

ISMERI Europa Seminars: The Post Covid-19 Future

Session 2: Social Impact of the Covid-19 Crisis **“Employment, Working Conditions, Social Policies”**

Social impact of the crisis, longer-term impacts and policy reactions/scenarios
My presentation focusses exclusively on Europe

(slides also from wiiw Webinar: with Bart Vanhercke, OSE, and Maria Jepsen, Eurofound)

Michael Landesmann

5th February 2021

The main questions:

- The **distributional impacts** of the Covid crisis along the main dimensions: age, gender, ethnicity, migrants/non-migrants, education, income/wealth, work organisation
- What are the **longer-run (scarring; hysteretic) impacts** of the Covid crisis ?
- Will the Covid crisis lead to ‘**structural policy shifts**’, especially regarding the ‘**Social Pillar**’ of EU policy?

Content (Part 1)

- Labour market and social impacts of COVID-19
 - Youth
 - Women
 - Emergence of a new ‘telework generation’?
- Overview of policy response
 - Policy measures to protect employment and incomes of workers and self-employed
 - Regulating telework?
- What’s next?

Content (Part 2)

- ‘Structural shifts in policy’ in the post-pandemic world?
 1. The end of ‘austerity’ as we knew it?
 2. Towards a more ‘solidaristic EU’ ?
 3. Towards more inclusive social protection systems ?
 4. Towards enhanced role for governments?
 5. Towards more gender-balanced care roles?
 6. Towards an enhanced EU role in health?
 7. Towards ‘anchoring’ of social affairs players in the EU’s architecture?

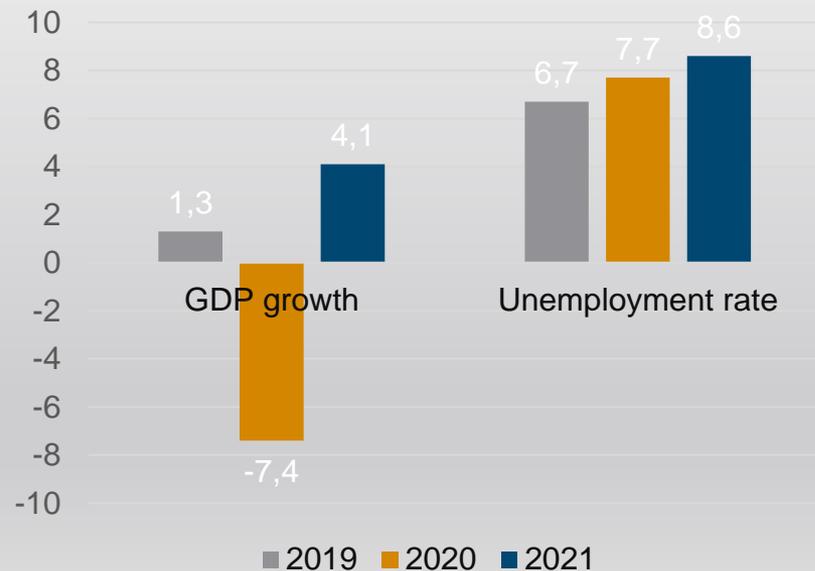
‘Structural shifts’ in the post-pandemic world?

- Focus on social protection & labour market
- *But embedded in* important Covid-19-spurred ‘structural shifts’ such as (which I will not deal with further in this presentation):
 - Technological changes
 - Increased proportion of workers working from home
 - Global travel slump
 - Drive for self-sufficiency in certain global regions
 - Supply chain diversification
 - A new era in geopolitics
 - Etc.

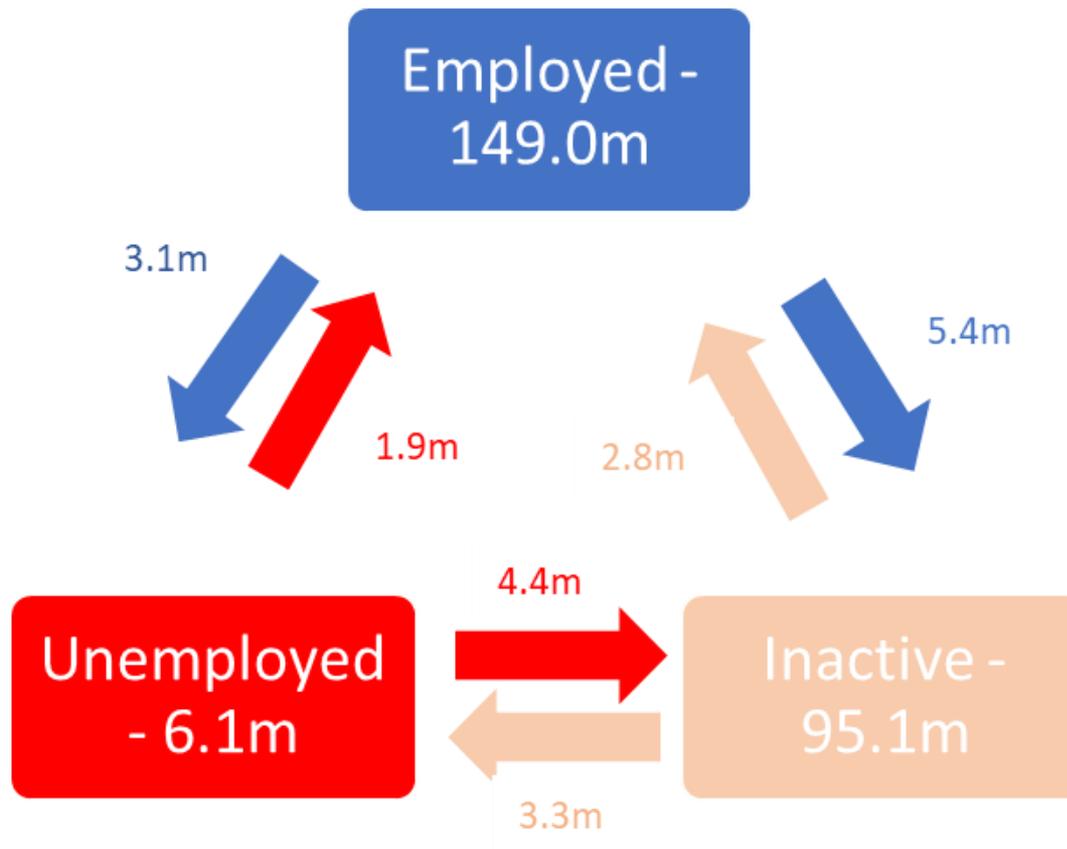
Economic impact

- Economic impact more severe than global financial and economic crisis
- Impact likely to last until at least 2022
- Impact on unemployment cushioned by policy measures

