Benchmarking Working Europe 2020

Covid-19 and the world of work: the impact of a pandemic

1. Economic developments and policies: is this time different?
2. Labour market and social developments
3. The path to 'zero carbon' in a post-Covid world
4. Fair minimum wages and collective bargaining
5. Covid-19: a 'stress test' for workers' safety and health
6. Democracy at work in a pandemic
7. Foresight: the many possible post-pandemic futures

20 ANNIVERSARY EDITION

CONFEDERATION SYNDICAT EUROPEAEN TRADE UNION

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The European Trade Union Institute (ETUI)

The ETUI conducts research in areas of relevance to the trade unions, including the labour market and industrial relations, and produces European comparative studies in these and related areas. It also provides trade union educational and training activities and technical support in the field of occupational health and safety.

The ETUI places its expertise – acquired in particular through its links with universities and academic and expert networks – at the service of workers' interests at European level and of the strengthening of the social dimension of the European Union. Its aim is to support, reinforce and stimulate the trade union movement. The ETUI is composed of two departments:

- A research department with three units: Europeanisation of Industrial Relations; Economic, Employment and Social Policies; Working Conditions, Health and Safety
- An education department

The institute's work is organised in accordance with the following five common priorities:

- The social-ecological transition and the digital revolution
- The search for a new economic model
- The need for a renewed social contract
- Reinforced democracy at all levels
- Stronger actors and trade union renewal

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The European Trade Union Confederation (ETUC)

The European Trade Union Confederation (ETUC) exists to speak with a single voice, on behalf of the common interests of workers, at European level. Founded in 1973, it now represents 91 trade union organisations in 39 European countries, plus 10 European Trade Union Federations. The ETUC represents 45 million members.

The ETUC is a democratic and independent organisation, recognised by the European Union, the Council of Europe and the European Free Trade Association as the sole representative, multi-sector, trade union organisation at European level.

The ETUC is the only social partner representing workers at European level in the framework of European social dialogue. The ETUC aims to ensure that the EU is not just a single market for goods and services, but is also a 'social Europe', where improving the wellbeing of workers and their families is an equally important priority.

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Covid-19 and the world of work: the impact of a pandemic

Edited by Nicola Countouris and Romuald Jagodziński

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Foreword

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A virus is haunting Europe. And it could strike again. This year's 20th anniversary issue of our flagship publication Benchmarking Working Europe brings to a growing audience of trade unionists, industrial relations specialists and policymakers a simple warning: beside SARS-CoV-2, the virus that has caused the Covid-19 pandemic and thrown Europe's economies into a sudden and profound recession, 'austerity' is the other nefarious agent from which workers, and Europe as a whole, need to be protected in the challenging months and years ahead. At this point in time, a new wave of austerity could not only undermine the post-Covid recovery, but it could also fundamentally undermine the European social and economic integration project.

It is essential to note from the outset that there are enough signs to justify some cautious optimism about the future trajectory of the present crisis. Just as the scientific community appears to be on the verge of producing one or more effective and affordable vaccines that could generate widespread immunity against SARS-CoV-2, it is also clear that policymakers, at both national and European levels, are now approaching this challenging juncture in a way that departs from the austerity-driven responses deployed a decade ago, in the aftermath of the previous crisis (Sabato and Mandelli 2021). It is particularly apt for the 20th anniversary issue of Benchmarking, a publication that has allowed the ETUI and the ETUC to contribute to key European debates (Daly et al. 2020) on the basis of fact-based analysis, to set out our case for a socially responsive and ecologically sustainable road out of the Covid-19 crisis. In doing so, we will explore some of the key (mis)steps in the way Europe responded to the previous crisis so as to further emphasise the paradigm change that the response to the current crisis necessitates.

Right from the opening paragraphs of Chapter 1, this year's report reminds us that, when the Covid-19 pandemic first hit Europe, 'different Member States had been facing different policy challenges (...) with some emerging more scarred from the previous crisis than others'. It is worth recalling that those 'scars' were the product of at least two decades of deregulatory policies and dogmatic, often mistaken, assumptions about the way economies and markets operate. Prior to the 'Great Recession' of 2008, Europe had embarked on a decade-long 'bonfire of rules' that had undermined the foundations and functioning of a number of its essential markets, from the financial markets to the labour market, while also hampering long-established processes of wealth redistribution. There was a strong correlation, even a causal link, between those deregulatory reforms adopted at the turn of the century and the 2008 crisis, a point regularly emphasised in previous issues of Benchmarking. Those were the years when a barrage of OECD policy documents systematically recommended that the 'development of various types of temporary contracts may present several advantages' (OECD 1993: 111), that 'there is some evidence that the nature of technological change calls for more flexible forms of employment contract – such as fixed-term contracts – that fall outside the province of traditional employment protection legislation' (OECD 1994: 145), and that 'stricter rules applicable to regular contracts may tend to increase the incidence of temporary work

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and to limit the extent to which temporary contracts will be converted into permanent ones' (OECD 2004: 87).

The EU was clearly fertile ground for such prescriptions. The European Employment Strategy, the process of coordination of Europe's labour market policies, included positive words on 'the possibility of incorporating (...) more adaptable types of contract, taking into account the fact that forms of employment are increasingly diverse' (Council of the European Union 1997). Benchmarking Working Europe was in fact created by the ETUI and ETUC partly in response to the introduction of this Strategy, as a tool to monitor progress in the implementation of the Lisbon Strategy and its effects on the world of work, and to engage critically with its recommendations.

It should not be forgotten that, year after year, key EU policy documents, adopted in the context of the grand EU scheme of the Lisbon Strategy, advocated that Member States further deregulate their labour markets and 'facilitate transitions between different statuses, such as work, training, career breaks or self-employment (job-to-job insurance)', regardless of the qualitative aspects of these forms of work (Kok 2004). In its critical responses to those pressures, the ETUC would systematically mobilise its affiliates across the EU to challenge this downward spiral (ETUC 2008), highlighting the macroeconomic risks associated with 'decades of misguided structural reform' and noting that 'labour market flexibility does not create more jobs', as well as pointing out that the stakes were not just about the quantity, but also about the quality of jobs. The very first issue of Benchmarking Working Europe (2001) had exhorted EU institutions to begin a 'discussion (...) on how to benchmark the quality of employment at European level, with attention given to such factors as employment security, social protection, autonomy of workers and work organisation, skills development and demand, isolation and stress' (ETUI and ETUC 2001: 21), while noting that 'the degree of inequality in income distribution rose in almost all European countries between 1980 and 1990' (ETUI and ETUC 2001: 24). And the 2007 edition followed in the same vein, flagging up that 'building employment growth on sub-optimal solutions such as fixed term contracts, involuntary part-time and false self-employment will only undermine [Europe's] efforts to become a knowledge-based society'; if 'working conditions are not improving', the edition pointed out, then economies simply shift wealth from 'wages to capital' (ETUI and ETUC 2007: 3).

Our respective organisations were therefore hardly surprised to find many of our longstanding concerns validated by the authoritative 2009 United Nations Report on the causes of the Great Recession, led by Joseph Stiglitz. The report duly highlighted that 'in some countries, the weakening of social protection and the reduction in the progressivity of income tax systems weakened the automatic stabilizers. In others it led to a structural decline in domestic consumption levels, and thus to a decline in the multiplier'. It further noted that the '[c]onstraints imposed in the European Union by the Stability and Growth Pact, and concerns in other countries about the size of fiscal deficits and national debt may impair the use of counter-cyclical fiscal policies to respond effectively to shocks'. No less importantly, 'it is now recognized that in most advanced industrial countries, median wages stagnated during the last quarter century, while income inequalities surged in favour of the upper quintiles of the income distribution'. In effect, the Stiglitz Report continued, 'money was transferred from those who would have spent to meet basic needs to those who had far more than they could

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easily spend, thus weakening aggregate effective demand' (Stiglitz 2010: 22-23).

One would have hoped that such a clear and consistent analysis of the causes of the 2007-2008 crisis would have led to the swift adoption of remedial, structural measures. But far from being a moment of self-reflection for Europe and an opportunity to embrace progressive reforms that would reverse its earlier waves of deregulation, fiscal prudence, and social devaluation, the Great Recession of 2008 became the springboard for testing one of the most painful medicines ever to be administered to an already vulnerable patient: austerity.

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The abrupt move to austerity

A comparison between the 2010 and the 2011 editions of Benchmarking Working Europe can help us identify those crucial months as a key turning point on the road to austerity. Early in 2010 there was still enough (cautious) optimism to suggest that 'the social dimension is an integral element in sustainable growth and that the quality of jobs is a way of fostering the combination of economic, climatic and social considerations within a new growth model'. We proposed to 'bring in a new social deal according to which workers' rights act as a beneficial constraint, and social policy as an investment strategy', and, perhaps most importantly, remarked that 'a number of reflections along these lines have recently emerged, forming the basis of a renewed vision of the next EU mid-term strategy EU2020' (ETUI and ETUC 2010: 4). It is worth noting that 2010 (and to a certain but lesser extent, 2009) was also the year in which Benchmarking Working Europe first placed the issue of climate change on the table: as part of what we then referred to as the 'Sustainable Development Strategy', we advocated moving it centre stage in the economic recovery and trade union debates (see Chapter 8 of the 2010 issue). By the following year though, the first wave of 'bailout agreements' left no doubt as to the intentions of the IMF-EC-ECB 'Troika' in shaping the Great Recession into a 'sovereign debt' crisis, and imposing on EU Member States 'the most austere fiscal retrenchment packages, either as part of the financial assistance they received from the EU or in an attempt to "please the markets" and so avoid having to resort to such support' (ETUI and ETUC 2010: 8).

Since that moment, for the best part of the last decade, Benchmarking Working Europe has painstakingly tracked and scrutinised the incessant demands imposed by the EU on Member States – in various guises such as renewed bailout agreements, the 'Fiscal Compact'/Fiscal Stability Treaty, or actions subsumed within the European Semester, including successive Country-Specific Recommendations (CSRs) – to deregulate employment protection systems, decentralise national wage bargaining and industrial relations models, and rein in public spending, especially in the social sphere. What the 2017 issue of Benchmarking referred to as 'seven years of austerity and deregulatory structural reforms' (ETUI and ETUC 2017: 5) resulted in a weak, uncertain, and job-poor economic recovery, falling wages, rising inequalities, a historic low in the levels of coverage of collective bargaining, and a growing sense of resentment and pessimism about the prospects of the European project as a whole. Rising nationalism, growing support for right-wing populist movements, and even the dramatic fracture of the 'Brexit' referendum of 2016, surely owe as much to years, perhaps even decades, of deregulation and austerity as they owe to the unprincipled and

calculating ability of demagogues to profiteer from the genuine suffering of Europe's working classes.

It was only in 2017 and 2018 that some cautious optimism, mainly linked to the prospects timidly raised by the 'Five Presidents' Report' and to the adoption of the European Pillar of Social Rights, returned to these pages. 'These documents should form the basis for establishing a vision of the future of Europe which, as declared on several occasions, has social concerns at its heart' we wrote back then, while noting that 'this concern comes somewhat late, but is still of key importance' (ETUI and ETUC 2017: 5). Last year's report acknowledged, for instance, that the CSRs issued in 2018 appeared to be less obsessed with 'implementing supply-side oriented policies which exclusively view wages as costs and collective bargaining as an institutional rigidity that needs to be curtailed' (ETUI and ETUC, 2019: page 57), while also pointing out that this could well be due to the fact that, after a decade of incessant demands, most of the work – or damage, depending on one's perspective – had already been done.

Benchmarking Working Europe 2020: special in more than one respect

This year's report would have probably continued in that genre of careful analytical work, dissecting a variety of EU economic policies and, as the title of our publication suggests, 'benchmarking' their effects against the needs and the living conditions of European workers. However, we have instead had to turn our full attention to the economic and social fallout of the Covid-19 pandemic, which has proved to be the harshest of 'stress tests' for the European Union, probing policymakers' ability and willingness to emerge from this new crisis without repeating the mistakes of the past.

There is no underestimating the challenges posed by the Covid-19 pandemic on European economies and on the world of work (see also Myant 2020). Chapter 2 highlights the effect that the pandemic has had on unemployment levels in Europe, with some 1.15 million workers losing their jobs between January and July, a figure that would have no doubt been far more dramatic had it not been for the fact that, by the end of April 2020, there had been more than 42 million applications for supporting workers on short-time work or similar schemes in the EU27. The chapter also suggests that these levels of unemployment are likely underestimates, with a far larger and, indeed, rising figure of economically inactive persons across the EU. As evidenced in Chapter 1, the additional expansionary measures and the operation of automatic stabilisers, coupled with serious drops in income and contributions to GDP, pushed government budget deficits deeply into the red, while, inevitably, the public debt as a share of GDP has been forecast to expand everywhere. On average, the chapter notes, the budget deficit for the second quarter of 2020 was 11.6% of GDP for the euro area and 11.4% for the EU27. National budget deficits varied extensively. The biggest increases were recorded in the UK (22.1%), Poland (20%), and Austria (17.3%), while a budget deficit reduction was registered in Denmark (-3.5%). As Figure 1.19 in Chapter 1 explains, the Commission calculates that in 16 out of 27 Member States the public debt/GDP ratio is expected to be above the stipulated 60% of the existing fiscal rules.

As Chapter 5 demonstrates, a substantial proportion of this additional public expenditure was used to address another key legacy of austerity, namely shortages in the health and care sectors (on the policy response of the EU

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to Covid-19 in the public health domain, see Brooks et al. 2020). While it was difficult enough to bolster the capacity of healthcare systems, often debilitated by decades of cuts and underfunding, the biggest challenge caused by austerity was the shortage of qualified medical professionals, nurses and doctors, required to service the sudden needs of both the care and health sectors. These staffing shortages – that as Chapter 5 notes had already been identified a decade ago – clearly could not be adequately addressed at such short notice. Coupled with a lack of adequate protective equipment, they led, in various Member States, to unacceptable and unnecessarily high levels of Covid-related casualties, in particular among medical and healthcare professionals, as well as in the wider population.

What makes this time different (so far)?

It is worth acknowledging that, for the time being, both national and European responses to this crisis appear to have distanced themselves from prior, austerity-driven, emergency responses and 'recovery' policies. In this sense there is a high expectation that this crisis may not necessarily mark a descent into years of recession but an opportunity for, and a stepping stone on the way to, a substantial rethinking of the economic and social paradigms guiding the EU in the post-Covid world. **Three differences** *in particular are worth highlighting.*

Firstly, *while both crises threw millions of workers out of work, on this occasion the immediate reaction of national governments and of supranational institutions was to bail out the production capacity of their (real) economies as a whole (including physical and human capital), and not just banks and financial institutions. It is emblematic that one of the first EU policies adopted as an immediate response to the pandemic was the 'Support mitigating unemployment risks in an emergency' (SURE) programme, endowed with €100 billion euros to be loaned to Member States to support their short-time work and job retention schemes. The loans are backed by €25 billion of guarantees provided by the Member States to the EU budget and, in October 2020, the Commission raised its first funds for SURE by issuing 'social' bonds to the tune of €17 billion. These sums, however, pale compared to those financing the subsequently approved Recovery Plan, engaging both the next Multi-Annual Financial Framework (MFF, i.e. the EU Budget) for the period 2021-2027 and the Next Generation EU pillar, respectively endowed with €1.074 trillion and €750 billion, €390 billion of which are to be provided as grants and €360 billion as loans to Member States (see also Anderson and Heins 2020).*

The previous crisis has of course taught us to be vigilant whenever loans are offered to Member States, and aware of the devil contained in the details of the accompanying social and fiscal conditionality clauses, which often require painful and damaging structural reforms. Nevertheless, and this is **the second difference** *worth highlighting, so far these rescue packages have not appeared to come with any explicit (anti-)social strings attached. As Chapter 2 also reports, in March 2020, the EU approved the activation of the general escape clause of the Stability and Growth Pact, allowing the Member States to deviate from the Union's usual budgetary rules. Moreover, the analysis of the 2020 CSRs indicates a renewed emphasis on social protection systems and would appear to be devoid of any demands for greater labour market flexibility or the decentralisation of wage-setting. This is important, as the EU has made it clear that the new 'National Recovery*

and Resilience Plans' (NRRPs), that Member States are being asked to produce in order to be able to access the Recovery and Resilience Facility, must be coordinated with existing CSRs (Article 15 of the Regulation) (European Commission 2020c).

Thirdly, *it would appear that this time trade unions are not being sidelined from the planning stages of the recovery strategy and could play a role in its implementation. While the Regulation on the Recovery and Resilience Facility falls short of recognising a consultative role for national, let alone European, social partners, the accompanying EU Commission Guidance expressly provides that, in drafting their NRRPs, 'Member States are (...) invited to outline (...) how the social partners, and as appropriate civil society organisations, have been consulted and involved in designing the reforms included in the plan' (European Commission 2020a). This is an important novelty, and one that we would want to see reflected in the Regulation itself, but that in any case we will be monitoring closely in the forthcoming months in order to ensure that it is concretely implemented and not reduced to mere lip service. As noted in Chapter 6, it is also a recognition of the important role that national social partners played in the design of the early national responses to the pandemic, in March 2020 (see also Anderson and Heins 2020). At the same time, the cautiously positive evaluation of the social partners' involvement at national level is diluted by (a persistently) lacking reference to the potential offered by workers' involvement at company level (Chapter 6).*

We conclude this foreword by identifying **three main reasons why a certain degree of caution is still justified** *when it comes to the EU policy response to this crisis, and by outlining the* **key elements of an alternative way forward.**

Firstly, *it is self-evident that the levels of public spending that will be required to address both this crisis and the constantly deepening (as outlined in Chapter 3) environmental crisis in the years to come are unprecedented and will render the Stability Pact, and even the older Maastricht criteria, relics of the past. At the same time, however, it is also evident that the substantial levels of debt and government deficits that, in the short term, need to be incurred will leave a substantial legacy of indebtedness (see Chapter 1). We venture to suggest that the forces that, just a decade ago, saw neomonetarism and fiscal rigour as the natural response to growing levels of debt have not quite disappeared. It is true that these days even the IMF proclaims that austerity is not the inevitable answer to easing the pandemic's impact on public finances and that nations that can borrow freely could stabilise debt without fiscal adjustment (Giles 2020a). But in reality this simply acknowledges the fact that in a low-interest economy such as the current one, it is relatively easy for some, but not for all, to borrow – without clarifying what should be done to address the long-term problem of indebtedness. 'Small government' is no longer an option, but states (and Europe as a whole) will need more than low interests and liquidity access to emerge from this crisis and be able to invest in a carbon-free, sustainable future.*

Clearly, the elephant in the room in this discourse is a different socialisation of these liabilities, including through progressive tax reform, whereby societies identify the vast pockets of wealth that have accumulated in recent years (and in recent months in particular) and demand a fair contribution to human progress and a sustainable future. It is now more vital than ever to

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recognise and tax properly, in particular, the rent income enjoyed by a small minority of individuals and multinational companies thanks to the artificially created monopolistic and monopsonist positions emerging in a number of essential markets and sectors of the economy, and especially across the value chains developing in the context of the new digital revolution, often to the detriment of workers' rights and fair wages. The very few cursory references to 'the fight against aggressive tax planning' contained in the Member States' Guidance on the NRRPs – 'more than ever, the upcoming economic recovery requires Member States to secure tax revenues for public investment and reforms and avoid distortion of competition between firms' – clearly pale in light of the magnitude of the challenge ahead (European Commission 2020b). And the recent decision of the EU General Court in Cases T-778/16 and T-892/16, Apple v Commission, manifest the weakness of the existing EU legal framework in dealing with certain corporate tax practices. If these issues are not addressed, we fear that the scenario that Chapter 7 describes as a 'conservative rebound of austerity' could become far more likely than the 'progressive leap' and 'green road' scenarios the chapter implicitly advocates.

