs also display greater willingness to undertake retraining programmes voluntarily, outside their place of work (i.e. during their leisure time). Conversely, there is a particular lack of engagement amongst some employers and employees about the challenges facing manual workers over the coming five to 10 years. At the same time, four-fifths of the European respondents to our employer survey believed that offering on-the-job training and development was key to retaining skills and talent diversity. And our post-COVID-19 research has shown that skills and expertise are ever more important to employers. The “race for talent” that existed pre-pandemic will only be accentuated.

Figure 1: Percentage of respondents who report being relatively or very worried about losing their job because of automation, permanent employees vs. atypical workers



Acceleration of digitization and skilling *continued*

Yet in labor markets across Europe, at the same time as there is pent-up demand for retraining and reskilling, there are also shortfalls in workplace training programs. Moreover, attitudes among employers as to who should provide this training diverge significantly. In our survey of employers, Spanish companies tended to see responsibility for retraining falling roughly equally between the state, employers, and individuals themselves, whereas over half of British and German (and 42% of Swiss) companies believed the burden fell squarely on employers.

In reality, responsibility both to support workers affected by technological unemployment and to provide retraining must be shared across multiple institutions. Many European governments already provide various forms of career guidance for the low-skilled. For example, Estonia and Luxembourg offer state assistance specifically targeting those at risk of technological unemployment. Other European governments, working in partnership with industry associations, have implemented targeted employment assistance to support individuals in sectors impacted by structural change to transition to new jobs.

As for retraining, institutional partnerships will necessarily vary across countries. We saw evidence of this among our employer survey respondents: Spanish companies were most likely (68%) to encourage their staff to undertake government retraining, while German companies were least likely (39%). It seems likely that in some countries, arrangements such as labor foundations, run by one or more companies or a statutory industry body in order to help workers on the brink of mass redundancies transition to new jobs, will play a role as they have since the 1980s.

Other countries such as the UK and Ireland have made fewer investments in technical training and apprenticeships, and so may not have the capacity to introduce or expand training programs at the necessary scale. These governments could subsidize initiatives by employers or third-party providers. They could offer deferred-repayment loans to support smaller organizations willing to invest in retraining, and link repayment levels to future revenue. Alternatively, they could encourage employers to do so, relying on private third-party providers.