Projections for trends in GDP growth and unemployment rate (European Commission Autumn Forecast; **worse forecasts now!**)



Labour market impact: the fine print



Note: November 2020; i.e. outdated!

Impact on welfare of different groups (based on Eurofound Surveys):

- Strong for **temporary workers, solo-self employed**: often in directly affected sectors, less labour and social protection hence faster job loss and less likely to have replacement income,
- **Young people** report low levels of well-being; young people continue to feel excluded from society and are at greatest risk of depression,
- **Women** (part. young) often in jobs hit by Pandemic. They remain less optimistic than men - gap widening. Financial fragility higher. The pandemic has affected the work–life balance of women far more and their burden of care increased.
- Over half of **unemployed** respondents did not receive financial support since the outbreak, rely on informal support. Highest numbers of those reporting difficulties in making ends meet, double of working households.
- **Children and young people** risk of long term effects highest ... loss of one semester schooling or prolonged unemployment might translate into substantial loss of life term earnings,

Labour market impact: Gender and age

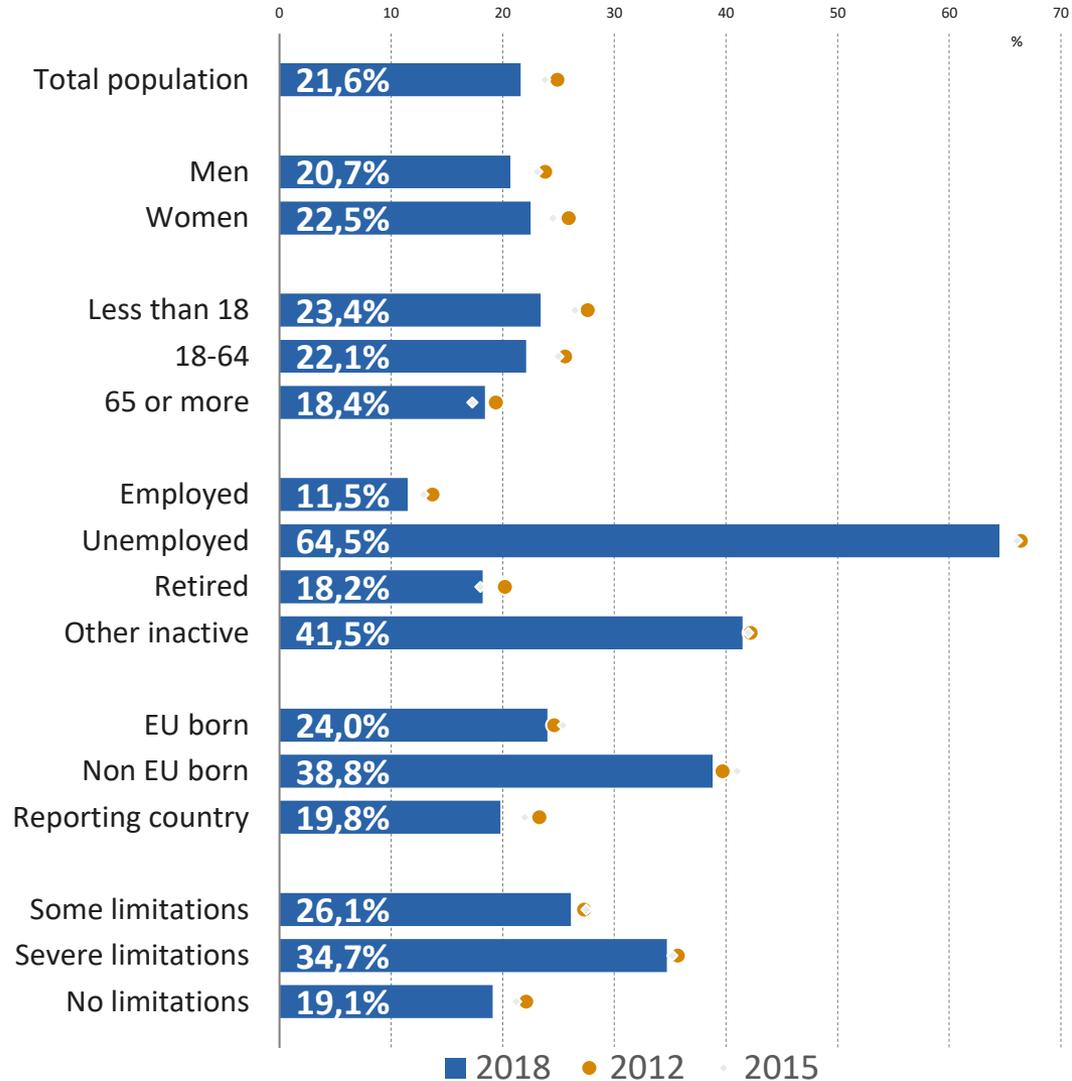
	Change (2019Q2-2020Q2)		
AGE+SEX	Employment	Weekly hours worked	Employed but did not work
<i>Unit</i>	%	<i>Hours</i>	<i>Percentage points</i>
Male 15-24	-7.1	-0.1	11.1
Female 15-24	-8.0	0.1	11.9
Male 25-54	-2.6	-1.3	9.0
Female 25-54	-2.7	-0.7	10.3
Male 55-64	0.9	-1.3	8.5
Female 55-64	0.8	-0.6	9.6
Male 65+	-1.7	-1.4	7.8
Female 65+	-4.7	-0.9	9.3
EU27	-2.4	-0.9	9.6