Secondly, *it is essential to recognise the redistributive function of decent working conditions and fair wages. In recent decades, redistributive mechanisms have faltered in two important ways. Firstly, as we just mentioned, by failing to identify wealth and tax it properly. Secondly, by permitting wealth created in increasingly complex and global value chains to flow upwards, rather than trickle downwards and into fair wages and decent working conditions. As Chapter 4 vividly points out, the steep decline in the levels of collective bargaining coverage observed in the last two decades in Europe is an important part of that story. To reverse these trends it is essential for Europe to play a key role in ensuring that every European worker is paid an adequate minimum wage and that, after decades of pressures on collective bargaining systems, both the EU and Member States recognise and protect the essential role that collective agreements must play in a fair and sustainable economic and social recovery. It is certainly comforting to see that a certain consensus on the pivotal importance and role of collective bargaining is now emerging in areas beyond the more traditionally union-friendly environments (OECD 2019). We feel that the current proposals for a Directive on adequate minimum wages in the EU (European Commission 2020b) could be an important step in this direction, but without some much-needed improvements it is just as likely to turn into a missed opportunity. It is a matter of urgency for Europe to rediscover the redistributive function of labour rights and collective bargaining. The Digital Services Act Package currently being discussed by the Commission could provide a further opportunity to address some of the challenges in the context of platform work and the gig economy. Europe will not be 'fit for the digital age' until it recognises the contribution that human labour makes to wealth and capital accumulation in the digital economy, and compensates and protects that contribution fairly. And, as pointed out in virtually all the chapters of this edition of Benchmarking, the challenges posed by this pandemic to the world of work, from the exponential growth of teleworking and the emergence of new psychosocial risks, to the unequal impact of the virus on different sectors of the economy and groups of workers, will obviously require a more comprehensive review of the existing regulatory frameworks at the national and European levels.*

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Finally, *it is essential for Europe to truly fulfil its democratic vocation, which crucially – as forcefully argued by Chapter 6 – calls for industrial democracy to be recognised as a key pillar of the current recovery strategy and of the Green Deal. Social dialogue, collective bargaining and workplace democracy are fundamental tools to build social justice and inclusive societies, and in the fight against inequality and populism. Strong, democratic and representative unions offer the best opportunity for developing the practices of democratic participation in running workplaces, companies, and societies at large. Social dialogue and participation does not just provide well-designed and consensual solutions to the management of 21st century capitalist societies. It ensures that democracy is a value and practice that is honed on a daily basis, and does not descend into a stale rite to be performed perfunctorily every four or five years. In this respect, it is more important than ever that the voice of labour is represented both in the shaping of national responses to the pandemic (and we will continue to advocate for a greater role to be recognised by the Regulations and future Guidance on the NRRPs), and in the forthcoming Conference on the Future of Europe, where social partners' involvement should be guaranteed.*

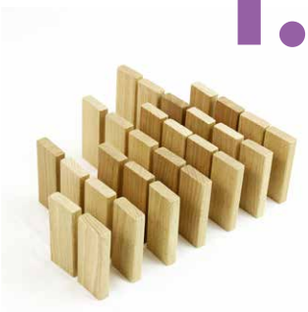
We conclude by recalling the fundamental importance of developing and reconciling the aforementioned three priorities with what is arguably the greatest challenge that Europe needs to embrace in the years to come: a just transition to a new, green economy. As noted elsewhere, 'this would require accelerating the ecological transition and rapidly rethinking our growth model, with a return to public services, common goods and solidarity at the heart of the economy and social affairs (see also Laurent 2020; Sabato and Mandelli 2020). We are seeing the seeds of this, with several governments and civil-society players supporting the Green Deal and certain cities, such as Paris and Brussels, showing the way to a faster transition – albeit one very difficult to complete amid high unemployment and economic crisis' (Pochet, 2020).

Unless these fundamental priorities are placed at the centre of Europe's recovery plans from the pandemic, a decade from now the 30th anniversary edition of Benchmarking Working Europe will be dealing with the consequences of a new and deeper crisis that is at once economic, environmental and political in nature: the umpteenth product of an economy that has continued to be as unequal, carbon-intensive, socially destructive, and unsustainable as what we now inherit from the virus of austerity and decades of destructive neoliberalism.

> *"It is essential for Europe to play a key role in ensuring that every European worker is paid an adequate minimum wage and that, after decades of pressures on collective bargaining systems, both the EU and Member States recognise and protect the essential role that collective agreements must play in a fair and sustainable economic and social recovery."*

Key messages

The Covid-19 pandemic, and the ensuing economic recession, has proved to be **the harshest of 'stress tests' for the European Union, probing policymakers' ability and willingness to emerge from this new crisis without repeating the mistakes of the past**. Previous economic downturns have often been seen as an opportunity to impose deregulatory and austerity-driven policy reforms. However, as acknowledged in this twentieth anniversary issue of *Benchmarking Working Europe*, **the EU-level responses to this current crisis appear to depart from the older, broadly discredited, recipes**. In this context, this publication **sets out the case for outlining a socially responsible and ecologically sustainable path out of the quagmire**. The core elements of this strategy are: the need for unprecedented levels of public investment, the acknowledgement of the redistributive function of decent working conditions and fair wages, and last but not least the recognition of industrial democracy as a key pillar of any recovery plan. All of these aspects need to be reconciled with the overarching priority of a just transition to a green economy, undoubtedly the greatest challenge that Europe currently faces and one that it must embrace fully in the years to come.



1. Economic developments and policies: is this time different?

The pandemic, and more particularly the policies that have been implemented to mitigate the risks it poses to public health and healthcare systems, have **plunged European economies into a recession that is even bigger and likely to be even more costly in terms of job losses than the previous global financial crisis.** However, not all countries have been affected to the same extent. This shock occurred at a moment when European economies and societies were facing a series of challenges, from slowdowns in labour productivity and investment to persistent inequalities and the need to engineer green, digital and 'just' transitions. **Public policy responses have been swift and far reaching**, suggesting that at least some lessons have been learnt from the previous crisis. But it remains to be seen whether these lessons will be carried forward into the EU's recovery strategy.

2. Labour market and social developments: from shock to crisis

Before the pandemic, the EU had been experiencing a period of prolonged economic recovery, with employment levels at a historic high point. However, as shown by this chapter's evidence-based analysis of labour market and social developments in the EU, **numerous social challenges remain unresolved despite this period of growth**, such as persistently high rates of risk of poverty and social exclusion, gender inequalities, and the unavailability of jobs providing decent working and employment conditions. The impact of the Covid-19 crisis on the EU labour market has been immediate, with **nearly five million jobs lost** by the end of the second quarter of 2020. **Without an adequate and coordinated policy response, the brunt of this crisis will be borne by the most vulnerable groups**, risking a further deepening of existing social divides across the EU.

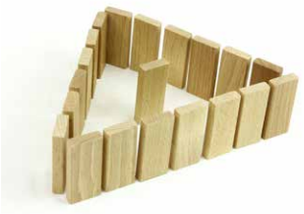
3. The path to 'zero carbon' in a post-Covid world

Prior to the outbreak of Covid-19, the climate crisis and the green transition had risen to the top of the EU policy agenda, with the launch of the European Green Deal in December 2019. **Data on Member States' progress towards key climate policy targets show that** the EU has made considerable headway in reducing territorial emissions. However, this is far from the case when it comes to consumption-based emissions, pointing to the important role of carbon embodied in trade. And while **there is an encouraging record of decarbonisation to be found in the energy sector**, with renewables starting to outprice fossil fuels, **road transport is lagging behind**. **The climate emergency needs to be addressed with the same sense of urgency that has shaped Europe's response to the pandemic**. It is welcome news that the European Green Deal objectives seem to have become a blueprint for the EU's Recovery Plan, but **lessons from the pandemic show that ambitious decarbonisation needs to go hand in hand with a stronger social dimension**.

4. Fair minimum wages and collective bargaining: a key to recovery

The outbreak of the Covid-19 pandemic led to **a collapse in wage developments across the EU in 2020**. In view of the ensuing economic crisis, it is essential that European and national policymakers draw the right conclusions from the 2008/2009 crisis, when austerity and internal devaluation not only prolonged the crisis but also had dramatic social consequences. The proposal for a European directive on adequate minimum wages in the EU, published on 28 October 2020, can be read as a **sign that fair minimum wages and strong collective bargaining are no longer viewed as an impediment to market flexibility but as an integral part of a European recovery strategy**. However, in order for its full potential to be realised, **the Minimum Wage Directive needs to be improved**, especially as regards the inclusion of more precise and binding criteria for adequate minimum wages and the promotion of collective bargaining.

5. Covid-19: a 'stress test' for workers' safety and health



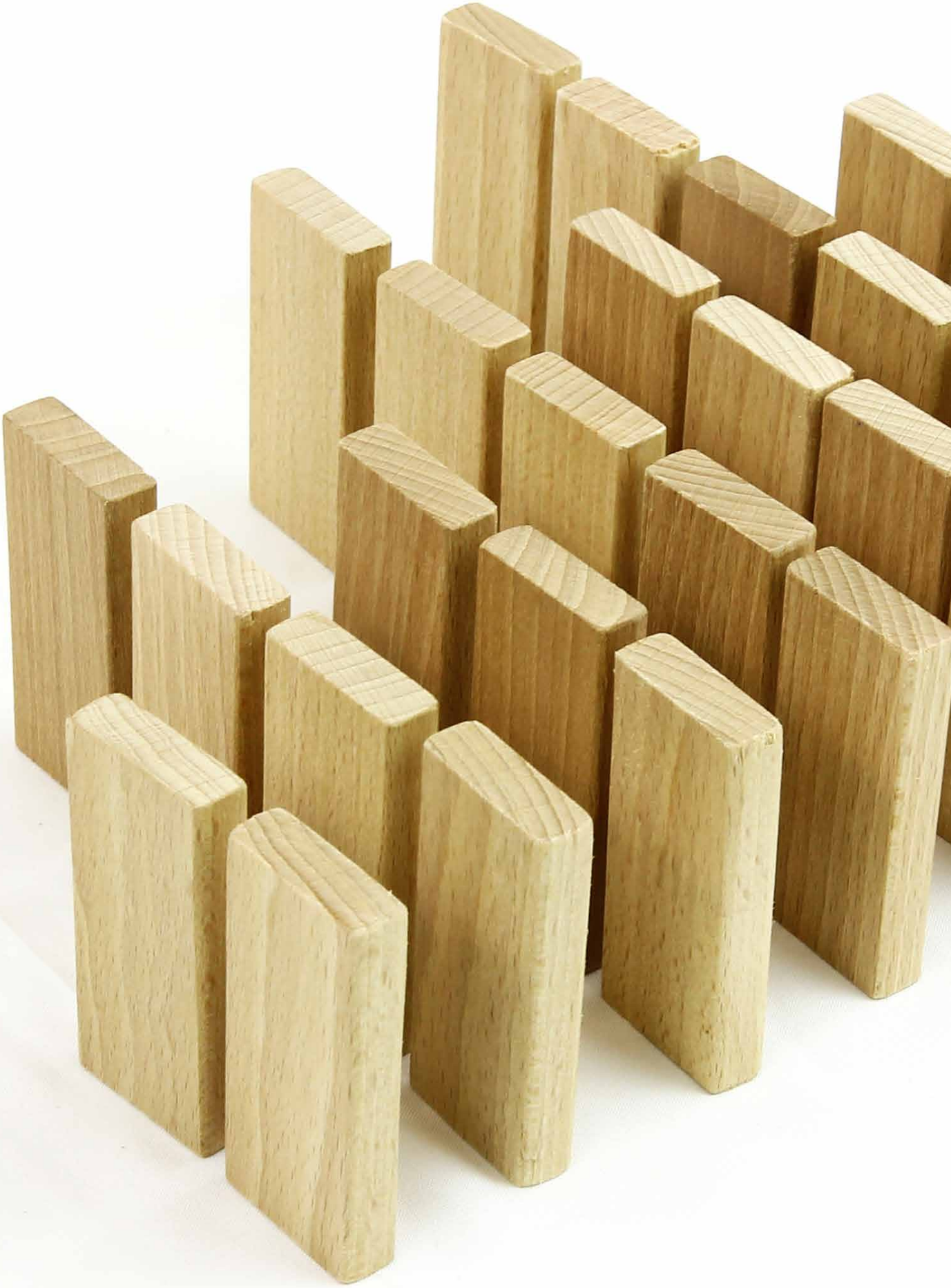
The Covid-19 pandemic has provided a **'stress test' for occupational safety and health** (OSH) in the EU and **revealed multiple systemic deficiencies**: regulatory failures, inadequate implementation of OSH legislation, disparities in worker protection, and a severe lack of data. Each of these are an indicator of the negative consequences of an interpretation of OSH legislation that is too narrow and does not consider the breadth of contexts to which the rules ought to apply. The results of the stress test clearly show that **OSH principles need to be part and parcel of work planning, and thus be integrated into the subsequent development of whole sectors** and all workplaces. **Finally, for OSH policies and practices to be correctly targeted and truly fair, worker participation in their development must be strengthened**.

6. Democracy at work in a pandemic

The institutions of workers' participation and social dialogue are geared to mitigating the impact of the pandemic on the world of work. This may be in protecting the health of workers or in helping enterprises and employees to cope with a complete reassessment and reorganisation of whether, when and where we work. Workers' voice in all its forms serves to ensure that workplaces changes are collectively agreed and sustainable over the long run. **Workers' participation must therefore be recognised not as an obstacle but as a rich resource in shaping and adapting the workplaces of today for the future**. Declarations by EU leaders that social dialogue must help pave **a sustainable way out of the crisis** need to be implemented through **robust policies, regulations, commitments** and the **means to enforce them**.

7. Foresight: the many possible post-pandemic futures

The Covid-19 pandemic has **brutally plunged our societies into a world of uncertainty**. Ill-prepared for such a shock, the EU and its Member States have improvised measures that have served to shake the very foundations of the European project: free movement, the single market, and supranational economic governance. **Are these profound transformations destined to be long term or will they only be temporary? And do they herald structural reforms of European public policies**? Future scenarios are shaped by today's decisions; **with foresight methodology, policymakers can make informed choices about how to address what lies ahead**.



1. Economic developments and policies: is this time different?

Author

Sotiria Theodoropoulou

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> *"National responses to the crisis have seemingly led to the crumbling of a series of taboos and orthodoxies guiding economic policy over the last 40 years."*
>
> **Sotiria Theodoropoulou,** ETUI

Introduction

European economies are currently caught in the eye of a storm caused by a pandemic whose scale has been compared to that of the 1918 Spanish flu. Covid-19 hit the continent just as the economic and social scars left by the previous crisis were beginning to heal. However, it must be noted that at the beginning of 2020, there were clear signs that the pace of this recovery from the latest phase of the W-shaped recession was slowing down.

The European Union was, moreover, facing both old and new challenges, with the new European Commission having taken office just a few months earlier and set as one of its ambitions to make Europe the first climate-neutral continent in the world. The incoming Commission's new growth strategy, the European Green Deal, was launched in December 2019. In its own words, it aimed to transform the EU into a 'fair and prosperous society, with a modern, resource-efficient and competitive economy' where economic growth was decoupled from resource use (European Commission 2019: 2). This Green Deal was also an integral part of the European Commission's strategy to implement the United Nations' 2030 agenda and its sustainable development goals. A little later, in January 2020, the Commission also announced its Sustainable Europe Investment Plan, the investment pillar of the Green Deal (European Commission 2020a).

Meanwhile, other political projects in areas that will shape the future of Europe, such as the deepening of the European and Monetary Union (EMU) and the implementation of the European Pillar of Social Rights, remained incomplete at the moment Covid-19 arrived on the continent.

European policymakers and societies were completely unprepared for the magnitude and breadth of the shock Europe was about to suffer. Complacency seemed to reign even when the epidemic spread like wildfire in Lombardy, wreaking havoc on one of Europe's hitherto best-resourced healthcare systems. The European Commission's winter economic forecasts issued in January (European Commission 2020c) considered the downside risks from the coronavirus epidemic that was ravaging the Hubei province in China only in terms of its impact on international trade.

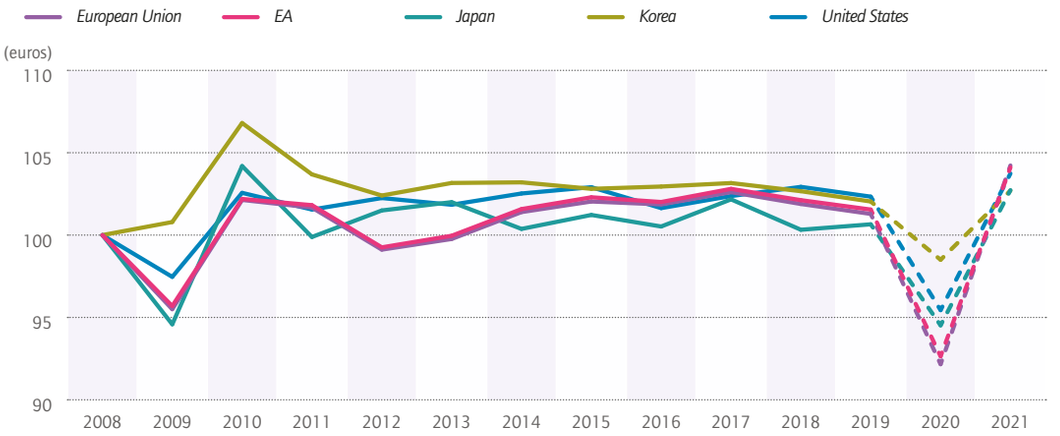
The EU Member States were thus caught off guard – but they were also affected to different degrees, and their policy responses were based on their individual capabilities to deal with such a shock. Firstly, the spread of the virus during the first wave was much faster in the west and south-west of Europe, whereas, partly due to the implementation of strict and early measures, it largely spared the east and south-east. The second wave has been fiercer, however, even in these latter regions. Secondly, different Member States had been facing different policy challenges prior to the pandemic, with some emerging more scarred from the previous crisis than others. And finally, EU countries all have different healthcare system capacities, different social safety nets to deploy to support incomes and companies, and also very different capacities to expand fiscal measures. Thus, although the pandemic has not spared any European country, its repercussions have depended largely on the particularities of each Member State, the economic and social state of affairs at that moment in time, and the way in which each national government responded.

This chapter thus looks in more detail at economic developments in Europe since the beginning of the pandemic, but in the context of the economic and social challenges that Member States were already facing, to different degrees, before its onset. It shows the different ways in which the pandemic affected European economies and examines the policy responses that were deployed at the national and EU levels, as well as to what extent they indicated that lessons had been learnt from the previous crisis. It concludes by considering the questions that these developments leave open for the future.

A global recession: GDP growth in Europe and the world

"The EU and the euro area shrank by 13.9% and 14.8% respectively between the first and the second quarters of 2020."

Figure 1.1 Real GDP change, EU, Japan, South Korea and the US, 2008-2021 (forecast) (2008=100)

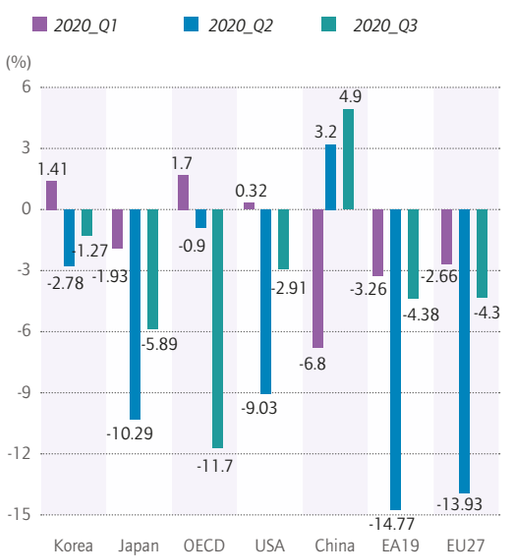


Source: Own calculations using AMECO data, OVGD series.

The EU economy went into a nosedive in March 2020 once the number of reported Covid-19 cases started picking up rapidly. Wary of avoiding the saturation and, eventually, the collapse of healthcare systems, European governments began taking measures to stem the speed at which the virus was spreading among the population. The measures taken in spring 2020 were sharp and sudden, consisting primarily of ordering the shutdown of all economic activity except for those sectors considered 'essential', such as food production and healthcare, or those in which teleworking or virtual provision was possible, such as electronic trading. Schools were also closed, as were borders between Member States and, eventually, EU borders themselves. While the range of measures taken and their degree of severity varied across countries, it was very clear from February/March onwards that the global economy was entering a period of crisis, with very high uncertainty about its depth, duration and consequences.

Figure 1.1 shows the evolution of real GDP growth in the EU and the US, including the (autumn) annual forecasts of the European Commission for 2020, while Figure 1.2 focuses on OECD quarterly real GDP data for the EU, the euro area, the US, China, South Korea and Japan. While the European Commission's annual autumn forecasts are still subject to great uncertainty and feature rather optimistic scenarios regarding subsequent waves of the pandemic and the measures that national governments will have to take to stem them, the data clearly shows (Figure 1.1) that the shock is going to be larger than that of the global financial crisis in 2008, which led to what has been dubbed the 'Great Recession', in comparison to the Great Depression of the late 1920s and 1930s. This recent large shock came during a period in which real GDP growth had been slowing down (since 2017) following a lacklustre recovery from the 'W-shaped' recession between 2008 and 2012. According to OECD data, real GDP in the EU and the euro area shrank by 2.6% and 3.3% respectively between the final quarter of 2019 and the first quarter of 2020, by 13.9% and 14.8% respectively between the first and second quarters of 2020, and by 4.3% and 4.4% respectively between the second and third quarters of 2020. The US real GDP was flat in the first quarter of 2020 and shrank by 9% between the first and second and 2.9% between the second and third quarters of 2020. Remarkably, South Korea, whose approach to stemming the pandemic did not rely as heavily and exclusively on blanket measures restricting economic and social activity, experienced much smaller real GDP losses in the second and third quarters than the EU, the US and Japan did. Last but not least, the Chinese economy, the first to be affected by the virus, shrank only during the first quarter of 2020 (by 6.8%) and grew by 3.2% and 4.9% in the following two quarters.

