#### Panel discussion 19 January 2021

#### Social Impacts of the Covid-19 Crisis

Structural shifts in the post-pandemic world

Vienna Institute for International Economic Studies (wiiw)

Bart Vanhercke, Director European Social Observatory (OSE)



## Introduction: 'structural shifts' in the post-pandemic world

- A broad agenda with sweeping claims and even more uncertainties
  - In the absence of a crystal ball
- Focus on social protection & labour market
- Not deal with important Covid-19-spurred 'structural shifts' such as:
  - Technological changes
  - Increase proportion of workers working from home
  - Global travel slump
  - Drive for self-sufficiency
  - Supply chain diversification
  - A new era in geopolitics
  - Etc.



### 1. 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)

Social Observatory

 May 2020: establishment of a European Recovery Plan – dubbed 'Next Generation EU': €750 billion, in addition to the increased 2021-2027 EU by totaling to a mind-boggling €1.8 trillion

#### 1. Towards a more 'solidaristic EU'?

- With Next Generation EU, Member States overcame historic taboo of European integration: explicit fiscal transfers between countries
- Since public policies, incl. at the EU lever, tend to follow a pathdependent 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, but as a mutual responsibility) is needed in a monetary union?
- Is this the start of a more 'solidaristic' EU?
  - SURE as the 'lynch' pin of a full-blown European unemployment benefit scheme?
  - Next Generation EU as the start of more EU involvement in domestic social policies (with all the risks this entails for the EU)?
- Structural shift 1?



#### 2. The end of 'austerity' as we knew it?

- The EU's response seems to stand in stark contrast to the austeritydriven 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 austerity have not changed:
    those who pushed for these ideas 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 (Myant 2021)?
  - Huge 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
- Structural shift 2?



## 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, in most cases getting them same compensation rate as for employees

Social Observatory



# 3. Towards more inclusive social protection systems?

- Ongoing 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 becomes 'acquis':
    - Crisis (+ Council Recommendation) spur political debate on inclusion of nonstandard 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 emergence measures paid from the state budget
- Size of governments may be larger post-pandemic, including in healthcare and infrastructure
  - Legitimacy for higher taxes to finance expanded role?
  - Reflections about a 'post-corona' unemployment insurance scheme for the selfemployed (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 more likely to have lost their jobs in the initial phase of the crisis
  - 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)

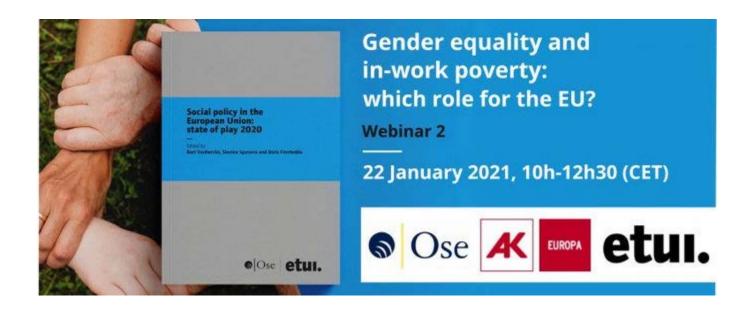


#### 5. Rebalancing gender division of labour?

- Some silver linings:
  - Unpaid care work has gained unprecedented visibility
  - Caring and household responsibilities fell essentially on women...
    - AND 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.
    - 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?



## Perhaps the answer can be found here?



#### 6. Towards an enhanced EU role in health

- With hindsight, the initial confusion and closing of borders is not what stands out.
  - What stands out is how quickly European Member States began 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)
  - 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

### 7. Towards 'anchoring' of social affairs players?

- Semester offer opportunities and resources for strategic agency by contending groups of actors (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. Towards a more 'solidaristic EU'?
- 2. The end of 'austerity' as we knew it?
- 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?

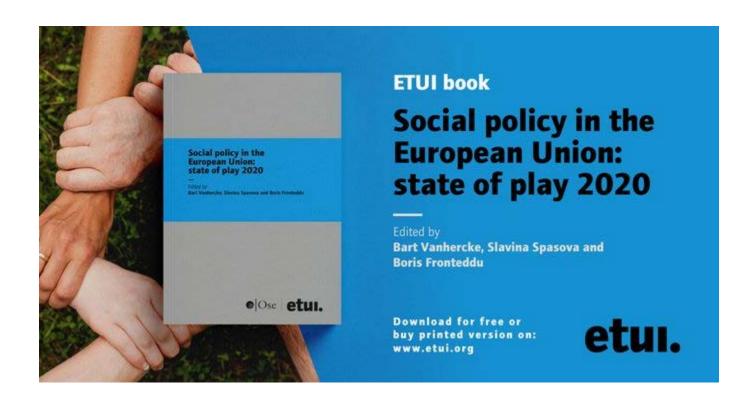


## Your critical feedback most welcome

vanhercke@ose.be



#### Read more ...



Free download here