Labour market impact: occupations

OCCUPATION 1d	Change (2019Q2-2020Q2)		2020Q2
	Employment	Weekly hours worked	Employed but did not work
	Unit	Hours	Percentage points
	%	Hours	Percentage points
Managers	-3.4	-2.7	12.3
Professionals	5.0	-0.7	12.1
Technicians and associate professionals	1.3	-1.2	15.5
Clerical support workers	-1.1	-0.9	16.7
Service and sales workers	-7.9	-0.7	26.5
Skilled agricultural, forestry and fishery	-1.7	-0.4	4.7
Craft and related trade workers	-4.9	-1.2	18.0
Plant and machine operators and assemblers	-6.3	-0.9	18.5
Elementary occupations	-9.9	-0.7	21.6

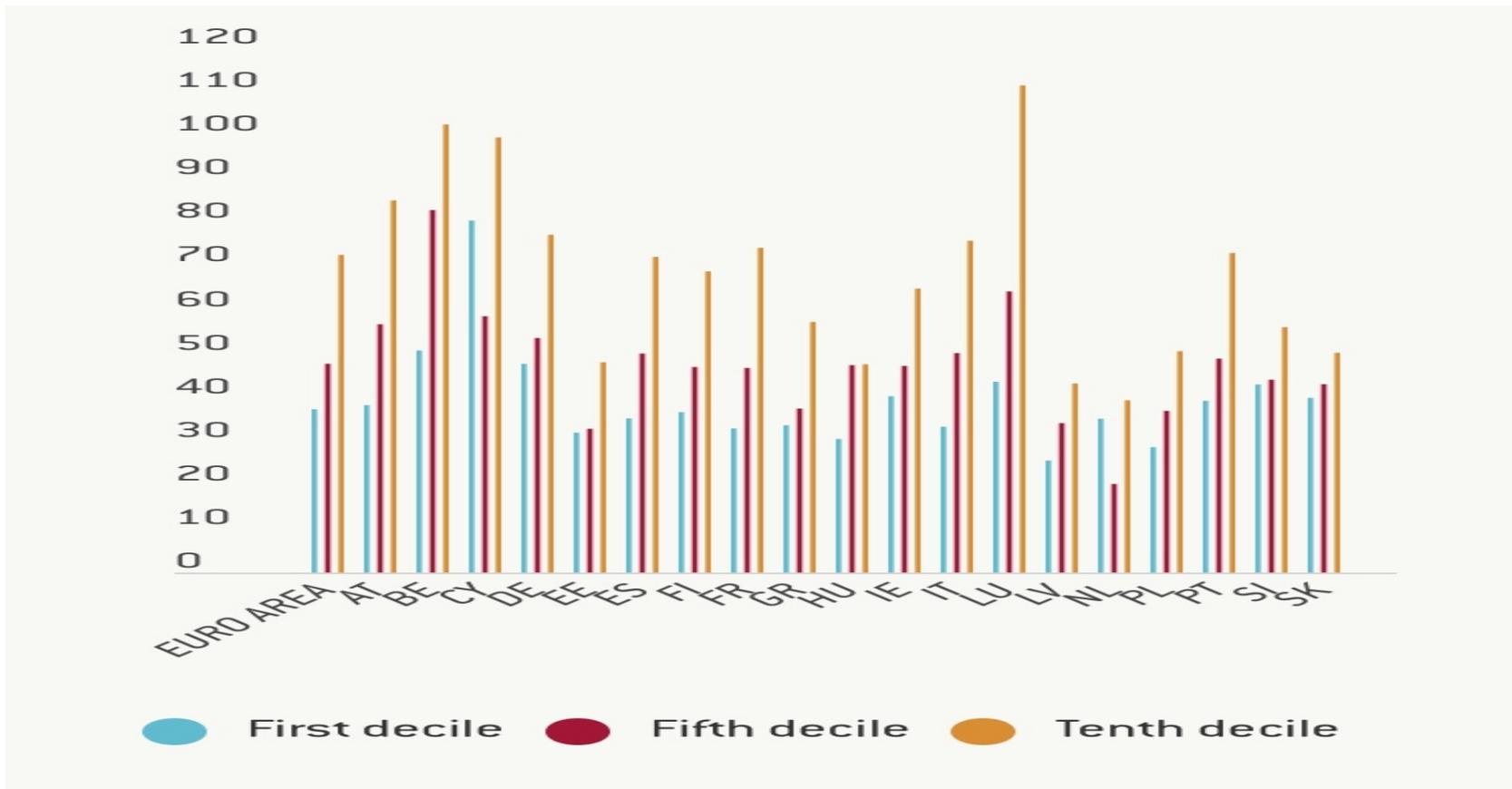
Who is most at risk of poverty and exclusion?

Minimum Income one line of action!