Figure 1.2 GDP growth in the EU27, EA, US, Japan, Korea, China and the OECD (growth rate compared to previous quarter), 2020_Q1-2020_Q3

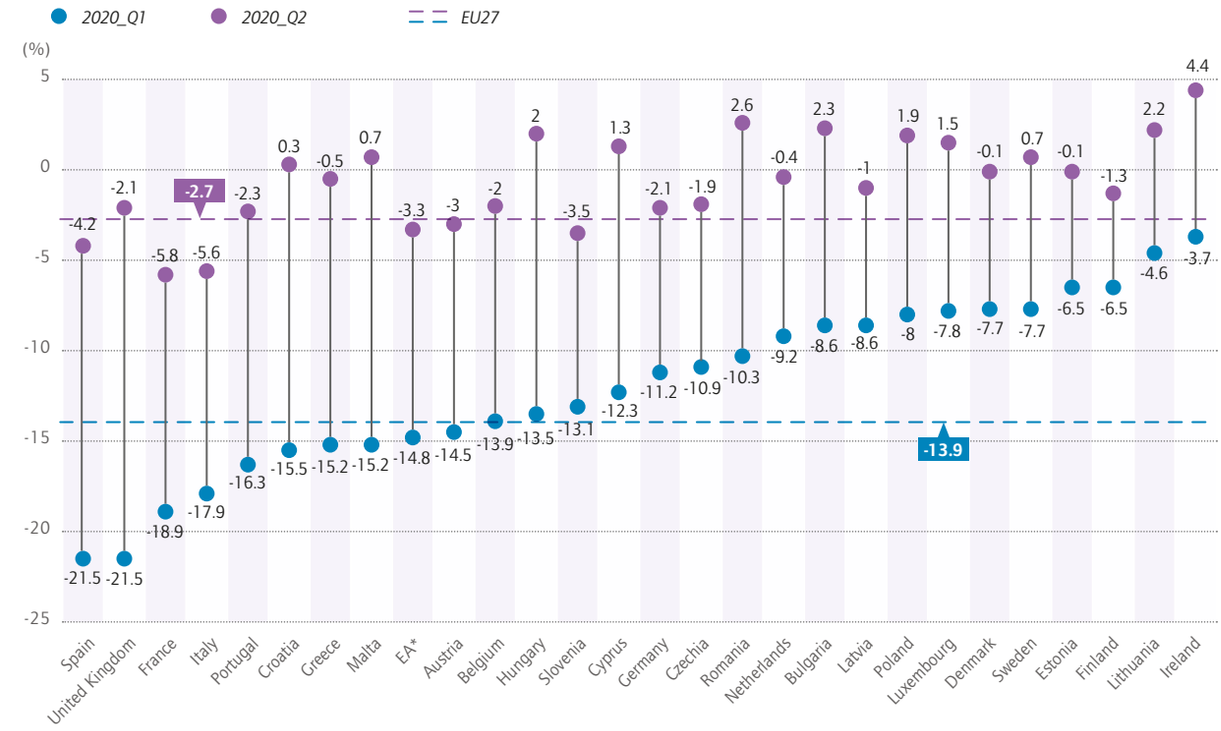


Source: OECD Quarterly GDP data.

A common shock with diverse consequences

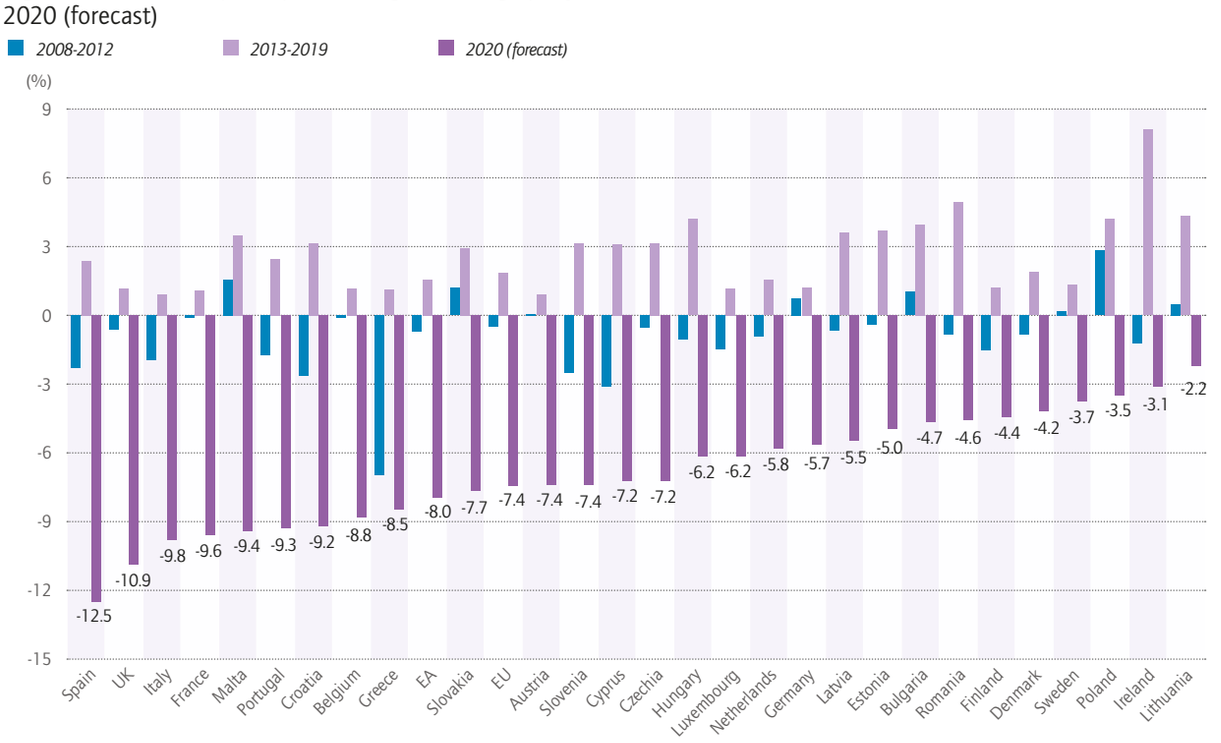
Figure 1.3 shows the change in real GDP in the first and second quarters of 2020 compared to the first and second quarters of 2019 (year-on-year) in the EU27, its Member States (bar Slovakia, for which there are no data yet available), and the UK. Figure 1.4 shows the European Commission's forecasted growth rate of real GDP per capita for 2020 for the EU Member States and the UK as well as the respective average annual growth rates for the periods of the previous recession (2008-2012) and the long-drawn-out recovery that followed (2013-2019).

Figure 1.3 Real GDP change (compared to same period in previous year), EU27, Member States and the UK, 2020_Q1 and 2020_Q2



Source: Eurostat NAMQ_10_GDP CLV_PCH_SM.
** EA11-1999, EA12-2001, EA13-2007, EA15-2008, EA16-2009, EA17-2011, EA18-2014, EA19-2015*

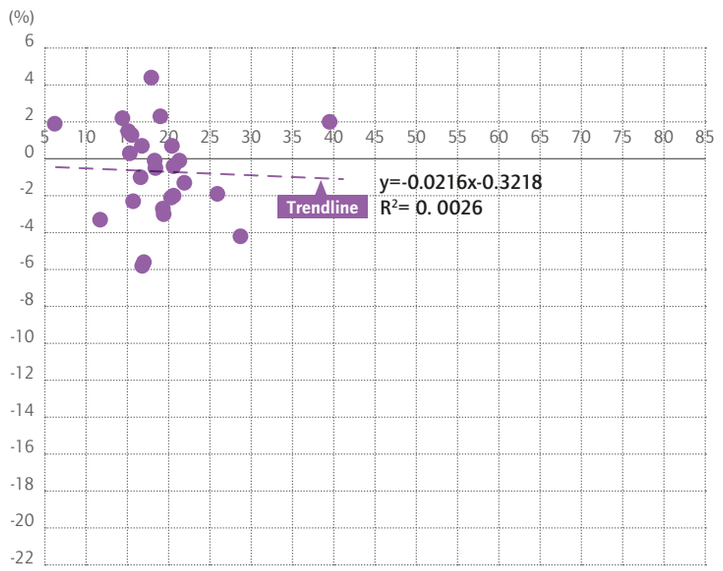
Figure 1.4 Real GDP per capita (average % change per year), EU27, Member States and the UK, 2008-2012, 2013-2019 and 2020 (forecast)



Source: own calculations using AMECO RVGDP series.

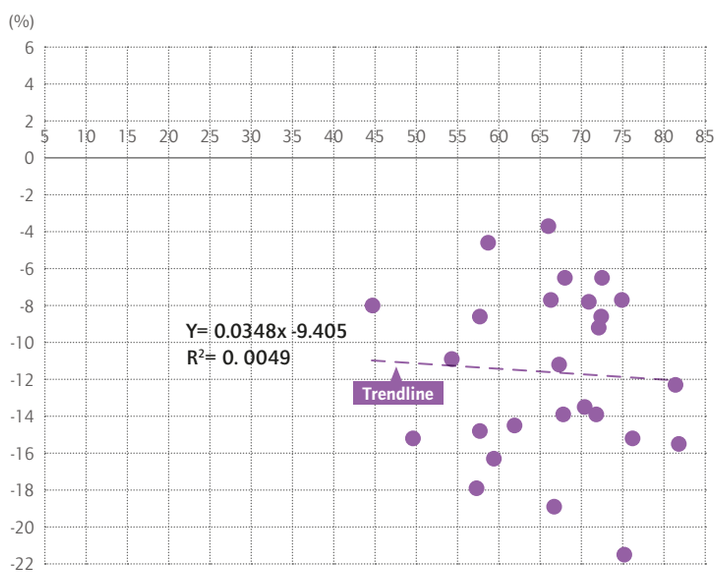
The first signs of the recession appeared in many, but not all, countries in the first quarter of 2020, as the pandemic and the measures to stem it began in March. Real GDP fell in the first quarter of 2020 compared to the first quarter of 2019 by as much as 5.8% in France and 5.6% in Italy. European economies then experienced a free fall in the second quarter of 2020. This dip in real economic activity varied widely however, from 3.7% in Ireland to 21.5% in the UK and Spain. Estonia, Finland and Lithuania also experienced losses of only around 4.5-6.5 % in the second quarter, whereas France, Italy, Portugal, Croatia, Greece and Malta saw some of the largest losses, with quarterly year-on-year GDP drops ranging from around 15% to, in the case of France, 19%.

Figure 1.5 Stringency of government measures and real GDP growth (change from same quarter in previous year), EU, 2020_Q1



Source: own calculations using data from Eurostat NAMQ_10_GDP CLV_PCH_SM.and Hale et al. 2020.

Figure 1.6 Stringency of government measures and real GDP growth (change from same quarter in previous year), EU, 2020_Q2



Source: own calculations using data from Eurostat NAMQ_10_GDP CLV_PCH_SM and Hale et al. 2020.

Turning to the annual GDP-per-capita forecasts, some of the Member States which are forecasted to suffer the most from the current recession are also those that were worst hit and/or have taken longer to recover from the previous recession; they are mostly concentrated in the south of Europe – namely Italy, Spain, Greece, Portugal, Croatia and Malta – but also include the UK, France and Belgium. The Spanish GDP per capita has been forecasted to shrink by 12.5% this year, followed by that of the UK (-10.8%), with Italy, France, Malta, Portugal and Croatia suffering expected losses of around 9-9.5%. The forecasts for the north and east of the EU were relatively less grave, although a lot will depend on the evolution of the pandemic. Lithuania, Ireland, Poland, Sweden, Denmark, Finland, Bulgaria and Estonia have all been forecasted to see their GDP per capita shrink by between 2.2% and 5%.

There are various possible explanations for the diversity in the current dip of economic activity across Member States, ranging from the stringency of the measures taken, the dominance of sectors in the economy that were relatively more affected, and the public policy responses to counter the economic shock.

Figures 1.5 and 1.6 illustrate the association between the losses in real GDP growth (year-on-year) in the first and second quarters of 2020 and the stringency of the measures taken by governments – that is, the lengths that governments went to in order to create and enforce social distancing among citizens (e.g. ordering the closing down of businesses in 'non-essential' sectors, or limitations on movements within or across countries), as measured by the Oxford Stringency Index (Hale et al. 2020). We see that more stringent measures have been associated with larger losses in output in each of the two quarters. However, the correlation is not particularly strong and there seem to be many Member States that have taken similarly stringent public health measures but that have experienced different degrees of output loss. This implies that there have been other factors influencing the depth of the recession.

The Oxford Stringency Index (Hale et al. 2020)

The Oxford Stringency Index of national policy responses summarises information on a range of government containment and closure policies. The policies falling under this category concern the shutting down of schools, workplaces and public transport, cancellations of public events, restrictions on gatherings, stay-at-home requirements, restrictions on internal movement between cities/regions, international travel controls, and public information campaigns on the coronavirus. These policies illustrate to what extent governments have imposed measures to restrict economic and social activities to curb the speed at which the coronavirus is spreading: the higher the score, the more stringent the policies. Each of these policies has an equal weight in calculating the overall index.

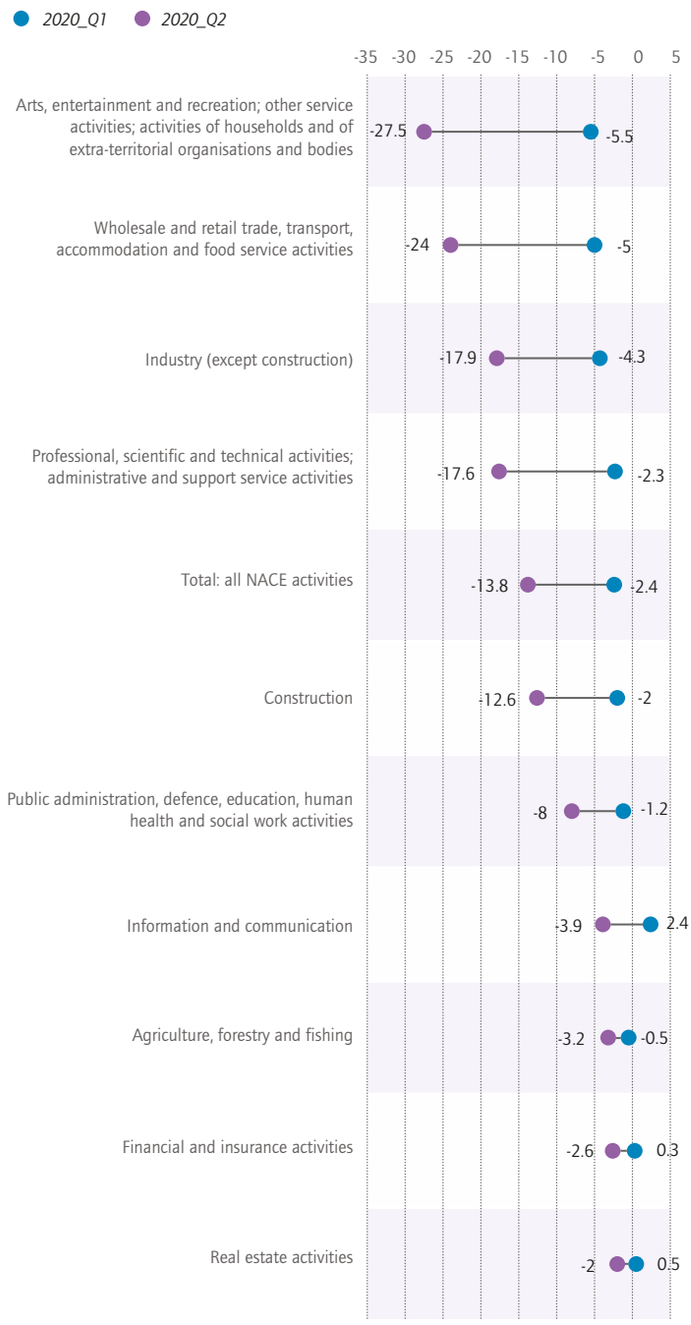
Service sectors suffering the biggest losses

The forced stop in activity imposed by governments across Europe on large parts of their economies did not affect all sectors equally. Activities that revolve around social interaction and which require physical contact evidently suffered more constraints than others; at the same time, some sectors have been deemed as 'essential' and had to carry on despite the risks, while others could carry on their activities thanks to teleworking or virtual operation (e.g. e-commerce).

Figure 1.7 shows how the different economic sectors fared in the first two quarters of 2020 (percentage change in real value added compared to the same quarter in 2019) in the EU27. 'Arts, entertainment and recreation' and 'wholesale and retail trade, transport, accommodation and food service activities' were the two sectors most heavily affected, with their real gross value added dropping by 28% and 24% respectively in the second quarter of 2020 (-5.5% and -5% in the first quarter of 2020). These are service sectors which are labour intensive and hence a drop in demand in them is linked to relatively high job losses (see Chapter 2). Other sectors whose gross value added shrank by more than average in the first two quarters of 2020 were the 'professional, scientific and technical activities; administrative and support service activities' (-15.5 and -3.1% in Q2 and Q1 respectively) and 'industry (except construction)' (-14.4 and -3.5% in Q2 and Q1 respectively). The shared characteristics of these sectors are that they include activities which are not amenable to social distancing or teleworking and are not considered 'essential'. The sector including 'professional, scientific and technical activities; administrative and support service activities' is evidently very heterogeneous; many of these activities can be performed by teleworking, but also several others, such as 'private security and services to buildings' (e.g. cleaning), whose demand suffered due to the fact that many other services started being performed via telework and also due to bans on travelling and limitations on social contact; examples include travel agencies, tour operators, and the organisation of conventions and trade shows. More information on the classification of activities under the various sectoral headings can be found here.

While demand for the activities of some sectors, such as restaurants, arts and entertainment, and tourism, should be expected to bounce back once the pandemic is over (even though there will be inevitable permanent closures of individual firms in these sectors), there are others, such as business travel or professional and restaurant services around large office areas in big cities, which may not ever recover to their pre-crisis intensity. The use of virtual means for meetings, in combination with a drive to meet emission reduction targets (see Chapter 3 in this volume) may permanently reduce professional travelling. Moreover, the extent of teleworking is expected to increase, so it is not clear whether work from a professional office will resume to the same extent as what was the rule prior to the pandemic. This may be especially the case for large metropolitan areas in which congestion, high housing costs and long commuting times have an impact on the quality of life. The form in which other activities such as retail trade take place may also shift (e.g. from physical to virtual stores), although it is not clear whether demand and turnover for these activities will bounce back or not.

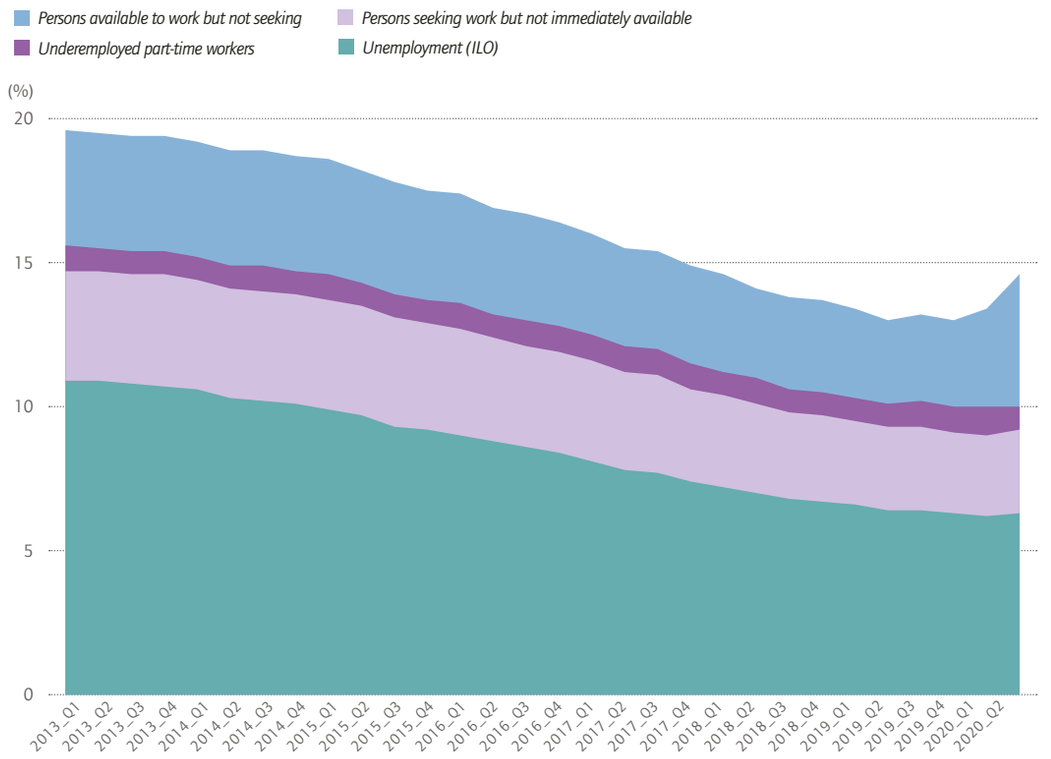
Figure 1.7 Change in real gross value added (change from same period in previous year), by industry



Source: Eurostat NAMQ_10_A10 CLV_PCH_SM.