Youth employment and skilling

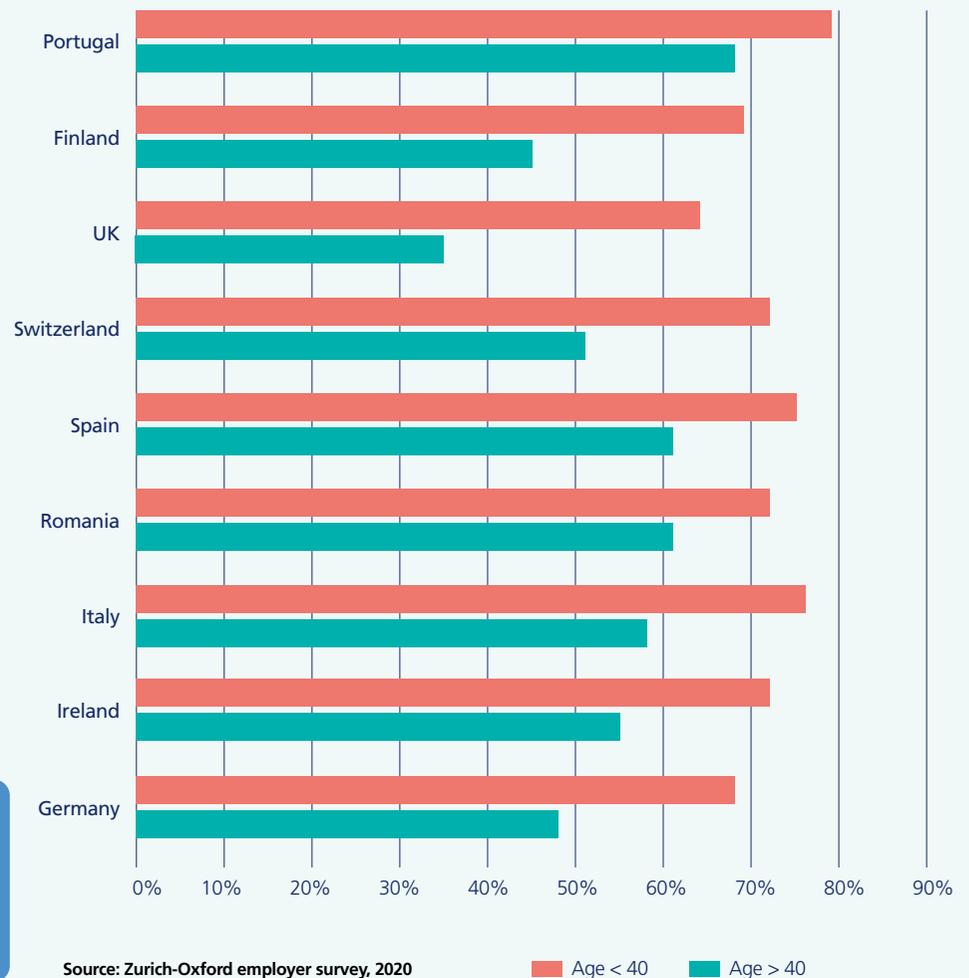
In many respects, the pandemic has affected young people out of proportion compared to their risks of contracting COVID-19: Despite being less vulnerable to contracting severe and fatal forms of the disease, those under 40 (millennials and older members of generation Z who are beginning to enter the labor market) have been more vulnerable to job losses and career development plans put on hold. Youth employment has been a highly relevant issue since the twin financial crises of 2008 and 2011. Youth employment and training are high on the agenda of many European countries since the young are more likely to be in atypical forms of work and will need to equip themselves for ongoing waves of technological and structural changes in the economy for decades to come.

Our pre-COVID-19 research showed that young people are acutely aware of the impact of technological change on the labor market, with three-quarters saying they were at least somewhat worried about losing their job to technology in the next five years. They also displayed the greatest willingness to undertake voluntary skills training. And indeed, in the years to come they will need a range of post-secondary training and education opportunities. The idea that school leavers should attend university by default in order to improve their employment as well as earnings prospects was already being questioned before the pandemic, as the cost of higher education spiraled and the returns to investment in three- and four-year degrees declined. Given the COVID-19 economic situation, these costs will be out of reach for even more people. For those already enrolled in third-level courses, if their parents can no longer afford their course fees, being forced to drop out will negatively impact their long-term career prospects.

Given changes in the wider economy, more modular education, on-the-job training, and vocational qualifications could all offer routes to career opportunity, and in a more inclusive manner, for young people. Moreover, given that universities are already pivoting to flexible instruction methods, now is an opportune time to rethink the design, delivery, and purpose of higher education.



Figure 2: Percentage of respondents willing to sacrifice one evening per week of leisure time for six months in order to learn new skills, under- vs. over-40s



Insurance and benefits

COVID-19 has exposed significant shortfalls in the types of benefits offered to employees as well as significant shortfalls in country-specific health and welfare systems. The design of comprehensive protection systems should be on the post-COVID-19 policy agenda once the disease itself becomes manageable at the societal level.

Insurance systems should support a flexible and adaptive labor market, ensuring a good fit between the supply of and demand for skills, while rewarding organizations' and individuals' investment in human capital over the long term. These systems should be both compulsory and redistributive, such that those who can afford insurance in some way subsidize those who cannot. Subsidies could come via either taxes or lower premiums and take the form of intergenerational transfers or (direct or indirect) subsidies.