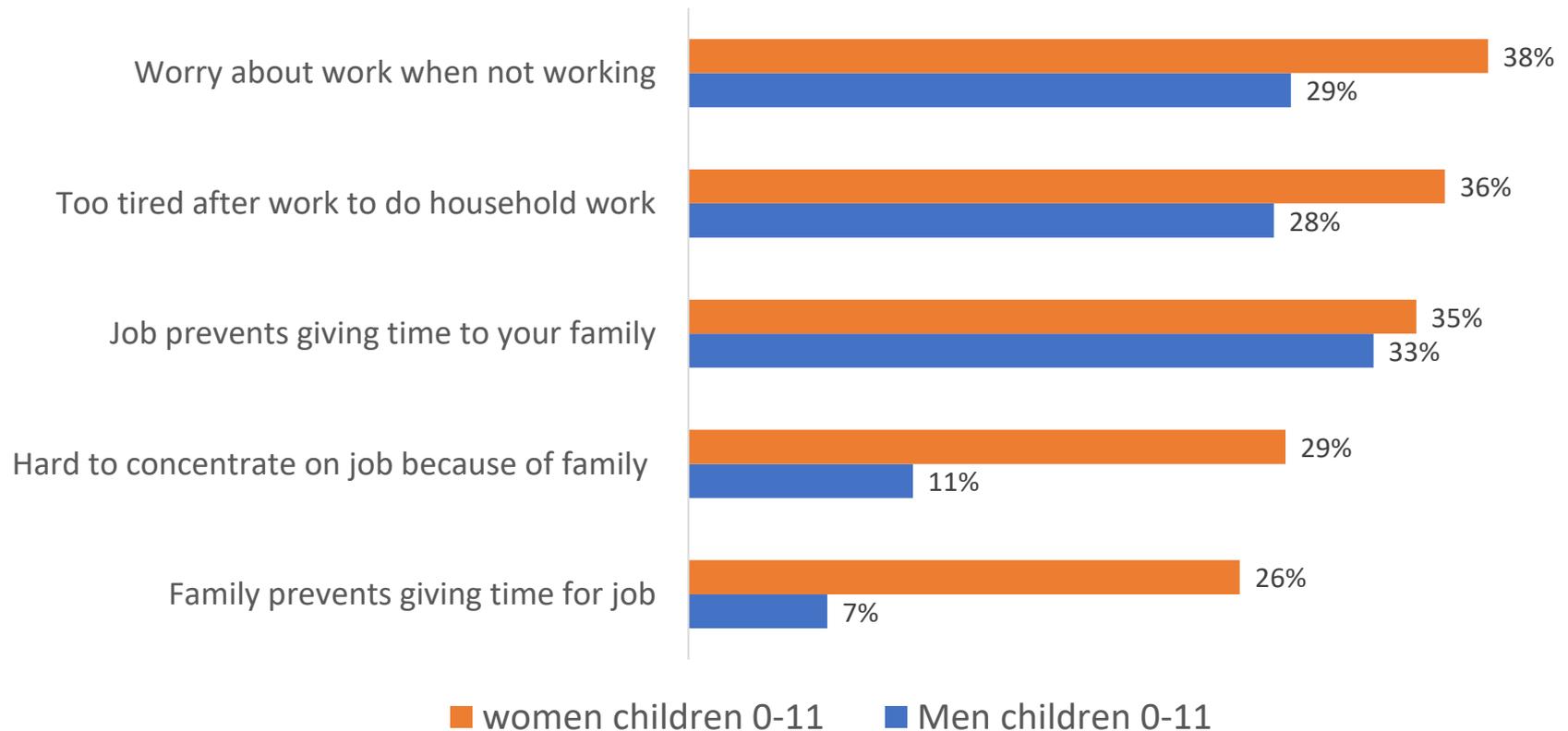


Home working for adults and children of different social backgrounds has very different meaning

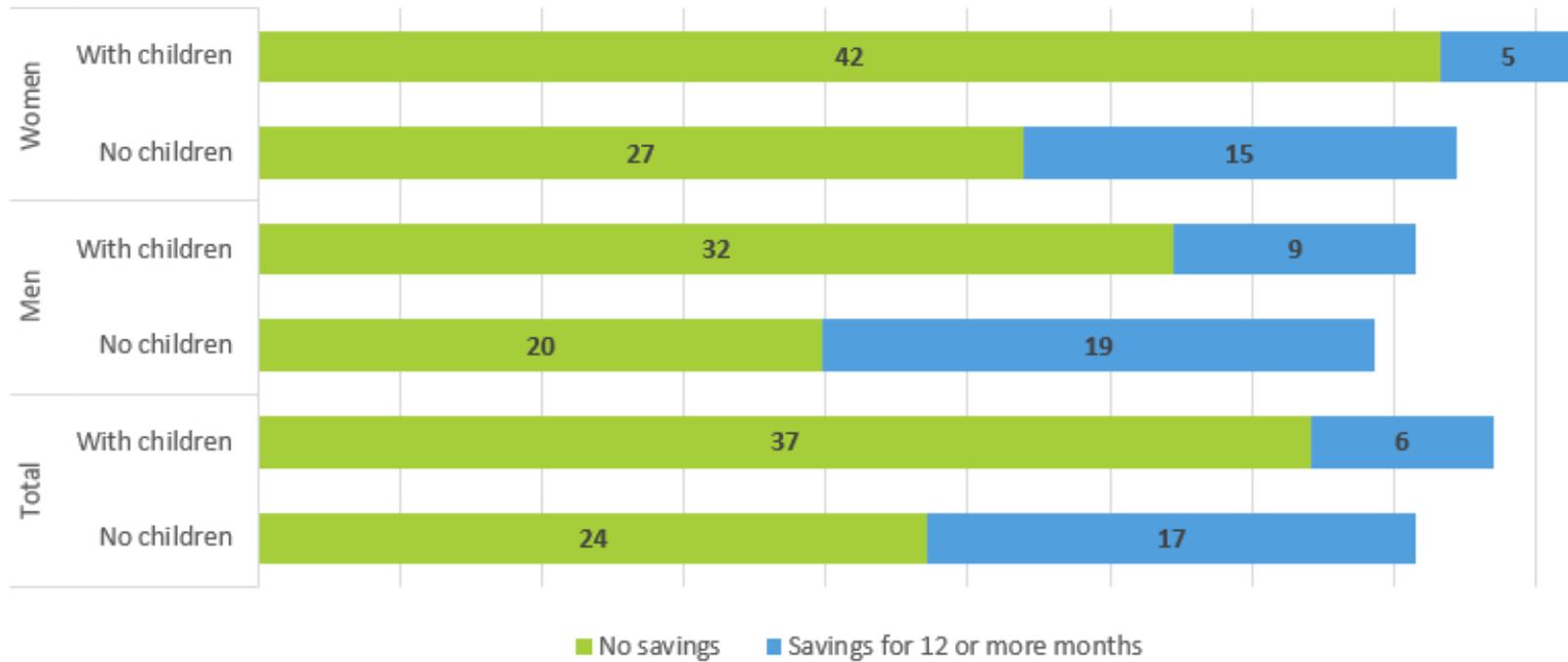
Av. square meters p.c. for households in 1, 5, 10 income decile