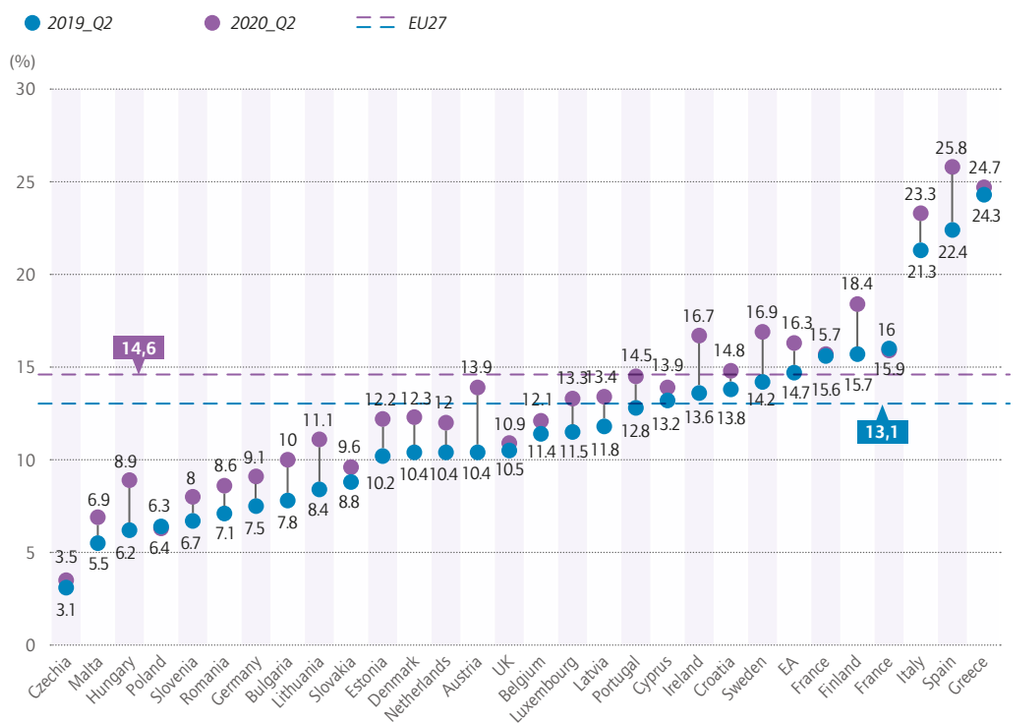
An increasing underutilisation of the labour supply

Figure 1.8 Labour market slack (% of extended labour force), EU27, 2013_Q1-2020_Q2



Source: Eurostat LFSI_SLA_Q PC_ELF series, seasonally adjusted, not calendar-adjusted data.

Figure 1.9 Labour market slack (% of extended labour force), EU Member States and the UK, 2019_Q2 and 2020_Q2



Source: Eurostat LFSI_SLA_Q PC_ELF series, seasonally adjusted, not calendar-adjusted data.

As a result of the shock, the numbers of those unemployed, underemployed (that is, part-time workers who would like to work more hours but cannot find jobs offering this), and marginally attached to the labour market (unemployed workers who are either currently immediately available to start a job but have not been seeking one, or who have been seeking a job but would not be immediately available to start one) as a share of the extended labour force was 14.6% in the second quarter of 2020 in the EU, compared to 13.1% in the second quarter of 2019. This sum is also known as the labour market slack, and illustrates in a broader manner the underutilised labour resources in an economy. The unemployment rate in the EU27 in the second quarter of 2020 was 6.3%, and that underlines the importance of these additional categories included in calculating the labour market slack for more accurately illustrating the underutilisation of labour resources. The extended labour force includes the marginally attached workers in addition to those employed and unemployed. Labour force groups that are neither employed nor unemployed, according to the ILO definition, but instead marginally attached to the labour market, have expanded – most notably those without a job who are available to work but have not been actively seeking one. By the second quarter of 2020, they represented 4.6% of the extended labour force, up from 2.9% in the second quarter of 2019 (see Figure 1.8). The share of those seeking work but not immediately available to start also increased as a share of the extended labour force.

Labour market slack was higher in all but a handful of EU Member States in the second quarter of 2020 compared to the second quarter of 2019. As Figure 1.9 shows, labour market slack in the second quarters of 2019 and 2020 was by far the highest in Europe in Italy, Spain and Greece, with Spain experiencing a substantial increase in the second quarter of 2020. Austria, Ireland, Finland, Lithuania, Hungary, Bulgaria and Sweden also saw substantially higher labour market slack in the second quarter of 2020 compared to the second quarter of 2019.

Europe's pre-existing socioeconomic challenges

The long-drawn-out recovery between 2013 and 2019 was associated with a clearly lower risk of poverty in only 10 EU Member States.

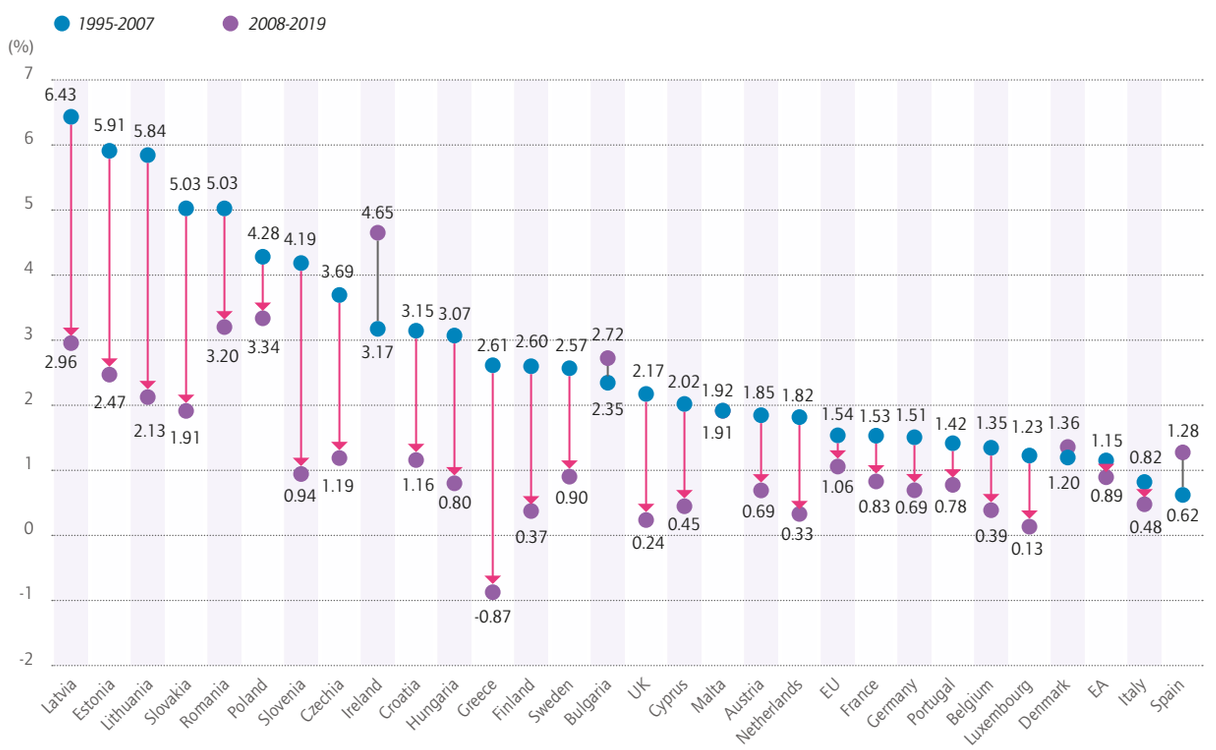
Even though the pandemic has been causing unprecedented economic damage by peacetime standards, it is not the only challenge facing Europe and its policymakers. A sustained slowdown in labour productivity growth, the depletion of natural resources and critical environmental degradation (see Chapter 3 in this volume), and persistent economic and social inequalities (see also Chapter 2) are all issues which were at the centre of reflections and policy debates in the EU before the arrival of SARS-CoV-19 in Europe, and they have not gone away. We take a look at a few of them here.

Figure 1.10 shows the evolution of the average annual labour productivity growth rates in 1995-2007 and 2008-2019 for the EU and its Member States (2000-2007 for the EU, euro area, Estonia and Malta). We see that, with the exception of Bulgaria, Malta, Denmark, Spain and Ireland, the average annual growth rates of productivity in 2008-2019 were lower than those in 1995-2007. In the case of Greece, arguably the country hardest hit by the previous economic crisis, the average annual growth rate of labour productivity was negative for the 2008-2019 period. In 15 Member States, it stood at below 1% per year and this was also the case during the recovery period of 2013-2019. This is a worrying development for several reasons: labour productivity growth provides the material base for sustainably raising real wages, even if it is not a sufficient condition thereof (see Theodoropoulou 2019b; see also Chapter 4 in this volume). In principle, it makes the redistribution of resources within and across generations to counter inequality politically easier; it could also imply producing the same output with fewer resources.

The process of convergence in living standards (conventionally measured as output per capita and therefore closely related to the labour productivity mentioned above) across Member States had slowed down during the crisis and then started picking up again in 2017 (Theodoropoulou et al. 2019a). While it is still too early to conclude what the effect of the pandemic will be on the process of convergence, some of the worst-hit Member States, such as Italy and Spain, were also among those who had been driving the slowdown in convergence during the previous economic crisis. It is therefore likely that the pandemic will rekindle tendencies of divergence in income growth.

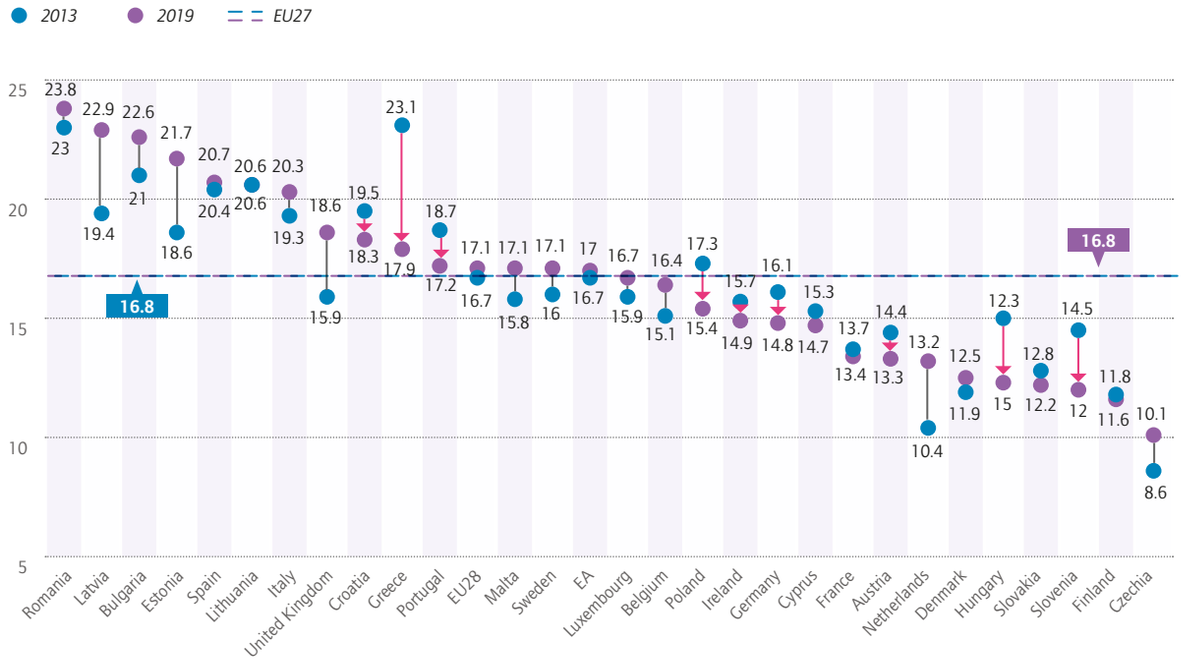
Figure 1.11a shows the evolution of the at-risk-of-poverty rate, a measure reflecting income inequality, in the EU, its Member States and the UK in 2013, when the recovery period began in Europe, and in 2019 (2018 for the EU, the euro area, Luxembourg, Belgium, Ireland, France and Slovakia). In 2019, a little over one in six people lived in a household with disposable equivalised income at or below 60% of the median income (the definition for measuring the at-risk-of-poverty rate) in the EU and the euro area,

Figure 1.10 Average annual real hourly labour productivity growth rate, EU, Member States and the UK, 1995-2007 and 2008-2019



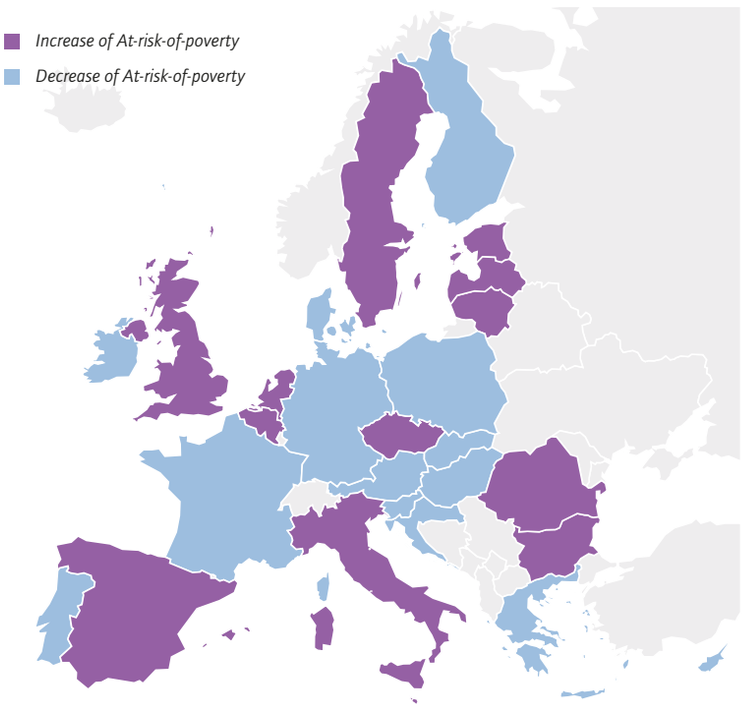
Source: Own calculations using AMECO data, RVGDE and NLHA series.

Figure 1.11a At-risk-of-poverty rate (% of population), EU Member States and the UK, 2013 and 2019*



Source: Eurostat, TESPM010 series.
** 2018 data for Italy, UK, EU28, EA, EU27-2020, Luxembourg, Belgium, Ireland, France, Slovakia.*

Figure 1.11b At-risk-of-poverty rate (% of population), EU Member States and the UK, 2013 and 2019* Countries with increase and decrease of AROP (map)

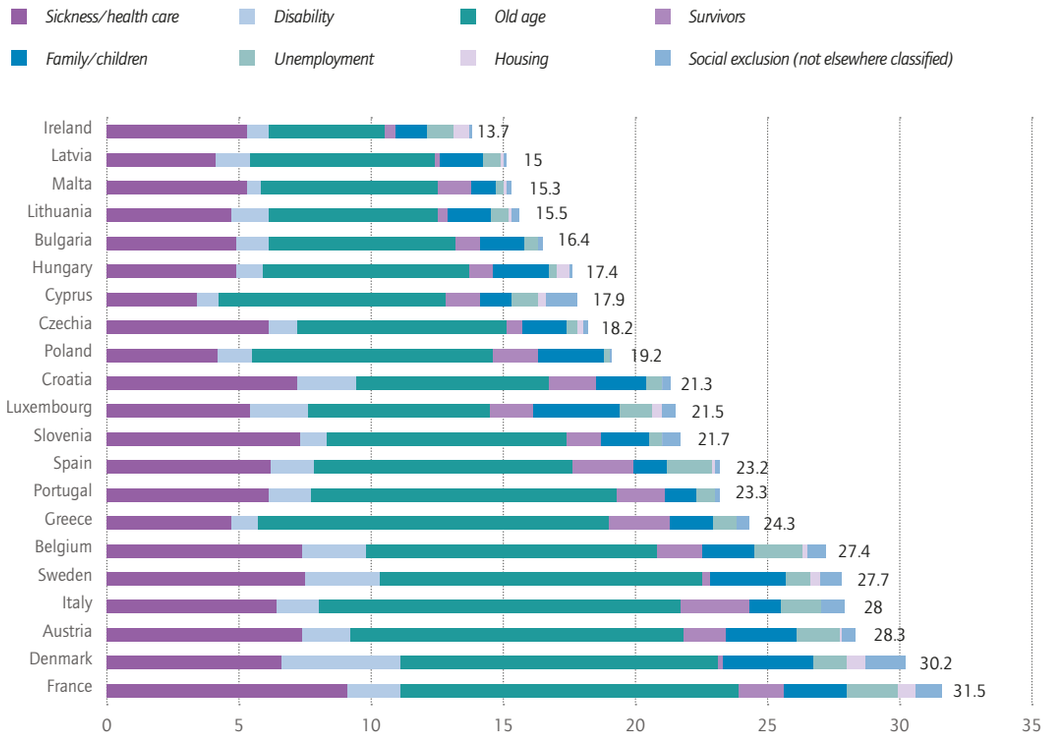


Source: Eurostat, TESPM010 series.
** 2018 data for Italy, UK, EU28, EA, EU27-2020, Luxembourg, Belgium, Ireland, France, Slovakia.*

not too different than in 2013. Looking at individual Member States, there was a wide range of values: in 2019, almost one in four people in Romania were at risk of poverty, while only one in ten people faced that risk in Czechia. There was a clear reduction in the share of people at risk of poverty in Croatia, Greece, Portugal, Poland, Ireland, Germany, Cyprus, Austria, Hungary and Slovenia. In Spain, Lithuania, the EU, the euro area, France, and Finland, the rate remained practically unchanged, whereas in Romania, Latvia, Bulgaria, Estonia, Italy, the UK, Malta, Sweden, Luxembourg, Belgium, the Netherlands and Czechia, the share of people at risk of poverty increased (Figure 1.11b). In other words, the long-drawn-out recovery between 2013 and 2019 was associated with a clearly lower risk of poverty in only 10 EU Member States.

Varying economic and social resilience

Figure 1.12 Expenditure on social protection benefits, by function, as % of GDP, 2018



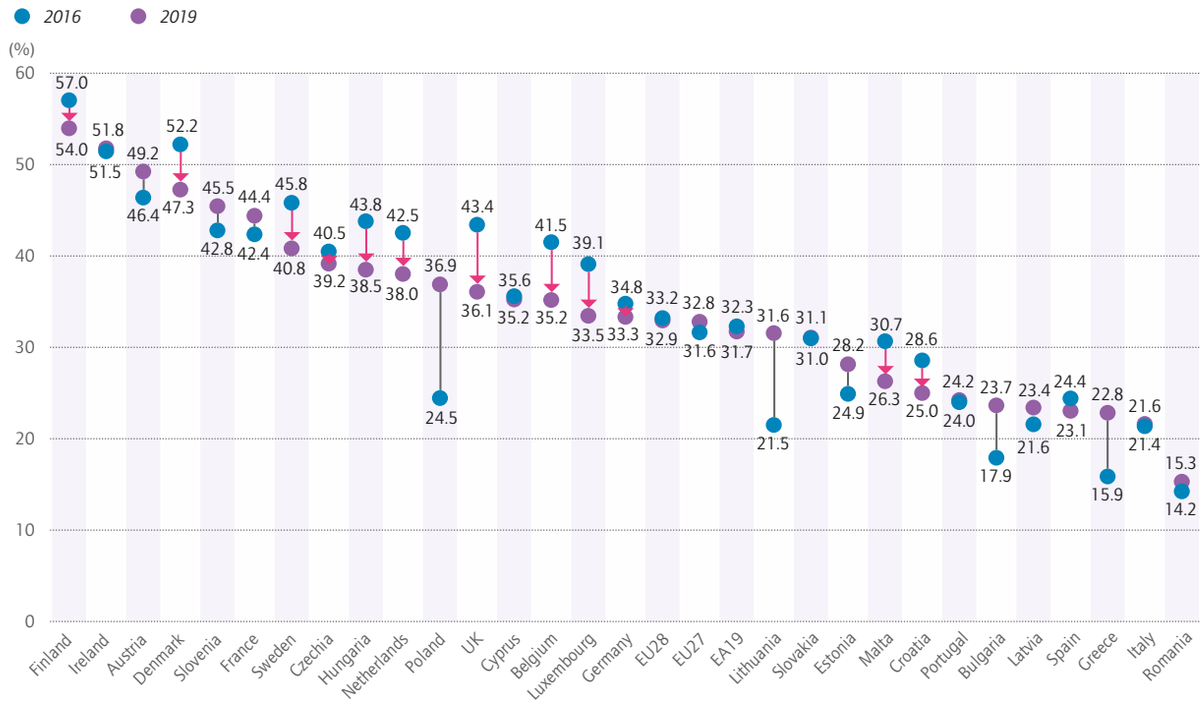
Source: Eurostat SPR_EXP_GDP series).