In our pre-pandemic research, we found a strong appetite for greater state involvement in the provision of benefits: about 60% of respondents were in favor of this, a result that was broadly consistent across European countries. Yet given the costs associated with COVID-19 for their balance sheets, it seems unlikely that governments will introduce radical reforms in benefit systems that substantially add to their outlays. At the same time, given the costs associated with maintaining a healthy work environment, there may well be a balance to be struck between the commitment of employers, employees, and governments. Employees may well need to carry a broad range of insurance products which are consistent with the risks that they may face in the immediate future and over the long term. Governments could support the insurance industry in forming coalitions that sustain minimum standards of provision so as not to shift undue costs on specific insurance companies.

Including atypical workers – particularly freelance and platform workers – in these schemes will be crucial. Since state social protection systems as well as insurance products are designed for “traditional” employees, there is a stark gap in coverage for the self-employed. The issue has taken on even greater urgency in a post-COVID-19 world: the self-employed have disproportionately lost work but may not qualify for either existing or emergency state social safety nets. In the past we have [called](#) for clarification on the status of platform workers in particular as a way of resolving this problem.

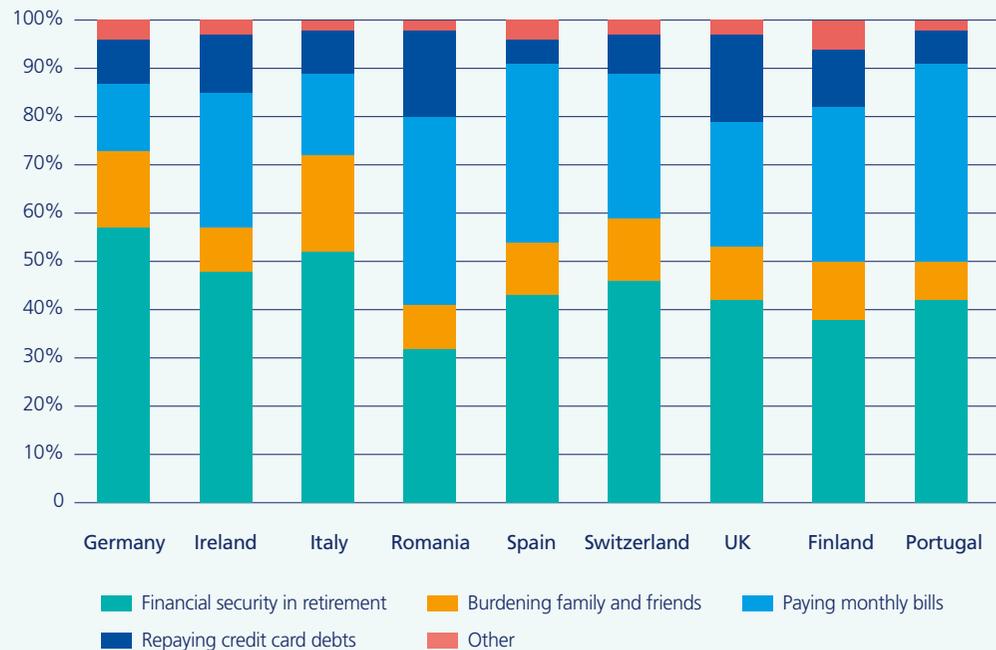


Financial education for secure retirement

In our 2019 [survey](#) of consumer finances, 44% of respondents across 17 countries reported that retirement security was their greatest financial concern. It was the top concern in all European countries except Romania, and cut across age groups, with about a third of millennials saying it was their biggest financial worry. We know from past research that long-term issues recede in

importance during difficult economic times, so pensions are likely not front of mind for as many people in the immediate aftermath of COVID-19. But as economies eventually recover, and as the implications of delayed or interrupted pension contributions become clear for many people, it is entirely plausible that their appetite for engaging with retirement planning will return.