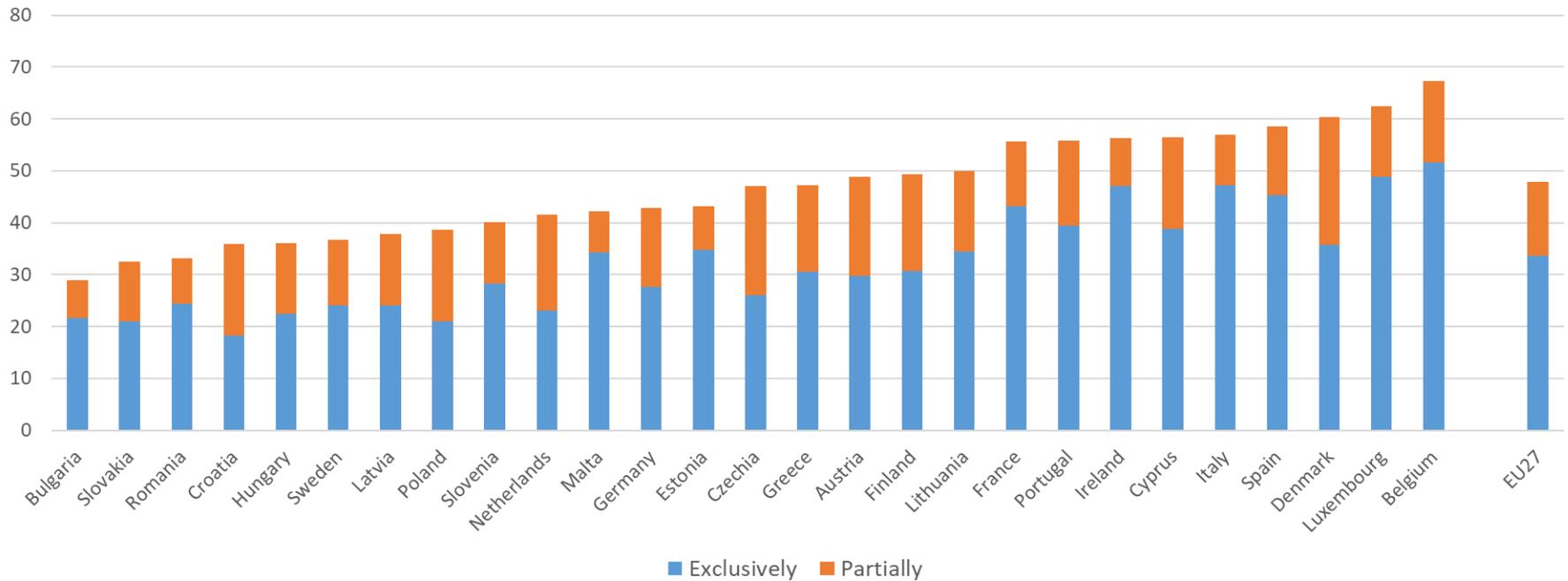
Work-life balance of men and women with young children