One of the means of targeting the risk of poverty is through social protection benefits. Figure 1.12 shows social protection expenditure by function (e.g. health/sickness, unemployment, old age) as a share of GDP for the EU Member States for which data by Eurostat was available for 2018. Two observations stand out. First, as a total, the slice of GDP that goes into the various forms of social protection varies, from 31.5% in France to 13.7% in Ireland. In principle, and insofar as social protection provides tools for supporting households in the face of various life and market risks, this variation shows the different degrees to which Member States dedicate resources to tackling not only income inequality but also a crisis such as the current pandemic. Secondly, it illustrates the different relative weight that expenses dedicated to healthcare and unemployment (among other things) have in different countries and thereby the different ways in which they create resilience. In 2018, France dedicated 9.1% of its GDP to sickness/healthcare public expenditure, while Cyprus only 3.4%. On the other hand, France and Belgium spent 1.9% and 1.8% of their GDP respectively on unemployment benefits, whereas Poland, Hungary and Malta only spent 0.2-0.3%.

Nevertheless, public spending on social transfers is alone not a good predictor of how efficiently social transfers mitigate social risks and income inequality. Figure 1.13 shows the effectiveness of social transfers (excluding pensions) in reducing the share of households at risk of poverty in EU Member States and the UK in 2016 and in 2019. This effectiveness is measured here by the difference in percentage points in the at-risk-of-poverty rate when considering market incomes (i.e. before the receipt of any benefits) and the at-risk-of-poverty rate when taking into account disposable income (i.e. after the receipt of benefits and payment of taxes). There is a wide variety in that effectiveness, ranging from almost 60pp in Finland to 15pp in Romania. Other countries with above average at-risk-of poverty rates also have relatively ineffective social transfers, such as Greece, Italy and Spain.

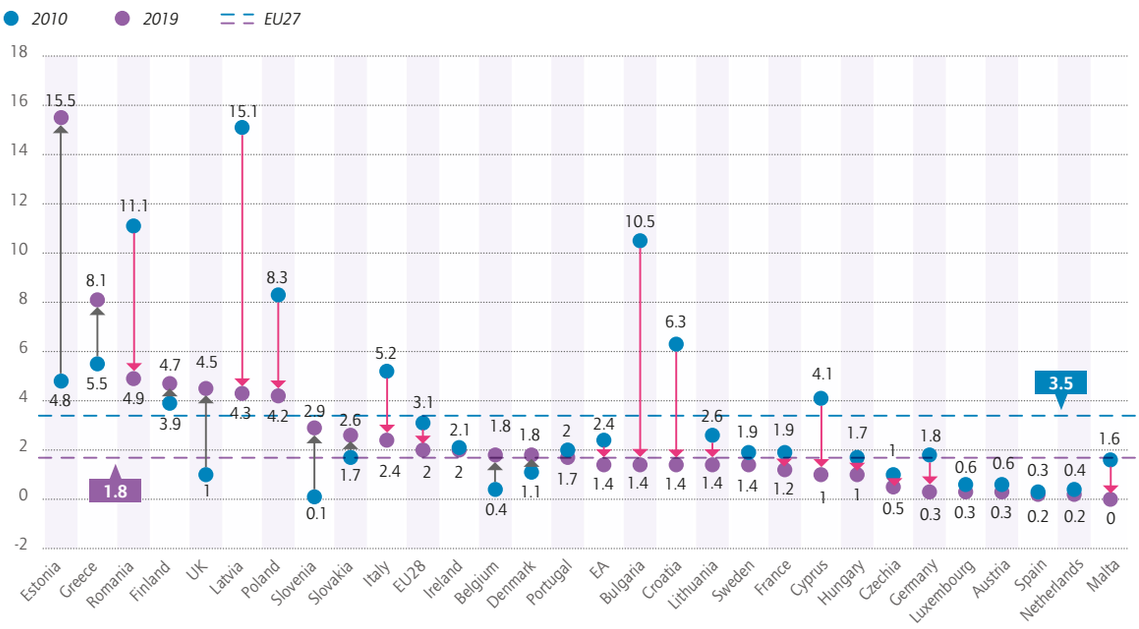
One of the dimensions of social protection which came under scrutiny during the crisis is the capacity of healthcare systems to deal with medical care needs. The pandemic has put an enormous strain on them, and metrics related to their capacity have been largely guiding the tightening and loosening of measures to stem the spread of the virus almost everywhere in Europe. National healthcare systems, however, have not been equally well resourced and accessible to citizens across Europe, meaning there is an unevenness to the capacity of different Member States to deal with the pandemic. Figure 1.14 shows the share of respondents in the EU and Member States reporting unmet needs for medical care due to financial reasons, too long waiting lists, or due to the fact that health facilities were too far to travel to a healthcare indicator from the Social Scoreboard of the European Pillar of Social Rights. In 2019, the share of respondents with unmet needs for medical care due to the above reasons was 2% in the EU28 and 1.4% in the euro area, while it

Figure 1.13 Impact of social transfers (excluding pensions) on poverty reduction EU Member States, 2016 and 2019*



Source: Eurostat, TESPM050 series.
** Data from 2018: Ireland, France, the UK, Belgium, Luxembourg, Germany, EU28, EU28=7-2020, Euro area, Slovakia, Italy.*

Figure 1.14 Self-reported unmet need for medical care (% of respondents), 16 years and over, EU Member States, 2010 and 2019*



Source: Eurostat, series TESPM110 series.
**Data are from 2018: UK, Slovakia, Italy, EU28, Ireland, EU27-2020, Belgium, Euro area, France, Germany.*
Note: Reasons for unmet needs : too expensive or too far to travel or waiting list.

ranged from 15.5% in Estonia and 8.1% in Greece to 0% in Malta. In quite a few Member States, that share was higher in 2019 than in 2010, suggesting increasing constraints on access to medical care. These countries included Estonia, Greece, Finland, the UK, Slovenia, Slovakia and Belgium. While in the majority of these countries, the share of the population which reported unmet medical care needs was still fairly low, it is worth noting that these are all rich countries by global standards, where one would expect that adequate medical care would be universal. More recent data on this indicator are not yet available, but there have been concerns in several Member States that the overflow of Covid-19 patients has led to a high rate of unmet needs for medical care among people with other conditions, because hospitals have had to postpone non-urgent consultations and treatment to dedicate resources to the treatment of Covid-19.

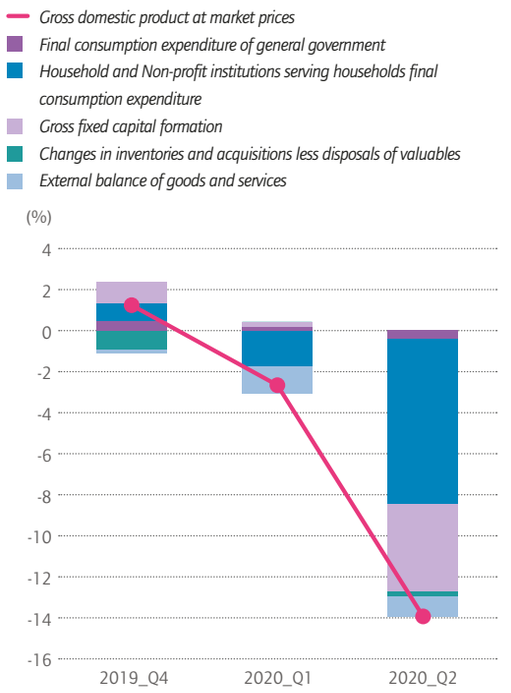
Anatomy of a recession: developments in aggregate demand and its components

Figure 1.15 shows how the contribution of different components of aggregate demand to GDP growth changed year-on-year from the fourth quarter of 2019 to the second quarter of 2020 (for which the latest data are available). The evolution of GDP is shaped by the sum of the evolution of its components, which here are measured as different types of expenditure (on final consumption, investment, net exports and so on). This breakdown is important for understanding what drives the evolution of GDP and provides indications to policymakers as to where they should be focusing their policy interventions to mitigate a shock.

In the final quarter of 2019, nominal year-on-year GDP growth stood at 1.24%, driven by growth in investment (1.06pp year-on-year) and final consumption of households (0.83pp). In the first quarter of 2020, year-on-year nominal GDP shrank by 2.66%, with households' final consumption and the trade balance (that is, the difference between exports and imports) driving that development with year-on-year reductions of 1.73pp and 1.34pp respectively. In the second quarter of 2020, when year-on-year nominal GDP dropped by 14%, it was both the final consumption of households and investment that caused this drop, by falling by 8pp and 4pp respectively. The negative contribution of households' final consumption and of the trade balance reflect the reduced consumption spending of households domestically and abroad, as economies across Europe and the main trading partners were put into artificial comas. As economic activity in all but the essential sectors was put on hold, unemployment increased, as did uncertainty about near-future income and economic prospects. Although income losses due to unemployment can to an extent be cushioned by unemployment benefits, neither the income replacement itself nor the coverage of those out of employment, especially of those in non-standard forms of employment, was complete. Moreover, the closing down of sectors considered 'non-essential' meant that consumption opportunities were no longer available. This delay in consumption, together with uncertainty about incomes and the future economic situation, can trigger precautionary saving and stall investment decisions, which in turn serves to reduce GDP and affects countries' ability to provide unemployment benefits and financial aid for companies in crisis.

It is worth noting that in the second quarter of 2020, the general government final consumption expenditure, which measures the benefits *in kind* that a government pays out to society and households, excluding benefits *in cash*, contributed to the reduction of GDP only marginally. The extent to which governments reduced the provision of benefits in kind was far lesser than the reduction in final consumption of households, as many were essential (e.g. healthcare, defence, policing), inelastic or amenable to telework (education, public administration).

Figure 1.15 Contribution to nominal GDP growth of final consumption, gross fixed capital investment, inventories and external balance (p.p. change compared to same period in previous year)

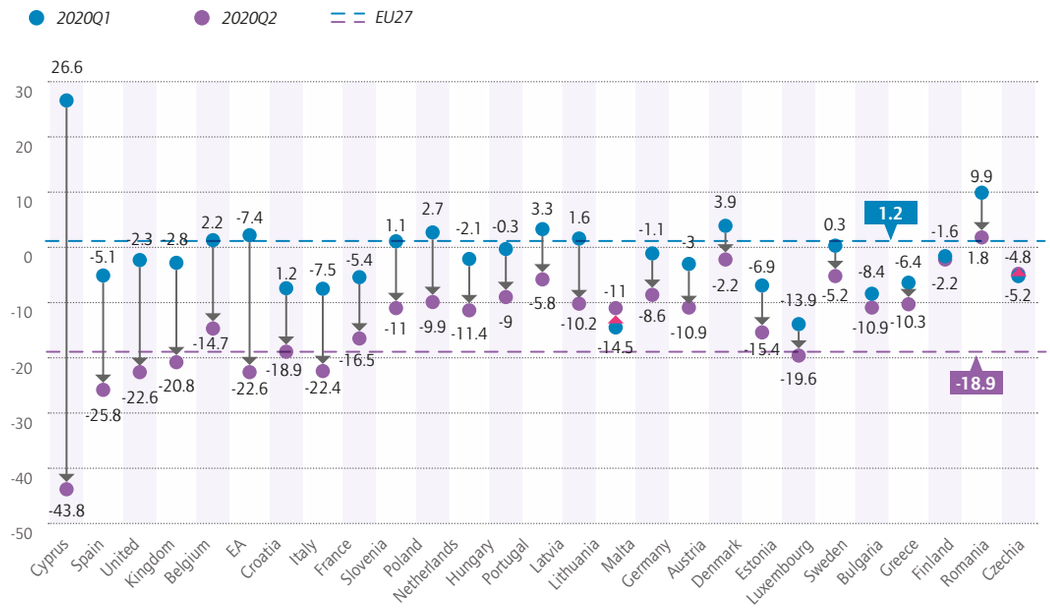


Source: Eurostat NAMQ_10_GDP CON_PPCH_SM.

Collapsing investment in an uncertain environment

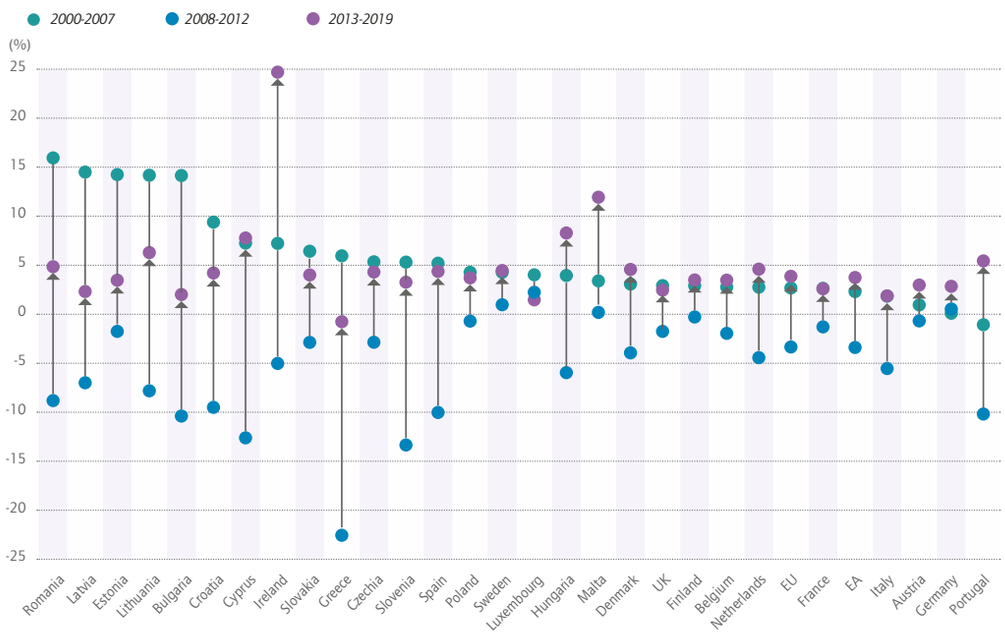
Figure 1.16 shows how investment (gross fixed capital formation) changed year-on-year in the first two quarters of 2020 in the EU27, Member States and the UK. Figure 1.15, meanwhile, shows how the average annual growth rate in real gross fixed capital formation evolved in 2000-2007 (prior to the Great Recession), 2008-2012 (the Great Recession), and 2013-2019 (the recovery period up to the pandemic) in the same countries. Investment indicates the rate at which capital accumulates. Capital accumulation allows labour productivity to grow. In the second

Figure 1.16 Quarterly real gross fixed capital formation (change compared to same period in previous year), EU Member States and the UK, 2020_Q1 and Q2



Source: Eurostat NAMQ_10_GDP CLV_PCH_SM series
Note: Ireland has been excluded due to large fluctuations between data points.

Figure 1.17 Average annual growth rate of real gross fixed capital formation, EU27 member states and the UK, 2000-2007, 2008-2012, 2013-2019



Source: Own calculations using the AMECO OIGT series.

quarter of 2020, investment dropped on average by 15.4% in the EU and 17.1% in the euro area. The variation at the Member State level was very wide, ranging from -44% in Cyprus to a meagre but still positive 0.6-0.7 % in Romania and Czechia. These were also the only Member States that registered positive quarterly growth in real investment.

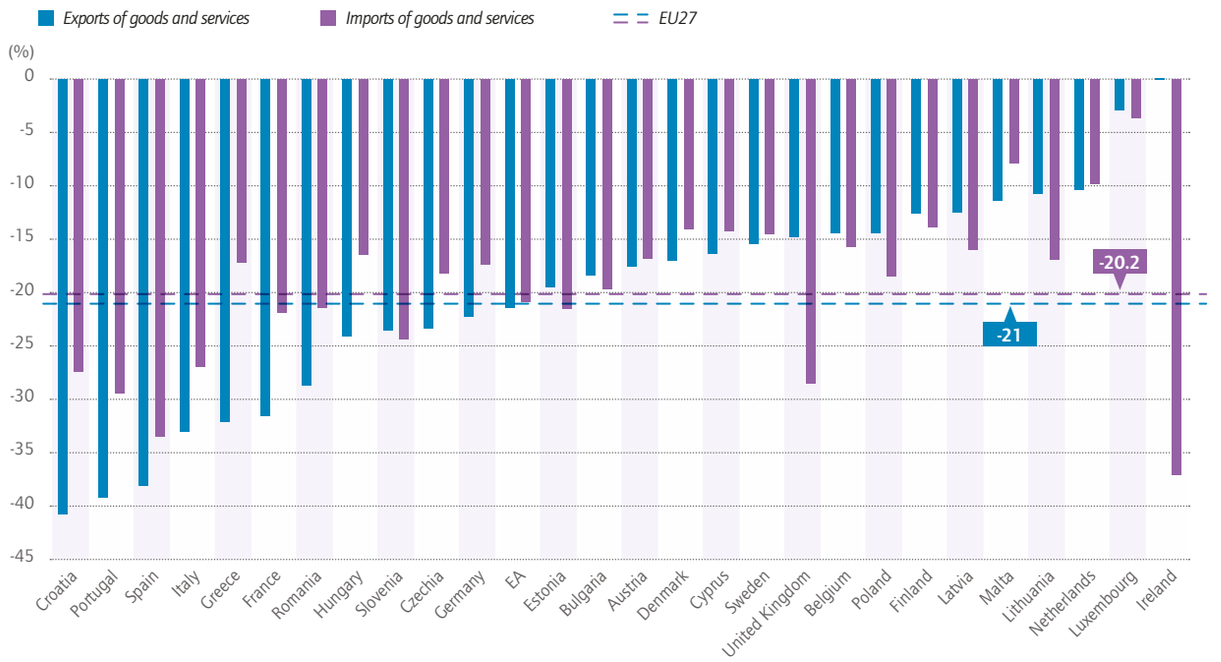
This dramatic drop in investment in most EU Member States follows over a decade of weak or even negative investment growth. As Figure 1.15 shows, the average annual growth rate of real investment was lower in 2008-2012 than in 2000-2007 in all Member States except for Luxembourg and Germany, where it was 0.5%. During the recovery period of 2013-2019, the average annual growth rate of real investment was lower than in 2000-2007 in many Member States and about the same but still low in many others. Weak real investment growth can at least partly explain the persistently weakening real labour productivity growth presented in Figure 1.8. In turn, the current situation of great uncertainty over economic prospects is bound to have a detrimental effect on investment until the pandemic is under control.

This is even more worrying when we consider that fostering a transition to a climate-neutral socioeconomic model is currently at the top of the EU's economic agenda, a venture which will require a significant investment effort. According to the European Commission (European Commission

2020), reaching the EU 2030 climate and energy targets of reducing carbon emissions by 40% of what they were in 1990, which were still in place in January, would require *additional* annual investment to the tune of €260 billion (see also Chapter 3 in this volume). Currently, however, both the European Commission and the European Parliament have been pushing for more ambitious targets of a reduction of 55-60% – proposals which still need to be validated by the Council. To this end, last January the Commission proposed the Sustainable Europe Investment Plan, with the particular aim of financing a just transition. The Plan not only includes proposals on financing (for more on which see Chapter 3) but also on creating an enabling framework for investors, notably via a renewed sustainable finance strategy and taxonomy, the use of coordination mechanisms to identify investment needs, and the provision of technical support to public administrators and sustainable project promoters.

Figure 1.18 shows the year-on-year growth of exports and imports in the EU, its Member States and the UK for the second quarter of 2020. We see that both exports and imports fell, as demand plunged around the world. The pandemic resulted in serious disruptions of global supply chains as borders were closed around the world without any harmonisation among the EU Member States. In most Member States the drop in exports was greater than the drop in imports, suggesting that the trade balance contributed negatively to GDP growth.