Figure 3: Top financial concerns for employees



Source: Zurich-Oxford employer survey, 2020

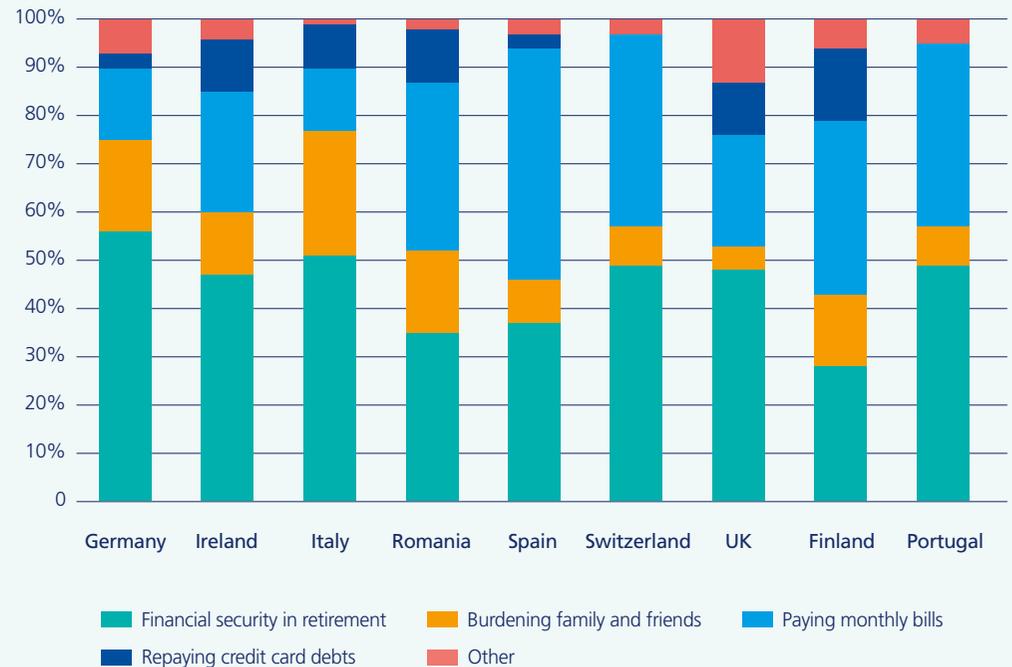


Financial education for secure retirement *continued*

It will be crucial for policymakers, plan providers, and employers to meet this demand with ways of improving individuals' financial knowledge and skills so that they can effectively plan their long-term financial security. Here there will be challenges to overcome related to pension plan design. Defined contribution (DC) plans were generally not designed to engage with their participants or encourage effective individual decision-making: They are difficult for the average person to comprehend and don't typically have inbuilt user education. Likewise, defined benefit (DB) plans are not always flexible enough to keep up with technological change. Financial education throughout people's careers must be supported by the streamlined presentation of information and digital technologies that engage participants, while also bolstering their decision-making capabilities.



Figure 4: Top financial concerns for the self-employed



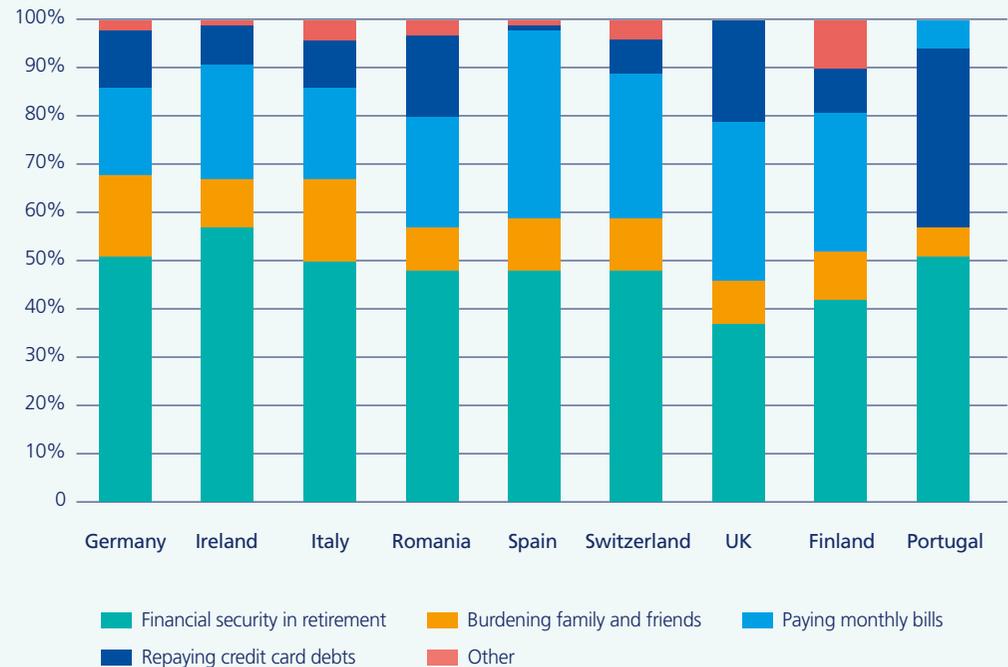
Source: Zurich-Oxford employer survey, 2020