Worry about financial security

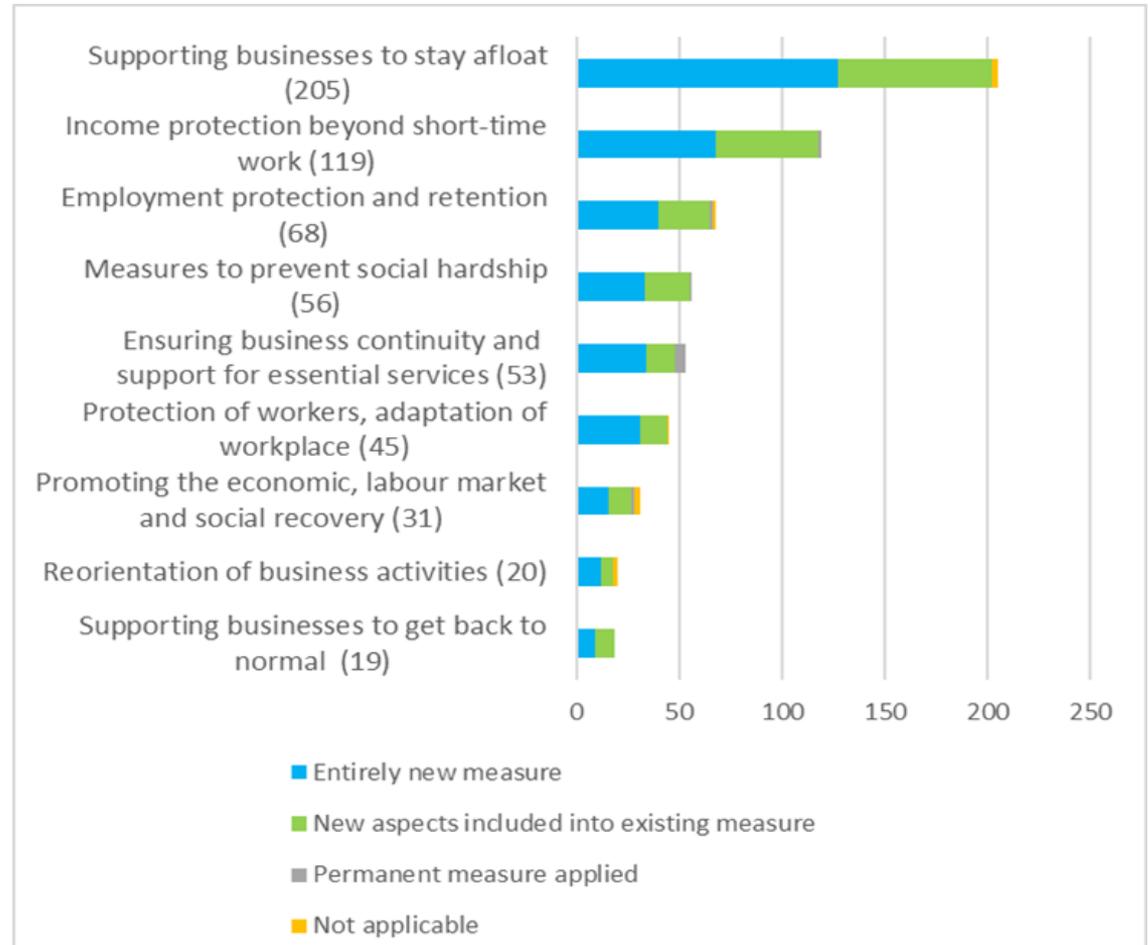


Emergence of a new 'telework generation': who benefits?



Policy response: An unprecedented breath of interventions

- 35% of measures were aimed at supporting businesses to stay afloat, 20% sought to protect incomes and 13% focussed on the protection of employment



What's next?

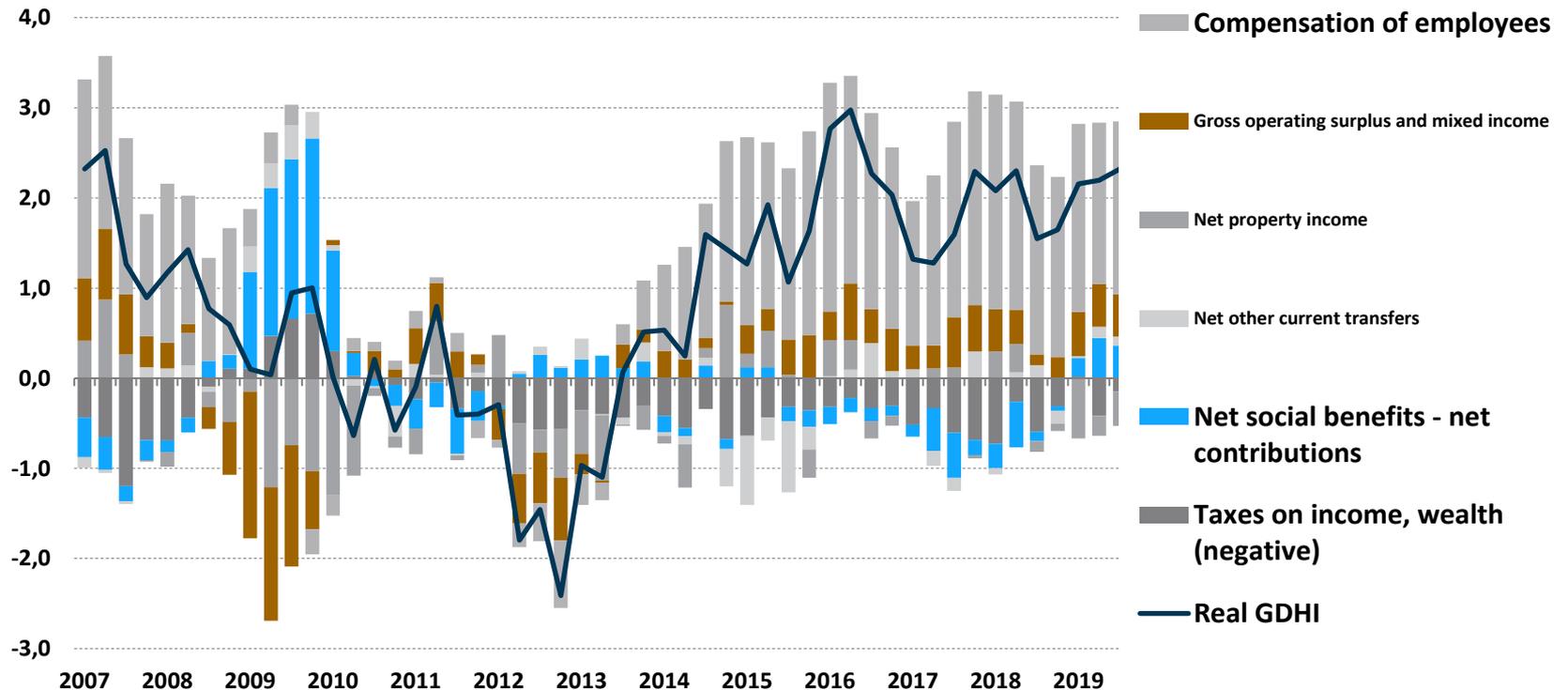
- Second and third wave led to the extension of many schemes
- SURE funding has supported affordability of short-time working schemes
- But impact on public budgets is significant; danger of U-turn in fiscal and social expenditure policy

- Existing inequalities are being compounded
- Transition towards recovery should focus on unemployed **and** inactive;
- Effects of telework to be addressed
- Income support for self-employed
- Much less emphasis on training and recruitment support, which will need to be the focus in the months to come; importance of training to face upcoming structural changes (digitisation, 'green economy'; work place organisation)

Enhancing skills during downtime?