Figure 1.18 Change in exports and imports of goods and services (change compared to same period in previous year), EU27, Member States and the UK, 2020_Q2



Source: Eurostat, NAMQ_10_GDP CLV_PCH_SM.

EU and national fiscal and regulatory policy responses

As soon as governments across Europe started imposing measures to stem the spread of the virus, they also began announcing parallel actions to protect people, firms and the productive capacity of their national economies from the short-term impact of suspending large parts of economic activity. Governments stepped in to subsidise wage replacement for short-time work and job retention (furlough) schemes. They extended unemployment and sickness benefits, and expanded the eligibility criteria, to support the income of workers who had to go into quarantine (including support for categories of workers that would not have been previously covered).

Households and companies were granted the possibility to defer their tax and social security contributions and rent payments to the public sector. Public guarantees were granted to firms against their bank loans, and regulations were established to protect firms against creditors' claims. Governments also extended funding to expand the capacity of their national healthcare sector to cope with the demands from the pandemic. The objective has not just been to alleviate hardship but also to protect the production capacity of economies (in terms of both physical and human capital) in the face of what is being considered a temporary (albeit lasting longer than originally thought) shock, and thus to allow for a speedier recovery.

Policymakers at the EU level initially unsuccessfully tried to coordinate early national policy responses, while Member States instead attempted to secure sufficient stocks of health protection equipment for themselves and unilaterally close borders (see also Chapter 7 in this volume). They thus swiftly proceeded to temporarily suspend or ease regulatory restrictions – notably concerning state aid rules, fiscal rules and bank lending rules – that would have otherwise constrained national policy and financial initiatives to support workers, businesses and the economy. They also provided, among other funds, a total of €540 billion to finance three safety nets: the 'Support to mitigate unemployment risks in an emergency' (SURE) programme (up to €100 billion), a pan-European guarantee fund for loans to companies (up to €200 billion through the European Investment Bank), and the Pandemic Crisis Support credit line for Member States (a precautionary credit line of up to €240 billion provided via the European Stability Mechanism for the euro area Member States).

In May, following a European Commission proposal, the Council approved a regulation for the launch of the SURE programme, which would provide up to €100 billion in loans to Member States to support them, as a second line of defence, in meeting any suddenly and severely increased financing needs for short-time work and job retention schemes. This scheme aims at supporting firms in rescuing jobs and at protecting employees and the self-employed against the risk of unemployment and income loss (European Commission 2020b) (see also Chapter 2). It will also help Member States by ensuring that they face more advantageous interest rates when borrowing to finance their short-time work or job retention schemes. It is therefore more relevant for those Member States which, due to their fiscal positions, might face higher borrowing costs than the EU.

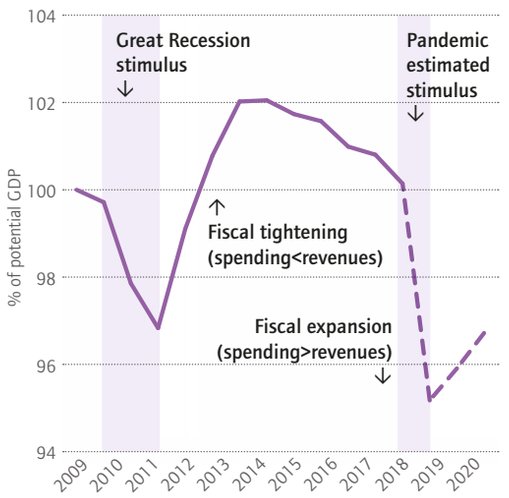
The SURE loans have been backed by €25 billion of guarantees provided on a voluntary basis by the Member States to the EU budget, with national contributions depending on a Member State's share of total EU gross national income. By mid-November 2020, €90.3 billion worth of support had been approved for and/or requested by a total of 18 Member States after three rounds of bond issuance. The response of investors was very encouraging, with demand in each round of issuance being 10-13 times higher than the amount that the EU set out to borrow.

While the SURE scheme provides loans and not grants, is activated on an ad hoc basis rather than automatically, and focuses specifically on short-time work/job retention schemes, it could nevertheless be a first step in establishing a more permanent unemployment reinsurance scheme at the EU level, which could help Member States, especially those of the euro area, stabilise their economies in the face of shocks, which are hitting some countries harder than others. Moreover, SURE could entice even Member States without pre-existing short-time work schemes to set them up systematically (Claeys 2020). The benefits of these schemes have been well established during situations of temporary negative shocks in an economy (see for example Hijzen and Martin 2013). Still, given the relatively limited size of the funds available under SURE compared to the support need, its impact in lightening the fiscal burden for Member States of paying interest rates when borrowing to support short-time work/job retention is likely to be rather small (Claeys op.cit.). This is also because even Member States with higher public debt/GDP ratios, which, other things being equal, might face higher interest rates for borrowing, have not in fact been facing this problem, thanks to the interventions of the ECB in the financial markets (see next section).

The European Investment Bank group, following the endorsement of the European Council in late April, set up a Pan-European Guarantee Fund with €25 billion of capital to leverage support for SMEs and middle-capitalisation companies (also known as mid-caps) of up to €200 billion.

As a further measure to support governments, an agreement was reached at the Eurogroup in May to mobilise funds via the European Stability Mechanism (ESM) for a precautionary credit line, named

Figure 1.19 EU fiscal effort 2007-2022 (forecast) (2007=100)



Source: Own calculations using AMECO UBLGBP series (November 2020).

Pandemic Crisis Support, to the euro area Member States (those that fund the ESM) which would need funds to face the crisis. The credit line is based on the Enhanced Conditions Credit Line instrument. A euro area country can thus borrow funds of up to 2% of its 2019 GDP at the rate at which the ESM borrows in the markets, plus some small administration fees, with the condition that it uses the funds to support domestic financing of direct and indirect healthcare costs and cure- and prevention-related costs due to the Covid-19 crisis. To date, no Member State has drawn on this facility, as, following the previous public debt and banking crisis, recourse to the ESM has been associated with stigma for governments and their capacity to keep on servicing their public debt.

In addition to these safety nets, additional funds to the tune of €9.3 billion were mobilised in amendments of the EU's 2020 budget – to be spent on, among other things, healthcare and testing supplies, transfers of payments and pre-ordering vaccine doses. Moreover, decisions were taken to redirect cohesion policy funds from the EU budget to help members tackle the pandemic, most notably, €37 billion under the Coronavirus Response Investment Initiative to support healthcare systems, SMEs and labour markets, and €800 million from the EU Solidarity Fund, whose scope was extended to public health crises so as to support those hit the hardest. Measures were also taken to provide for additional flexibility in using structural funds, also known as the Coronavirus Response Investment Initiative Plus.

Economic support costs weigh heavy on government budget balances and public debt

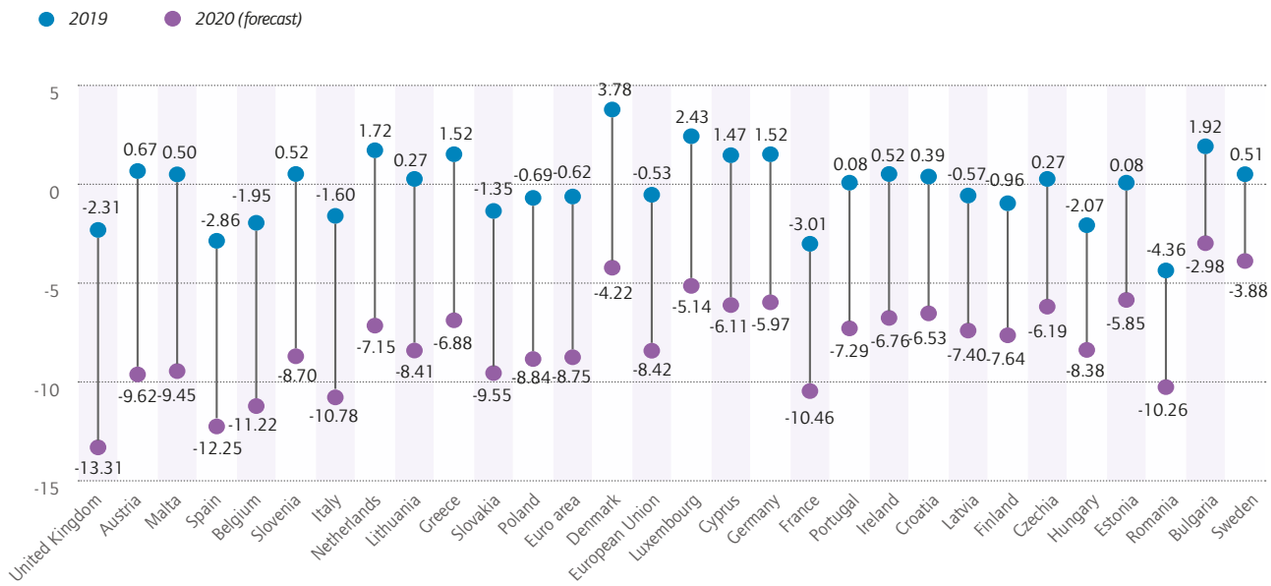
The EU safety nets notwithstanding, additional national spending and guarantee measures, along with the operation of automatic stabilisers, have pushed government budget deficits deeply into the red, while, inevitably, public debt as a share of GDP has been forecasted to expand everywhere. Governments have not faced difficulties in borrowing (i.e. too high interest rates or insufficient demand for their bonds) in the financial markets, as the ECB has intervened to buy securities, including sovereign bonds (see next section).

Figure 1.18 shows the evolution of fiscal effort in the EU since 2007. The fiscal effort shows how the balance between expenditure and revenues that are at the discretion of a government changes. It is measured by the government budget balance (i.e. revenues minus expenditures) adjusted for the business cycle, that is, taking out changes in expenditures and revenues due to higher/lower GDP (for example, higher expenditure in unemployment benefits thanks to the existing rules of the benefits system when unemployment increases) and excluding interest payments on existing public debt. An increase in the cyclically adjusted balance implies that expenditures are smaller than revenues and therefore the fiscal effort is tightening. When this happens while GDP growth is slowing or negative, then we have fiscal austerity. A fiscal expansion happens when the expenditure is greater than revenues.

We see that, according to the latest (autumn) European Commission forecasts (European Commission 2020d), in the EU, fiscal effort is forecast to expand in 2020 but then expected to tighten again in 2021 and 2022. The forecasts for 2021 and 2022 are still subject to much uncertainty though, regarding the evolution of output growth. What is interesting is that the fiscal stimulus of this recession seems to be sharper for this first year of the crisis than it was for the respective first year (2008-9) of the Great Recession.

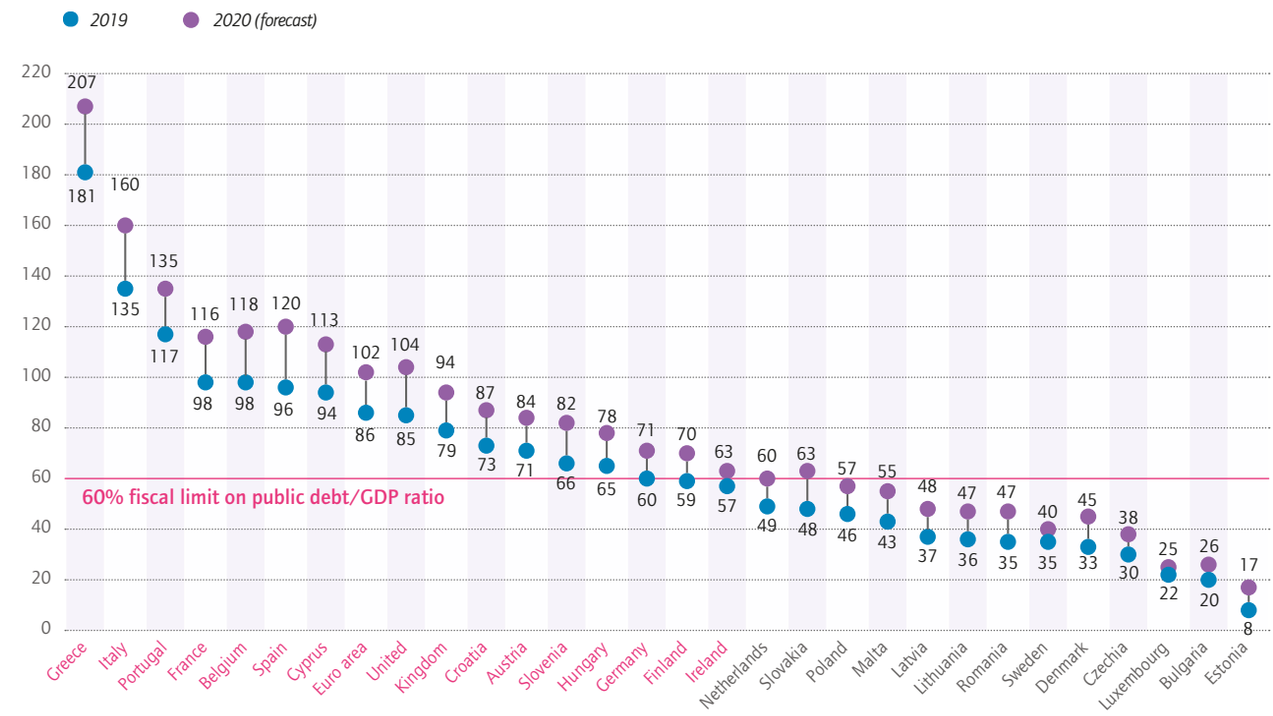
Figure 1.19 shows the general government budget balance for 2019 and the forecast for 2020. This budget balance is not adjusted for the effects of the business cycle, nor does it exclude interest payments as in the previous figure. What it does show is how government budget deficits which determine how much governments must borrow over a year is evolving. For 2020, the EU budget deficit is forecast to be 8.4% of GDP (8.7% for the euro area), down from 0.5% in 2019 (0.6% in the euro area). Bulgaria and Sweden are forecast to have the smallest budget deficits in 2020 at 3% and 3.9% of GDP respectively and also the smallest increases in budget deficits since 2019, by 4.9% and 4.3% percentage points respectively. The UK, Spain, Belgium, Italy, France, Romania, Austria, Slovakia, Malta, Poland and Slovenia are all forecast to have budget deficits larger than the EU average for 2020, between 13.3% of GDP in the UK, 12.2% in Spain, 10.8% in Italy, 10.4% in France and 8.7% in Slovenia.

Figure 1.20 General Government budget deficit (% of GDP) in EU, member states and the UK, 2019 and 2020 (forecast)



Source: AMECO UBLGE series.

Figure 1.21 General government gross debt (% of GDP)



Source: AMECO database, UDGG series.

Figure 1.20 shows the public debt/GDP ratio in 2019 and the European Commission's spring forecasts for 2020. We see that in 14 out of 27 Member States this ratio is forecast to be above the stipulated 60% of the fiscal rules, while the EU and euro area average public debt-to-GDP ratios are forecast to reach 94% and 102% of GDP. Greece, Italy, Portugal, Spain, France, Cyprus and Belgium are all forecast to have higher public debt-to-GDP ratios than the euro area average, with Greece reaching 207% in 2020, while even the frugal Germany, Austria and Finland, as well as the high-growth Ireland, are forecast to exceed the 60% limit. It is mostly central and eastern European and Baltic states who have had relatively low public debt-to-GDP ratios that are forecast to remain below the limit, as well as Luxembourg, Denmark and Sweden. Although the gross public debt/GDP ratio cannot alone illustrate the sustainability of public finances of Member States, it is one of the commonly used indicators thereof. The data on its forecasted levels for 2020 suggest that different Member States have very different degrees of fiscal space for rolling out support measures.

The suspension of the fiscal rules until the end of 2021 has meant that expenditures of Member States to deal with the impact of the pandemic will not be considered when budget deficits and public debts are assessed in 2020 and 2021 to evaluate whether Member States' public finances remain on sustainable paths. In recent public statements, Paolo Gentiloni, the EU Economics Commissioner, mentioned that the question of whether this suspension should be carried over to 2022 will be discussed in the coming months (Financial Times 2020b). While budget deficits should in principle start shrinking again once the pandemic and the extraordinary support

measures start being rolled back and economic activity resumes, there would be further concerns about how soon and how fast Member States would be required to start reducing their public debt at the rates stipulated by the rules.

Under the current rules, it is quite plausible that European economies with public debt/GDP ratios over 60% will be stuck with weak output growth but will nevertheless be required to tighten their fiscal policies to achieve the rate of reduction of public debt stipulated by the rules (one 20th of the difference between the actual public debt/GDP ratio and the 60% limit per year). Following losses in productive capacity and therefore a lower potential GDP, it is also very plausible under the current rules that structural budget balances will be ill-estimated for a while, resulting in recommendations for too tight fiscal policies. Under strong pressure to reduce deficits/expand surpluses too fast, public investment expenditure becomes more vulnerable to cuts, as the politically 'easier' option.

Prior to the current crisis, the European Commission had launched a process of assessing the EU economic governance framework, of which fiscal surveillance has been the most important pillar. Criticisms of the fiscal rules have been abundant, including opacity, over-reliance on metrics (most notably the potential output and the structural budget balance), which are neither observable in real time nor under the control of governments, outdated and arbitrary limits on the public debt/GDP ratio, too restrictive policy stances for safeguarding public investment, and an inability to steer national fiscal policies towards a suitable aggregate fiscal stance. The discussion about these reforms has apparently ground to a halt for the moment. However, its eventual conclusion will be a crucial factor for determining whether in the aftermath of the pandemic Europe will face another period of fiscal austerity and long-drawn-out recovery, as in the 2010s, or whether sufficient public investment will lead the way for the green and digital transitions.

Up until now, the advice of international organisations and prominent policymakers, such as the OECD, the IMF and Mario Draghi, has been unequivocal: governments should do whatever it takes to cushion the economic and social impact of the pandemic, by borrowing and spending and providing guarantees to households and firms until the shock is over. However, it is not clear whether the diversity in the states of different countries' public finances, as often made clear by the public debt/GDP ratio, is likely to restrain Member States (and some more than others) from being able to borrow enough to deal with the short- to medium-term economic and social impacts of the crisis.

"The national budgets will be doing the heavy lifting in supporting the economy."

A recovery plan for Europe

These questions, along with the bruising memories of the previous crisis, prompted Member States, especially from the south of the EU, to advocate early on in the current crisis for stabilisation and recovery funding to be financed through common European debt. Following proposals in May, first from France and Germany and then from the European Commission, a political agreement on the broad outlines of a recovery plan involving both the next Multi-Annual Financial Framework (MFF, i.e. the EU budget) for the period 2021-2027, and a recovery pillar, the 'Next Generation EU' instrument, was reached at the European Council in July 2020.

The agreed commitments for the 2021-2027 MFF are at €1.074 trillion whereas the Next Generation EU (NGEU) pillar is to receive a total of €750 billion, €390 billion of which are to be provided as grants and €360 billion as loans to Member States, a total of about 4.5% of the EU's GDP, spread over several years. The NGEU funds would be channelled to Member States through existing programmes of the EU budget, mostly under the heading of 'Cohesion, Resilience and Values', but with some under the headings 'Single Market, Innovation and Digital' and 'Natural Resources and Environment'. The NGEU instruments would be organised under three pillars: supporting Member States to recover (which includes the Recovery and Resilience Facility as well as the REACT-EU initiative and some funds for the Just Transition Fund); kickstarting the economy and helping private investment; and learning the lessons from the crisis.

The European Commission would be authorised to borrow from the financial markets on behalf of the EU to provide the funds for NGEU. This would generate a large quantity of safe assets (EU bonds) which the ECB could also buy in the context of its asset purchase programmes, making its task politically easier, as it would be buying EU rather than country-specific debt. The biggest instrument under NGEU is the Recovery and Resilience Facility (RRF), the financial commitments for which were agreed at €672.5 billion (of which €360 billion is in loans and €312.5 billion in grants). The largest part of these RRF funds (70%) should be committed in 2021 and 2022 and the rest by the end of 2023; 30% will have to be dedicated to greening projects. The funds that will be borrowed over six years to finance these programmes will be repaid by 2058. The European Commission proposed some new 'own resources' which have yet to be agreed by the Council, to ease the burden of repayment of the loans on future MFFs.

To receive funding from the RRF, Member States would have to submit for approval their recovery and resilience plans, which should propose reform and investment programmes to be financed. In its first instalment of the autumn package 2020, the European Commission proposed guidelines to Member States for writing up their recovery and resilience plans, the positive evaluation of which will give them access to the RRF's funds. Although some criteria for positive assessment were already stated in the July agreement, it is not yet clear how economic conditionality will be applied in practice to Member States for drawing on grants and loans, beyond the general conditions to which Member States already have to comply when receiving grants from the EU budget. Member States should take into account the last Country-Specific Recommendations when spelling out the challenges they will try to address in their plans while meeting specified objectives and contributing to flagship EU initiatives. Up to 37% of received funds should contribute to promoting a green transition and up to 20% should contribute to promoting the digital transition.