Financial education for secure retirement *continued*

Education that begins early in people's careers and continues at a steady rate up to the point of retirement would not only help to ensure that people have adequate savings. By empowering them with the knowledge to make effective financial decisions, it could also reduce the anxieties commonly seen at the point where workers now typically begin to engage (i.e. after age 50). Our (pre-COVID-19) [survey](#) of company heads of HR and employee benefits suggested that many employers are well aware of the need for worker financial education, with just over half of German and Swiss employers and about two-thirds of Spanish and UK employers seeing a role for themselves in providing it.

Personal digital technologies have the greatest potential to support education, engagement, and knowledge-building. Web- and smartphone-based portals can make complex information more transparent and provide a structure for decision-making. New providers are already entering the market with a range of techniques for engagement that take people's behavioral biases seriously. Consolidated and clearly presented information about worker benefits, especially pensions, will be a key element of these efforts – particularly since so many people accumulate entitlements across multiple jobs and even across jurisdictions. Some governments already provide a consolidated electronic account with this information. Equally, insurers could do so.

Figure 5: Top financial concerns for business owners



Source: Zurich-Oxford employer survey, 2020

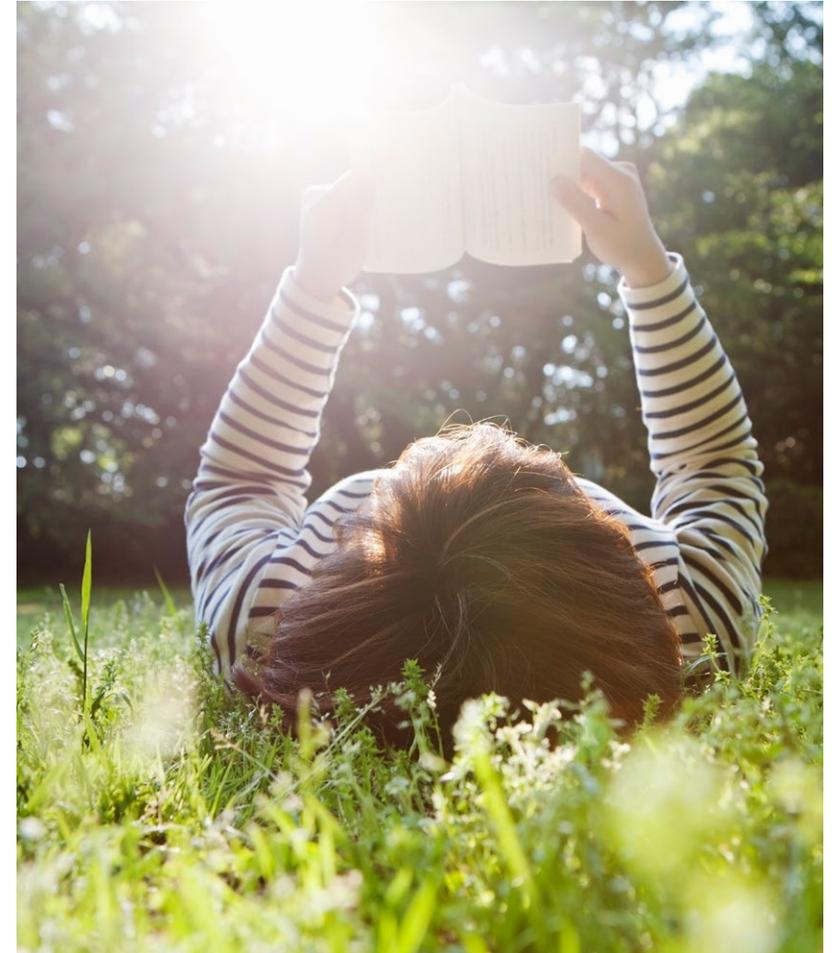
Wellbeing

Ensuring that the workplace – whether centralized or remote – is a healthy environment is increasingly seen by employers and governments alike to be consistent with ensuring high levels of labor productivity and economic competitiveness. On the issue of physical as well as mental health, COVID-19 has exposed some countries' underinvestment in public health systems. Even in those systems where residents have as a right access to public health, COVID-19 has exposed gross inequalities in health and welfare by age, gender, income, and region. Looking forward, EU member states will invest in their health and welfare systems and tackle evident design flaws such as the disconnect between public health and old age care. In some cases, this will mean funding health systems through public-private partnerships designed to bring revenue and expenditure to levels consistent with the ongoing threats posed by global health crises.

In the short term, maintaining a healthy work environment will also require companies to be alert to COVID-19 outbreaks. Whereas governments are investing in “test, track, and trace”, these types of activities may well be necessary for those companies that have significant on-site production facilities. In the longer term, and whatever the nature and scope of government programs available to company employees, it may be necessary to have independent health and welfare facilities at the company level. For some companies, these types of facilities already exist (and matched the types of physical demands and employees). But for other companies, this may be an investment.