- Only three countries (AT, BE and HU) have some requirement to deliver training
- Others encourage it (e.g. DE, ES)
- Challenges include absence of training plans, difficulties in accessing suitable online training, uncertainty of duration of short-time working, lack of public support in context of declining resources
- EU emphasises need for digital skills and requirements for New Green Deal

Components of real disposable income: earnings, transfers and taxes: Lessons from the Great Recession and Sovereign Debt Crisis



‘Structural policy shifts’ in the post-pandemic world?

- Focus on social protection & labour market
- *But embedded in* important Covid-19-spurred ‘structural shifts’ such as (which I will not deal with further in this presentation):
 - Technological changes
 - Increased proportion of workers working from home
 - Global travel slump
 - Drive for self-sufficiency in certian areas and global regions
 - Supply chain diversification
 - A new era in geopolitics
 - Etc.

1. The end of ‘austerity’ as we knew it?

- The EU’s response seems to stand in stark contrast to the austerity-driven response to the 2008 financial crisis
 - The Commission, the IMF and World Bank are recommending countries to ‘spend their way out of the pandemic’ and cast fiscal austerity aside
 - Perhaps the ideas about the detrimental impact of resp. need for austerity have not changed: those who pushed for the latter may simply have been silenced, for now
- Will the measures taken by EU, and in MS, be an aberration, followed by renewed austerity, or a precedent?

Important implications for pick-up of Recovery and Resilience Fund

No country made formal application within the first four months of the Pandemic Crisis Support’s operation

They could borrow at very low interest rates, or feared that it could later become a pretext for imposing austerity

2. Towards a more ‘solidaristic EU’?

- With Next Generation EU, Member States overcame historic taboo of European integration: explicit joint borrowing and fiscal transfers between countries
- Since public policies, incl. at the EU lever, tend to follow a path-dependent trajectory, the one-off nature of the Covid-19 measures may end up as the ‘new normal’
- Did Member States finally understand that ‘solidarity’ (not as a romantic ideal) is needed in a monetary union? Will political structures/processes support this?
- Is this the start of a more ‘solidaristic’ EU?
 - SURE as the ‘lynch’ pin of a full-blown European unemployment benefit scheme? Further extensions of the scheme (for example youth training)
 - Next Generation EU as the start of more EU involvement in domestic social policies (with all the risks this entails for the EU i.e. facing huge heterogeneity)?
- **Structural shift 2?**

2. Towards a more ‘solidaristic EU’?

- Historic battles in the European Council in the summer of 2020 ultimately resulted in *unprecedented* EU initiatives, deemed impossible until recently
 - Deployed over a period of no more than a few weeks
- Three stages:
 - *March 2020*: a) major relaxation of EU state aid rules; b) unprecedented suspension of EU budget rules; c) introducing extraordinary flexibility in the use of the European Structural and Investment Funds; and d) Pandemic Emergency Purchase Programme (ECB)
 - *April 2020*: creation of three financial firewalls: a) the SURE mechanism to support short-time work and job support schemes; b) the European Guarantee Fund; and (c) the Pandemic Crisis Support instrument (Eurogroup)
 - *May 2020*: establishment of a European Recovery Plan – dubbed ‘Next Generation EU’ : €750 billion, in addition to the increased 2021-2027 EU budget, totaling €1.8 trillion

3. Towards more inclusive social protection systems?

- Recession exposed acute gaps in social safety nets
 - Pandemic had disproportionately large negative impact on lower-wage workers, women, youth, self-employed etc.
 - Without emergence measures, thousands would have remained without any income support: reminder of importance of social protection systems
- The crisis response also demonstrated possibilities of *radical & rapid* development of *stronger & more inclusive* social protection schemes
 - Contrary to pre-Covid-19 assumptions that reform takes years rather than the days or weeks it took to design new schemes
 - Widespread use of job retention schemes
 - Many Member States amended eligibility and receipt conditions of unemployment and sickness benefits (esp. lowering qualifying periods & prolonging benefit duration: increasing effective access)
 - Two-thirds of Member States included self-employed in leave arrangements, getting them same compensation rate as for employees

3. Towards more inclusive social protection systems?

- OSE study for ETUI (Spasova *et al.* 2021):
 - Formal access to social protection schemes remained *basically the same* for non-standard workers and self-employed
 - Unemployment benefits, sick pay and sickness benefits
 - Those without access to unemployment *remained excluded*, also in times of Covid-19 (except for some workers, in SE & LI)
 - Instead, Member States introduced temporary (sometimes one-off) flat-rate and means-tested benefits (damage control)
 - The jury is still out whether some of these measures could become ‘acquis’:
 - Crisis (+ Council Recommendation) spur political debate on inclusion of non-standard workers and self-employed in unemployment benefit schemes?
 - Will some measures become permanent?

- Structural shift 3?