Disbursement will be agreed so long as Member States proceed to implement the agreed plan. The European Commission will be asking the opinion of the Economic and Financial Committee for its assessments, which will be adopted (or not) by the Council by qualified majority voting. One or more Member States may ask the President of the European Council to refer a Member State to the European Council if they think that it deviates from its plans. This process cannot take longer than three months.

This process will alter the European Semester at least until 2023, when the last funds of the RRF will be disbursed, and make it far more 'politicised' than it has been so far. These changes are welcome. On the downside, however, it is also clear that it will still be the national budgets that will be doing the heavy lifting in supporting Member States. NGEU will account for 4.5% of EU GDP, spread over several years. It remains to be seen whether the economic objectives set out by the European Commission in its guidelines to Member States for writing their Recovery and Resilience Plans will all be met to the same extent and whether, for example, actions to promote recovery will be successful in promoting the green transition as well. If the plan succeeds in instigating reforms and mobilising investment, it is likely to become a stepping stone towards developing a fiscal capacity at the E(M)U level.

The agreement over NGEU is a breakthrough in crisis management in Europe: the EU will borrow amounts of money at an unprecedented scale on behalf of all Member States, issuing common (albeit not joint) bonds to finance the recovery efforts of Member States, in line with progressive income and unemployment criteria and criteria related to the impact of the crisis on them. Member States will pay back this debt in line with their share of contributions to the EU budgets. Moreover, unlike the ESM in the previous crisis, NGEU has been established within the EU legal order using the Community method.

Before the plan is put into action, however, a legislative package specifying in more concrete terms what was agreed in broad terms in July would have to be adopted by the Council, approved by the European Parliament and ratified by Member States. Most notably, the Council would have to unanimously

approve the MFF package of regulations, with the consent (that is, an approval or disapproval of the entirety of the package but without the possibility of making amendments) of the European Parliament. The Council would also need to unanimously decide on the 'own resources' that will finance the package, after having received an opinion by the European Parliament; this must be ratified by every Member State, in accordance with their constitutional requirements.

As part of the MFF package of regulations, in May 2018 the European Commission proposed a new regulation on the general regime of conditionality for protecting the EU's budget in case of 'generalised deficiencies as regards the rule of law' in the Member States. The European Council agreement in July 2020 included a broad statement on the importance of respecting the rule of law in order to protect the EU's financial interests. The content of this regulation was the subject of fairly intense negotiations between the negotiators of the German Presidency of the European Council and those of the European Parliament, with the latter preferring to take a hard stance on the matter. An agreement was reached on the new conditionality regime in early November, and on 10 November on the overall MFF package, including a roadmap for reforming the EU's own resources, to be eventually approved by the European Council.

However, at the time of writing, the leaders of Poland and Hungary, with some support from their Slovenian equivalents, have signalled that they intend to veto the package on the next MFF as they are unhappy with the conditionality regime related to the rule of law, thus throwing a spanner into the works of the ratification process. The risk is that reaching a new compromise would delay the launch of the new MFF and NGEU beyond 1 January 2021, forcing the use of emergency budgets and blocking the disbursement of funds for new spending priorities, such as the green transition. Such a delay might also have repercussions for the awaited Council decision on increasing the EU's targeted cuts in carbon emissions to 55% of 1990 levels by 2030, as the financial means to start implementing it would not yet be available. The option of further watering down the condition of compliance with the rule of law for accessing EU budget funds is likely to meet with resistance from the European Parliament. Another alternative would be to establish the Recovery Fund outside of the EU legal order, instead opting for an intergovernmental treaty in the style of the ESM; but this would only draw into sharper focus the inability of all Member States to reach an agreement.

However, the economic and political risks for the two countries are high: should the deal be delayed they would both stand to lose large sources of financing at a time when the second coronavirus wave has been affecting them quite badly. Poland would also be the biggest beneficiary of the Just Transition Fund, which would help cushion the economic and social impact of phasing out coal in the country. More importantly, a persistent veto is likely to turn the vast majority of Member States (including large ones) against them and generate political losses in the longer term, as building broad alliances is important for influencing decisions in the EU. These factors all give the EU good reason to sit back and wait for the two countries to 'blink first' (Guttenberg and Buras 2020).

The history of the EU suggests that a compromise will be found. The situation, however, also calls into question the capacity of the EU to move forward with further integration initiatives when certain processes, such as the deepening of the EMU and the implementation of the European Pillar of Social Rights, are still ongoing.

EU and national monetary and financial policy responses

In sharp contrast to the beginning of the previous decade, this time, when faced with the imminent prospect of recession and a disruption in the financial markets, the European Central Bank reacted speedily and decisively to support economic activity and government fiscal responses, giving individuals, firms and governments across Europe the capacity to borrow, thus maintaining cash flows in the system and keeping it from collapsing. It did so by using both conventional and unconventional tools of monetary policy, as well as its leverage as banking supervisor of banks of systemic importance in the euro area. The ECB had already been adopting the use of unconventional monetary policy tools since 2014 in its struggle to fight persistently lower-than-target inflation (see Figure 1.21). In fact, while it moved swiftly in spring 2020, it did so in the shadow of a ruling of the German Constitutional Court, according to which the ECB's earlier unconventional policies of purchasing public sector bonds had not considered the potential repercussions for other economic policy objectives.

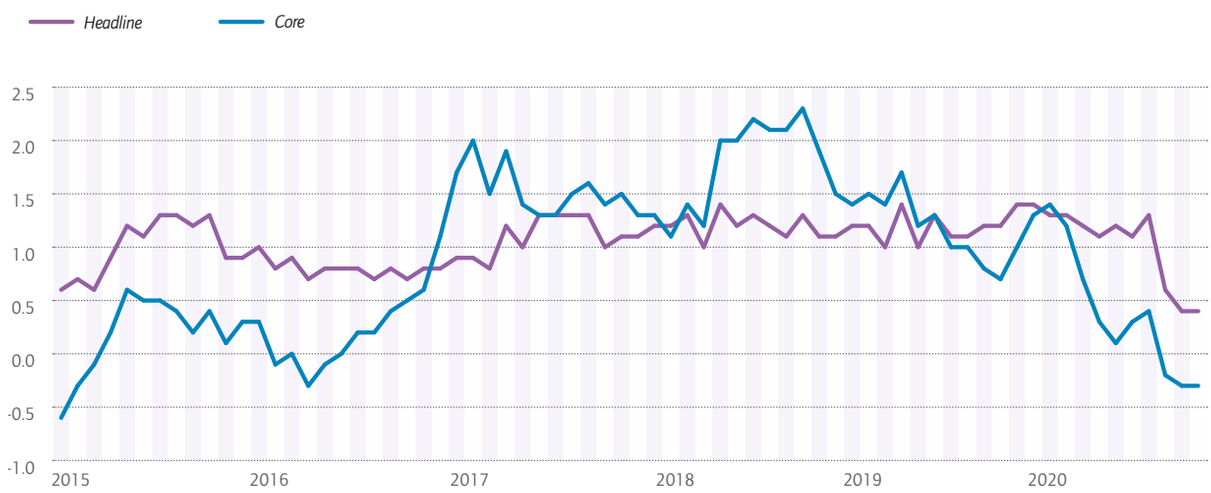
As far as monetary policy tools are concerned, it was the unconventional ones that did the heavy lifting: the ECB expanded and extended its asset-purchasing programmes, and increased the amounts that banks could borrow from it to lend and the collateral conditions under which they can do it.

As early as mid-March, when EU Member States began imposing strict public health measures, the European Central Bank launched its Pandemic Emergency Purchase Programme (PEPP). Under this programme, it pledged to buy private and public securities (e.g. bonds), initially to the tune of €750 billion and until the end of 2020. However, in June, following the worsening outlook regarding inflation, it expanded the 'financial envelope' to €1,350 trillion and the duration of the programme to *at least* the end of June 2021, leaving the possibility of a further extension open until the Governing Council of the ECB is reassured that inflation is on track for meeting its target. The aim of this programme is to ensure that households, firms and governments continue to have access to the funds they need in order to weather the crisis.

To further facilitate the access of households and companies to credit, the ECB increased the amount of money that banks can borrow through its targeted longer-term refinancing operations (TLTROs). Under these operations, the ECB has been lending money to banks at preferential rates with the condition that they extend credit to the real economy, for example to SMEs and households – hence the term 'targeted'. The ECB also eased the standards on the quality of collateral assets that banks could use as insurance to borrow money from the ECB, also issuing a waiver for the first time since 2015 on the use of Greek government bonds by Greek banks.

The ECB maintained its key interest rates, most notably its deposit facility, main refinancing operations and marginal lending facility rates, at -0.50%, 0% and 0.25% respectively, the rates at which they had been since 2019. The bank also made it clear that it was not planning to increase these rates until it had seen forecasts of headline but also core inflation approach its target of 'close to, but below 2%'. As Figure 1.22 shows, inflation dynamics in the euro area have been undershooting the target since 2015. While the headline inflation (HICP) measure did reach the

Figure 1.22 Headline and core inflation rates in the EA, (monthly annualised % rates), January 2015 August 2020



Source: Eurostat prc_HICP_manr.
Note: Headline: Harmonised Index of Consumer Prices (HICP). Core: HICP excluding energy and unprocessed food.

"The attempts to mitigate the risk that Covid-19 poses for public health have seemingly led to the crumbling of a series of taboos and orthodoxies guiding economic policy over the last 40 years."

2% target for relatively brief periods in 2017 and 2018 due to energy price surges, the core inflation measure presented here (which excludes commodities with highly volatile prices, such as energy) has trailed below 1.5% since 2015.

Core inflation is a proxy for the inflation expectations of economic agents in an economy, including those who bargain over wages. When, for example, wage bargainers expect that inflation will be below the target rate of a central bank, it is an indication to them that an economy is producing below capacity. Below-target inflation expectations are thus a trigger for the central bank to keep an expansionary stance in its policy, in order to stimulate activity.

The ECB also used its banking supervision competence to temporarily loosen up the application of prudential provisions on, for example, capital and liquidity buffers and composition of capital to allow banks more space for continuing to lend money to protect economies from the shock. It also requested banks to not pay dividends or buy back shares during the pandemic.

Going forward, the role of the European Central Bank is likely to remain important for powering the response to and recovery from the pandemic, given the uncertainties over whether – and if so, how far and how fast – an EU fiscal capacity could be established, and over whether EU fiscal governance will be reformed to allow for national fiscal policies with a stronger stabilisation capacity.

In January 2020, the ECB launched a review of its monetary policy strategy, the first of its kind since 2003. This review has been deemed necessary as inflation expectations have persistently remained below target and as, due to a number of structural changes in the euro area economy, there has been a persistent decline in interest rates to levels that require a greater use of unconventional tools.

Several questions are on the agenda of the review. The first is how to define and re-operationalise the mandate of price stability, including over what time horizon it should be pursued and which measure of inflation should be used as a target for the bank's monetary policy decisions. Answers to these questions can have important repercussions for the way in which the ECB can balance the pursuit of its primary goal of price stability with that of other economic goals, such as jobs, growth and a just transition to a carbon-neutral socioeconomic model.

The second question is how to better understand the relationship between inflation and the real economy (output and employment growth), which seems to have changed in recent decades due to structural factors. One of the ways that this change manifested itself was in the fact that, despite accelerating output and employment growth, wage growth was for a while more sluggish than would have been expected in the recent recovery.

Finally, the mix of instruments the ECB should be using in the environment of low interest rates and low inflation expectations that it will most likely have to operate in for the foreseeable future needs to be better defined; so the third question is how effective they are and how this effectiveness can be enhanced. Like many other major central banks in the world, the ECB has had to resort to the use of unconventional tools (e.g. asset purchases) since the previous crisis (see Bibow 2020 for a review), as the effective use of its conventional tool of lowering interest rates has become more contingent on such unconventional tools since they reached zero (see for example Lonergan 2019). These policy responses were carved out in an ad hoc manner, and while there seems to be a consensus that they have been helpful in sustaining the recovery, they do not come without unintended distributional consequences (e.g. on wealth inequality) or risks (e.g. financial instability). There is therefore a need for a more systematic approach and understanding regarding what they should include, how they work and how their use interacts with fiscal policies.

The policy goal of engineering a transition to a carbon-neutral socioeconomic model has ramifications for all of the above questions (see also Chapter 3 in this volume). For example, the ECB currently defines its mandate in terms of the harmonised index of consumer prices (HICP), which includes energy prices. If, in order to reduce carbon emissions, the price of fossil fuels has to increase (through taxes), then the HICP would also rise. If the ECB were to tighten its policy in response, it would be penalising other parts of the real economy. Decisions on how to adapt monetary policy strategy in response to the structural changes that will come about from this transition will also determine in part how the costs will be shared between labour and capital.

A debate which has been creating controversy among not only monetary policymakers but also environmental campaigners is whether the ECB should abandon the principle of 'market neutrality' when buying corporate bonds from the financial markets. According to this principle, the ECB buys corporate bonds in proportions that would not alter their relative prices in the financial markets (therefore having a 'neutral' impact on the structure of the market).

Proponents of abandoning the principle, whose pleas the governor of the ECB Christine Lagarde seems to be considering, advocate that the ECB should instead actively seek to reduce or even eliminate its purchases of bonds issued by companies that contribute heavily to carbon emissions (from airlines to oil and gas and utility companies) as, in this way, it could help to support one of the EU's chief policy objectives. Such a move would put downward pressure on the price of these bonds, effectively reducing the capacity of carbon-emitting companies to draw funds from the financial markets.

Opponents, however, have retorted that such a move would mean that an electorally unaccountable policymaker, such as the ECB is, would be taking policy actions with distributional consequences, decisions which are the prerogative of elected governments and which would ultimately call into question the ECB's political independence. The fact that, in the context of its ongoing strategy review, the ECB leadership has stated that it intends to take into account new challenges that 'people care about', such as climate change or inequality, and has even organised public consultations and 'ECB Listens' events in recent times, suggests that such a threat is not entirely unfounded.

Conclusions

Europe is undergoing its second recession in the span of 12 years, and one that is even bigger than the previous 'Great Recession'. The attempts to mitigate the risk that Covid-19 poses for public health have seemingly led to the crumbling of a series of taboos and orthodoxies that have been guiding economic policy over the last 40 years. National governments have had to take far-reaching measures limiting highly valued individual liberties and forcing large parts of national economies to grind to a halt. A massive expansion of public support schemes and, ultimately, of the size of the state has taken place and hailed as a welcome development, even a highly recommended one, by the likes of the former governor of the ECB, Mario Draghi (Financial Times 2020a). For the first time in its history, the EU has established a temporary yet sizeable fiscal capacity to help those Member States most harmed by the pandemic, irrespective of their contribution. Central banks have embarked on massive purchases of government bonds to support these efforts, raising questions over whether a monetary financing of public debt should take place in the future to deal with the accumulated debt – and if so, how (see for example, Demertzis et al. 2010, Diessner 2020, DeGrauwe and Diessner 2020). At a more microeconomic level, the principles of healthcare system management have also come under scrutiny, as allocated resources have often not proved sufficient this year to effectively deal with such a rare yet catastrophic event as the current pandemic.

These developments could offer hope that the crisis will indeed result in different ways of managing the economy in general and prevent us from going through what would be another lost decade for parts of the EU by avoiding a repeat of the damaging policies of the 2010s. On the other hand, it is also possible that, as prominent new classical economist Robert Lucas Jr. stated, 'we are all Keynesians in a foxhole'. While the Great Recession was described as the failure of globalised capitalism, raising hopes that a shift in orthodox economic policy would happen as states stepped in to recapitalise financial institutions 'too big to fail', the aftermath of the initial Keynesian stimulus response was the imposition of harsh and counterproductive fiscal austerity policies. Is this time going to be different? And can it be?

The pandemic hit Europe at a time when momentum was building around the policy challenges of engineering a just transition to a carbon-neutral socioeconomic model and of addressing both the opportunities and the threats posed by digitalisation. It was clear that public investment would be necessary for such challenges. Moreover, the experience of the previous crisis had set in motion some policy initiatives, such as the programme for deepening the EMU, including items like the reform of the ESM and the completion of a banking union, and the implementation of the European Pillar of Social Rights (see Theodoropoulou et al. 2019a and Mueller et al. 2019). Both these programmes, which were born at moments of crisis (of public debt and of trust in the EU, respectively), illustrated that while there was a consensus on where Europe needed to reach, there was no consensus on how to get there. The pandemic crisis has thrown into sharp relief the gaps that these policy initiatives aimed to fill, from the need for a better fiscal governance framework and a deeper EMU to the need for a more robust social safety net which could reduce the great divergence of outcomes within and across Member States. Last but not least, both the European Commission and the ECB had initiated review processes for the EU economic governance framework and monetary policy strategy, respectively, with a view to making them fitter for purpose.

The current crisis context provides several windows of opportunity for capitalising on recent policy decisions to bring about changes in the EU which, as well as supporting a faster and more robust recovery, could outlast the current pandemic and form the base for powering green, digital and 'just' transitions.

The current suspension of EU fiscal rules, as well as the ECB's declaration of intent to keep on purchasing assets in the financial markets, mean that national governments should not face difficulties in maintaining their support programmes for workers and firms, even if it means recalibrating them over time to prepare the recipients for making the most of the recovery once economic activity can resume. Taking advantage of the longer than originally expected recession and the spirit of solidarity that has seemingly prevailed across large parts of Europe, the SURE scheme should, if possible, be turned into a permanent automatic mechanism of reinsurance and extended to also cover unemployment benefits. At the labour market level, this would ensure that not only jobs but also valuable job-specific skills are not lost. At the macroeconomic level, this could be a more permanent fiscal capacity for stabilising EU and especially euro area economies in the face of idiosyncratic economic shocks, as well as for lightening the burden of national fiscal policies.

The suspension of the EU fiscal rules, possibly to be extended until 2022, is an opportunity for pushing through a reform of the EU fiscal surveillance framework to address at least some of its shortcomings. Rethinking the operationalisation of the debt fiscal rule to allow Member States whose public debt will be much higher than the reference value of 60% of GDP after the crisis to consolidate their public finances at a more gentle pace, and provided that the recovery is robust, would be sensible, especially given the low interest rates that are likely to prevail for several years (cf. European Fiscal Board 2020). Meanwhile, establishing a golden rule for public investment (which will exempt it from budget deficit calculations) will be necessary in view of the investment needed to engineer a just green transition and the likely economic scars that the current recession is likely to leave (see for example Alvarez et al. 2019).

The pandemic hit Europe at a time when momentum was building around the policy challenges of engineering a just transition to a carbon-neutral socioeconomic model and of addressing both the opportunities and the threats posed by digitalisation."

Getting the next EU budget and the Next Generation EU instrument across the finish line of ratification will be imperative for creating the foundations for these reforms, for providing real support to national fiscal policies, and for navigating the aftermath of the pandemic. It will also provide the financial means for a transition to a fairer, more sustainable socioeconomic model. The current stalemate with Poland and Hungary raises questions over how to ensure that future windows of opportunity for advancing and consolidating forms of economic solidarity across Member States are not jeopardised, while respecting the political preferences of individual countries.

Finally, the monetary policy strategy of the ECB should be adapted to help meet EU economic policy objectives and to the context of chronically low inflation and interest rates. The issuance of EU social and green bonds in large quantities should ease such shifts.

2. Labour market and social developments: from shock to crisis

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The Covid-19 pandemic is a shock of historic proportions: it needs a strong policy response."

Agnieszka Piasna, ETUI

Introduction

The past decade has seen EU labour markets first suffering and then progressively, if slowly, recovering from the post-2008 great recession. As already noted in the 2019 edition of *Benchmarking Working Europe*, some of the policies implemented in the latter part of this period were aimed at restoring employment and growth in the short term, but also sought to prepare the EU for some of the longer-term challenges to come. The Covid-19 pandemic and the ensuing, unprecedented economic crisis, still unfolding and with the depth of its social impact as yet unknown, has become a sudden, unexpected test for these preparations.

The Covid-19 crisis is very different from the great recession of 2008. The negative impact on economic activity has been immediate and direct, with sudden closures of entire branches of the economy and an abrupt re-organisation of operations in many others. Moreover, the Covid-19 crisis is not, strictly speaking, a direct result of inefficiencies in any of the markets, including the labour market. The policy responses across the EU have also been unprecedented in their scope, direction, and speed of implementation. Instead of deregulation and austerity, which almost immediately followed the 2008 crisis, the first response to Covid-19 consisted of stimulus and support. At the time of writing, the key questions are how deep, and for how long, the crisis will plough through the EU labour market and society, and what measures will be taken to address it in the longer run.