The stresses associated with the COVID-19 situation such as job insecurity, health risks, caregiving responsibilities, and adjustments to remote working can have repercussions on workers' performance and achievements. While psychological wellness may not have been prioritized in the past, it is now an integral part of the relationship between employer and employee. At the same time, workers' financial health is seen as integral to their overall wellbeing. About 70% of European respondents in our employer survey believed that financial wellbeing should receive the same attention as other types – physical, mental, and social.

One question which has for some time confronted organizations and has now taken on even greater importance – particularly for those with a sizable remote workforce – is how far to extend their responsibility for their workers' overall wellbeing, especially their mental health. Given the strains COVID-19 has placed on national healthcare systems, the employer is in some respects a natural first port of call when it comes to shifting the burden of responsibility from individuals to institutions. Yet employer responsibility must be balanced against concerns about paternalism and privacy.



Towards solutions: Public-Private Partnerships

The survival instinct of business is a strong motivator in framing responses to the pandemic and the economic crisis. Business can't do the "heavy lifting" of these issues without partnerships with government, whether that be at the EU, national, or regional level. Just as governments at all levels face challenges in making good on their responses to the pandemic by bolstering their health and welfare systems, they also recognize the importance of looking to the future in terms of employment, employability, and technological change. Here is an opportunity to forge partnerships that tackle these challenges in ways that add to European social cohesion and economic success over the long term.

These partnerships will vary by sector and by member states' policies and institutional legacies. Nonetheless, there is an opportunity to create partnership models across the EU that bring together public, not-for-profit, and for-profit organizations to solve many of the problems revealed by the COVID-19 crisis. Take, for example, the issue of funding health and welfare systems. In some member states, these systems have been wholly reliant upon public funding and, to some extent, limited by competing claims over scarce resources. Here is an opportunity to rethink funding for health and welfare systems bringing together governments with employers and employees. Here is an opportunity to create funding systems that rely upon the principles of insurance rather than pay-as-you-go.

Our research suggests that these issues are on the agenda for business, government, and individuals. Now is an opportunity to put in place the building blocks for a prosperous and cohesive Europe for the remainder of the 21st century.



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