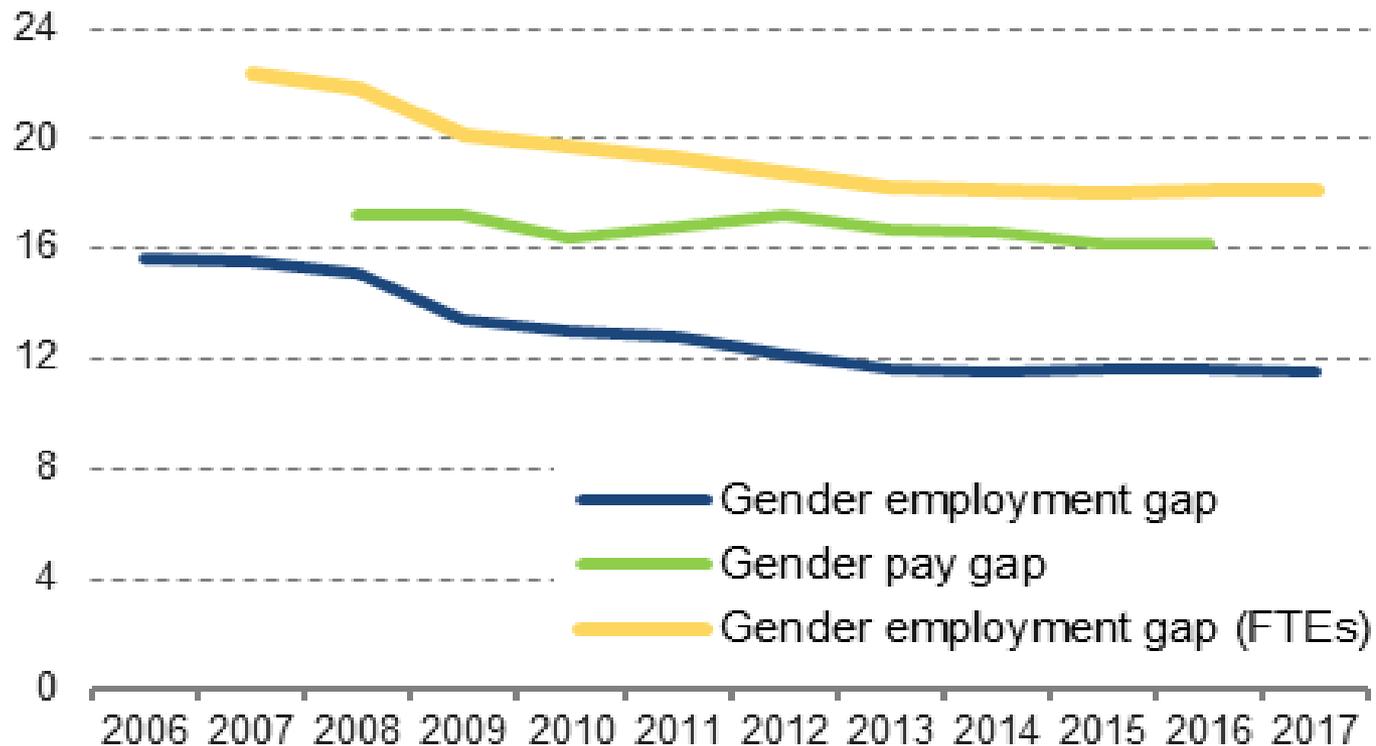
4. Towards enhanced role for governments?

- Pandemic has obliged governments to play a more important role in social protection:
 - Public authorities stepped in more decisively to finance sick pay and sickness benefits
 - Ad hoc emergency measures paid from the state budget
- Size of governments will be larger post-pandemic, including in healthcare and infrastructure
 - Legitimacy for higher taxes to finance expanded role? Which taxes?
 - Reflections about a ‘post-corona’ unemployment insurance scheme for the self-employed (Schoukens and Weber 2020)
 - Impetus for debate about Minimum Wage Directive (& minimum income) (Peña-Casas and Ghailani, 2021)?
- Structural shift 4?

5. Rebalancing gender division of labour?

- All crises have gendered impacts, and Covid-19 is no exception
 - Women remain overrepresented in jobs where telework is not possible, in non-standard forms of employment as well as in sectors that are likely to shrink
 - Design of social protection and social inclusion benefits may hinder women's effective access to benefits (Rubery and Tavora, 2021)
- Some silver linings:
 - Unpaid care work has gained unprecedented visibility
 - Caring and household responsibilities fell essentially on women...
HOWEVER significant increase in fathers' involvement in childcare during the Covid-19 confinement
 - Jobs mainly done by women (e.g. in health & care services) are now being recognised for their *key value* for society – any long-term impacts?
Raised issues with respect to the fairness of existing wage structures
- Could this have lasting effects on social norms and the gender division of labour?
- **Structural shift 5?**

Gender gaps in EUprogress and stagnation



6. Towards an enhanced EU role in health

- With hindsight, the initial confusion and closing of borders is not what stands out.
 - However, subsequently European Member States started to work together in the midst a huge public health crises
 - Start of a public debate on (potential strengthening of) the EU's role in health.
 - Visible, for example, in Commission's proposals for an ambitious EU4Health Programme, and more its support for a European Health Union.
- Commission 'seized space' provided by pandemic, in spite of the weak legal bases and Member States' low appetite (Brooks *et al.*, 2021); however recently criticisms of vaccine plans and preparations
 - Crises produce opportunities for expansion of the EU's role in health over the longer term
 - Heads of State and Government slashed EU4Health programme to €1.67 billion, from €9.4 billion proposed by the COM
- Structural shift 6?

7. Towards ‘anchoring’ of social affairs players?

- Management of the Recovery and Resilience Fund RRF entrusted to the Commission’s SECGEN & EFCIN, subject to control of the MS (EFC, with a back-up role for the European Council)
- At first sight, ‘Social affairs players’ lost much of the voice they had acquired through the ‘socialization’ of the Semester (Zeitlin and Vanhercke, 2018)
- *No jumping to conclusions*: strong indications that ‘socialization’ may, in the end, prove to be quite robust (jury is still out)
 - Social Affairs Council, Employment Committee, Social Protection Committee, DG Employment, social partners, NGO’s ... all are trying to get a foot in the door of the RRF governance framework (Vanhercke *et al.*, 2021)
- If this succeeds, Social Affairs players may (finally) be able to anchor their role in the EU’s economic governance, through the Semester, the recovery fund and the Green Deal
- Structural shift 7?

Conclusions : 7 ‘structural shifts’ in the post-pandemic world?

1. The end of ‘austerity’ as we knew it?
2. Towards a more ‘solidaristic EU’ ?
3. Towards more inclusive social protection systems ?
4. Towards enhanced role for governments?
5. Towards more gender-balanced care roles?
6. Towards an enhanced EU role in health?
7. Towards ‘anchoring’ of social affairs players in the EU’s architecture?

Fazit: We are left with many question marks!