The European Commission's Annual Sustainable Growth Strategy 2021, published in September 2020, provides an overarching vision for how the recovery from the Covid-19 crisis should unfold. In this document, the Commission sets out to support Member States in their efforts to strengthen their social and economic resilience, and to achieve a sustainable and fair recovery driven by investment. The emphasis on investment as a means to stimulate the economy raises hopes that lessons have indeed been learned from the post-2008 austerity policies, which did not deliver on their promises. The renewed emphasis on sustainability and fairness is certainly to be welcomed as a much-needed policy turn in view of the rising levels of inequality and precariousness experienced by a growing number of workers in the EU. It is a good sign that these priorities have not been lost in the midst of this pandemic emergency.

However, this chapter argues that vision alone will not suffice to deliver on promises of social progress and create inclusive labour markets in a context once more dominated by a deep social and economic crisis. For instance, the Strategy appears to dedicate more attention to broadband coverage and digital skills than it does to supporting quality job creation. In contrast to the various targets set for the digital and green transformations, no tangible targets have been set for employment and social policies. Various groups of vulnerable workers that have not benefitted enough from the progress made during the pre-Covid-19 recovery years – from women to third-country nationals to younger workers – are not receiving the attention and specific, targeted measures they both need and deserve. This chapter seeks to foster a more detailed understanding of social and labour market developments both at the EU level and in particular Member States, in order to assist with the formulation of informed and targeted policy recommendations for how to achieve a sustainable and socially fair recovery.

Unemployment

The number of unemployed increased by 1.15 million in the EU28 between January and July 2020

After a long fall, unemployment now on a steep rise

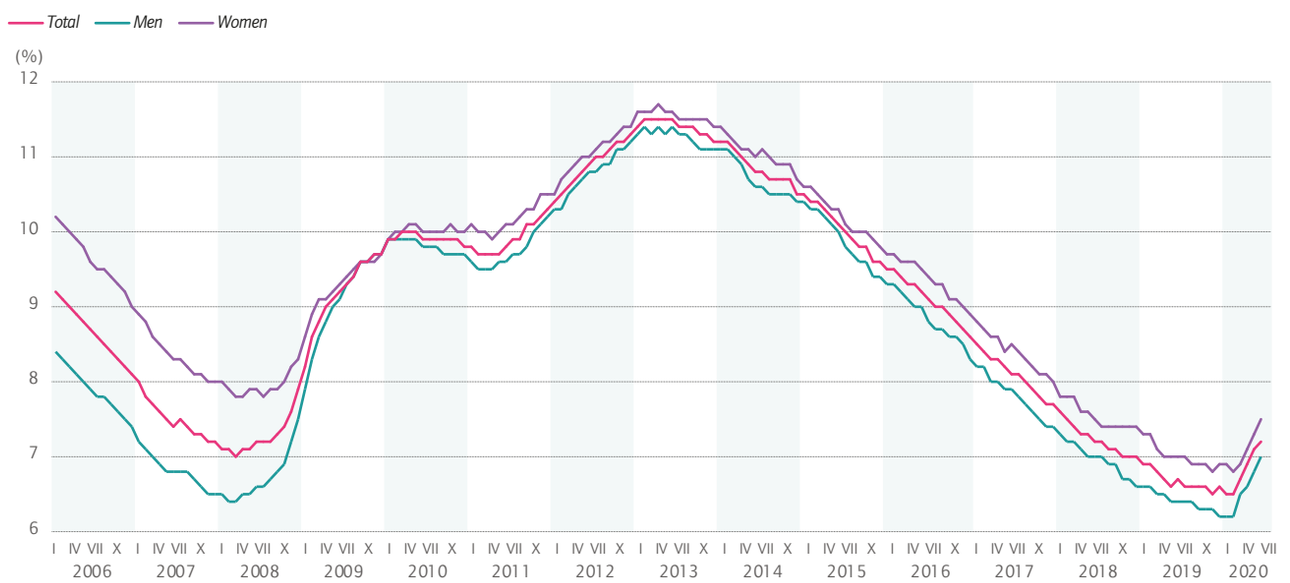
In the EU, the unemployment rate was on a steady decline since its record level of 11.5% in 2013 (Figure 2.1). By early 2020, the figure had fallen to 6.5%, which was a more favourable situation even compared to early 2008 (just before the consequences of the financial crisis took effect in the real economy) when the lowest levels of unemployment were recorded in the EU27, at around 7% .

An important, though clearly unintended, consequence of the previous crisis was a reduction of the gender gap in the share of men and women out of work. While in the early 2000s the unemployment rate among women tended to be higher than among men, this gap virtually disappeared between 2009 and 2010 (in the EU28, unemployment was actually higher among men than it was among women in 2009). However, with the gradual recovery from 2013 onwards, the gender gap in unemployment started to widen once again.

The outbreak of the Covid-19 pandemic and the measures taken to contain its spread had a visibly disruptive effect on the labour market. Accordingly, the unemployment rate has been on the rise again since March 2020 in the EU27; by July 2020 it had increased from 6.5% to 7.2%, with a similar impact on both men and women. In all EU28 countries, the number of unemployed persons increased by around 1.15 million between January and July 2020: 734,000 were men and 406,000 women.

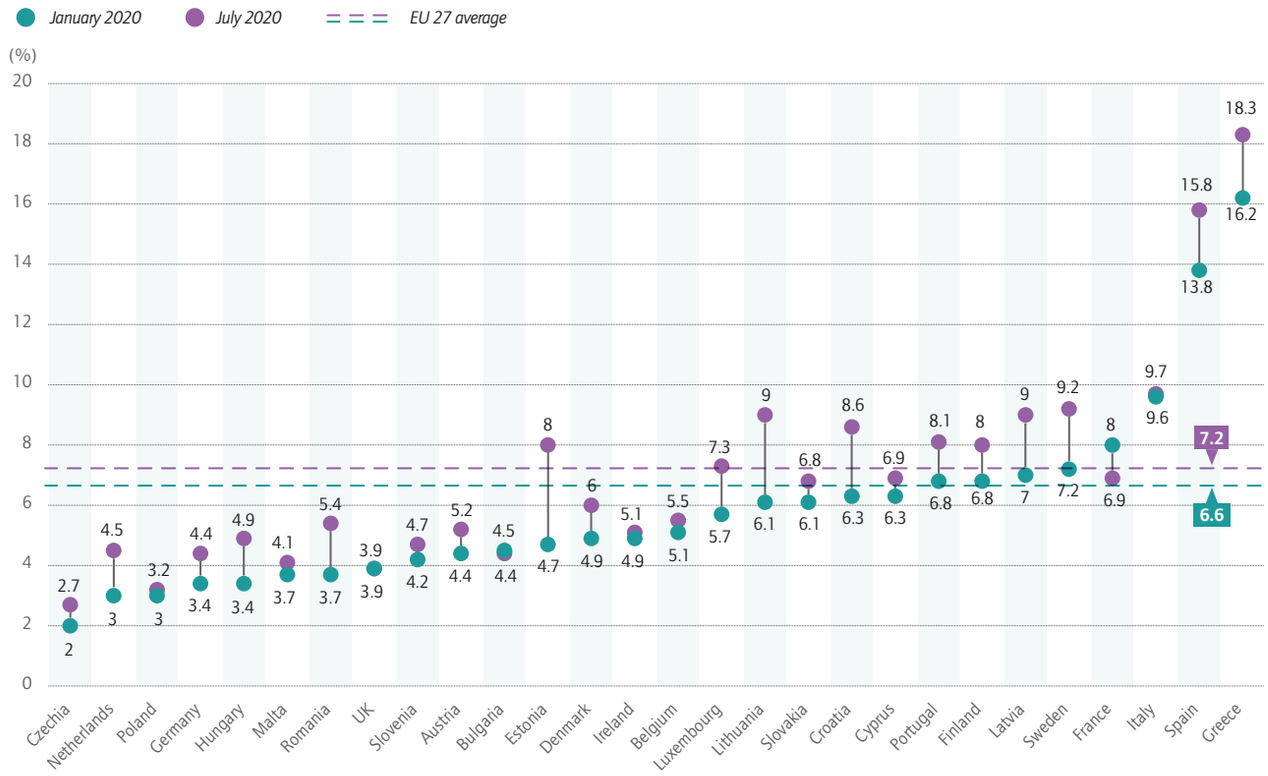
The spread and impact of these numbers have varied greatly across the Member States, not least because of differences in the spread of contagion and between the sectoral structures of the economies, but also due to the different approaches taken by national governments in response to the labour market crisis. As a result, the crisis has not influenced unemployment rates to the same extent, or with the same time lag, in all countries. As shown in Figure 2.2, between January and July 2020, the biggest increases in unemployment were noted in Estonia, Lithuania, and Croatia, followed by Latvia, Sweden, Spain and Greece. In Bulgaria and France, the unemployment rates were lower in July compared to January 2020, while in the UK and Italy they were practically the same.

Figure 2.1 Evolution of unemployment rate in the EU27, by gender (%)



Source: Eurostat [une_rt_m].
Notes: Active population. Data seasonally adjusted.

Figure 2.2 Unemployment rates, 2020, by country (%)

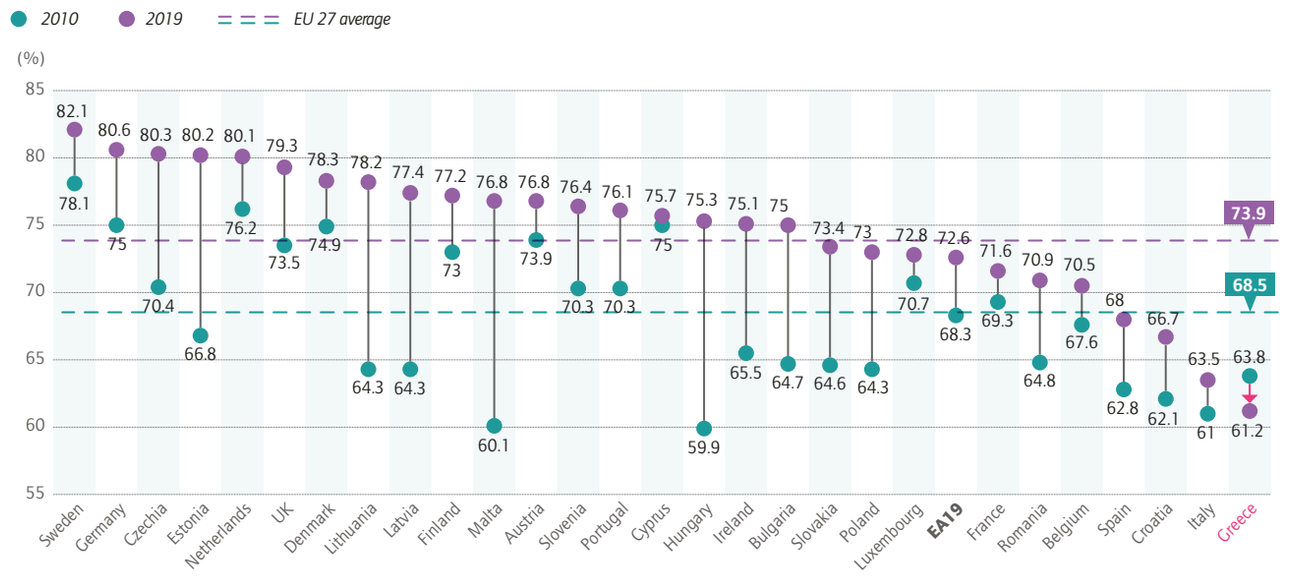


Source: Eurostat [une_rt_m].
Notes: Active population. Data seasonally adjusted. Data for Estonia, Greece, Hungary and the UK are from May 2020.

Employment

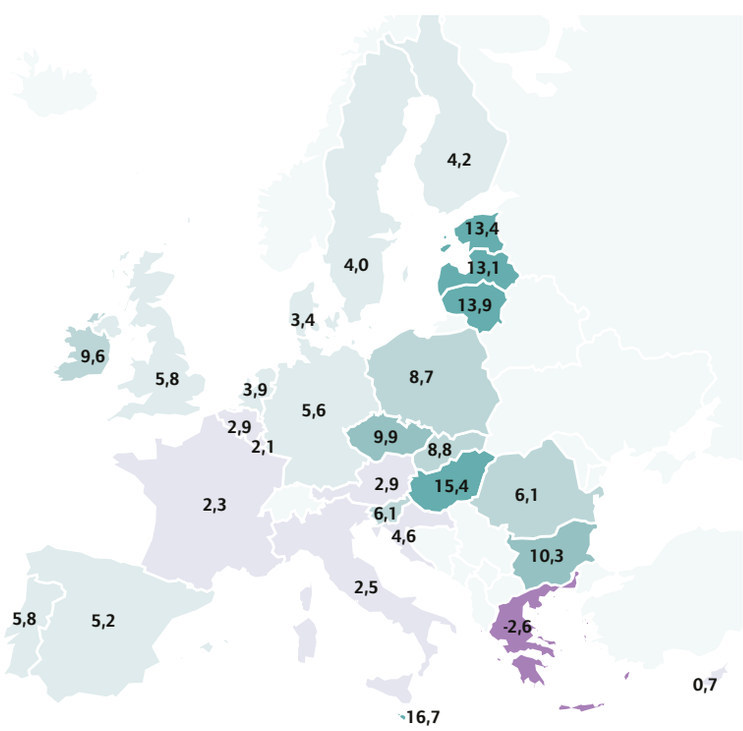
A decade of growth, but far below expectations

Figure 2.3a Employment rate (%), change 2010-2019



Source: Eurostat-LFS [lfsa_ergan].
Note: Age group 20-64.

Figure 2.3b Employment rate (%), change 2010-2019, by country

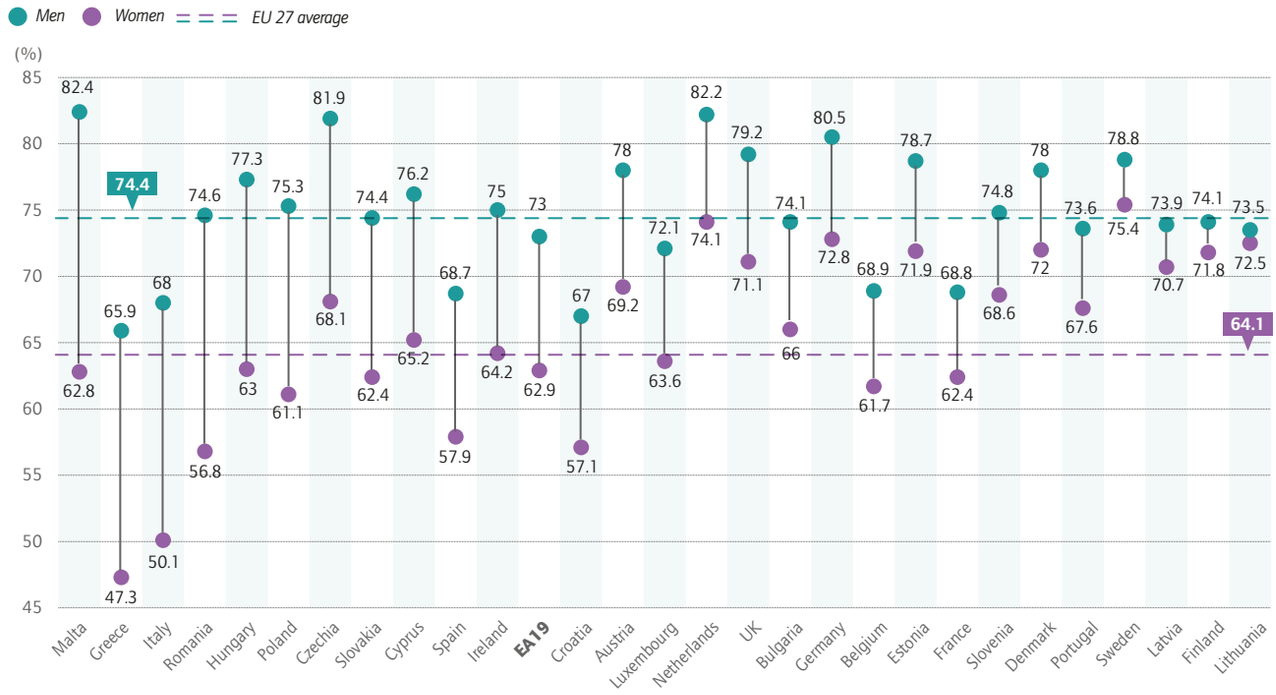


In 2010, the European Council adopted the Europe 2020 strategy – in many respects a relaunch of its previous 'Lisbon Strategy' – presenting its vision for the recovery (see ETUI and ETUC 2011). In the area of employment, the objective was to increase the share of people in paid work to at least 75% by 2020 for the 20 to 64 age group. It must be acknowledged that in the past decade the EU has, overall, made some noticeable progress on employment rates.

As shown in Figures 2.3a and 2.3b, in 2019, employment rates in all but one EU country (Greece) were above the 2010 levels. However, the objective that had been set out in 2010 was not achieved and for a number of countries it fell short even of the less ambitious target established by the Lisbon Strategy. Overall, the employment rate at the aggregate EU28 level increased from 68.5% in 2010 to 73.9% in 2019. The biggest increases were noted in Malta (by 16.7 percentage points; pp), followed by Hungary, Lithuania, Estonia and Latvia (although changes in employment were sensitive to outward migration during the crisis, see Myant and Piasna 2014). In Greece, however, the employment rate in 2019 was below that of 2010, showing a long-lasting and very deep impact of the post-2008 crisis and austerity policies.

Furthermore, the past decade has not done much for the closing of gender gaps in employment across the EU. After its narrowing in 2008-2009, as a consequence of the disproportionate impact of job losses on men (see ETUI and ETUC 2010), the gulf between male and female employment rates remained more or less stable, settling at around 10.5pp for the past seven years. It is therefore fair to argue that the gender-related policies and measures implemented during the period of favourable macroeconomic conditions were thus not sufficiently well targeted. Ultimately, as shown in Figure 2.4, gender gaps persisted in all EU countries throughout the past decade. In 2019, the widest employment gaps were in the southern regions, with Malta, Greece, Italy, and Romania at the forefront of gender inequality, while the most favourable situations were to be found in several northern countries, such as Lithuania, Finland, Latvia, and Sweden.

Figure 2.4 Gender gaps in employment rates, 2019 (%)



Source: Eurostat-LFS [lfsa_ergan].
Note: Age group 15-64.

The number of economically inactive persons in the EU rose by almost 4.4 million between 2019 and 2020

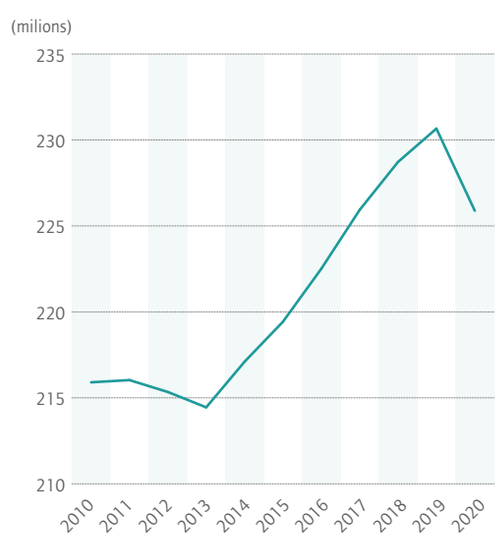
The most severe employment losses in EU history

The year 2020 marked an abrupt halt to a period of employment growth that the EU as a whole had been enjoying since 2013. The measures taken to contain the spread of the Covid-19 pandemic restrained economic activity across various sectors, while the uncertainty created by the economic slowdown had effects across the labour market.

Paradoxically, this unprecedented impact on employment is difficult to grasp with currently available labour market statistics. The main reason is that a large proportion of workers who lost their jobs due to the Covid-19 crisis do not meet two conditions to be classified as unemployed in official statistics: either they did not immediately start searching for a new job (e.g. because the activity of their sector was stopped completely, as in the hotel or entertainment industries) or they were not available to start a new job right away (e.g. due to limitations imposed by lockdowns). Therefore, the increase in the unemployment rate – by about 0.7pp between January and July 2020 in the EU27, amounting to about 1.15 million more unemployed persons – does not fully reflect the extent of the employment loss and most likely paints an overly optimistic picture of what to expect in the months to come. For this reason, it is important to also consider the increase in the number of 'economically inactive' persons, who are neither 'employed' nor 'unemployed'. The share of economically inactive people aged 15-64 grew from 27% in the second quarter of 2019 to 28.6% in the second quarter of 2020 (EU28 countries except Germany and Malta). In real terms, this means there are almost 4.4 million more economically inactive persons in the EU this year.

The net employment loss also shows a much more severe impact from the Covid-19 crisis than the unemployment figures do. As shown in Figure 2.5, the number of persons in employment declined sharply in the past 12 months, by around 4.8 million people across the EU28 (not including Malta) between the second quarters of 2019 and 2020. In comparison, the net employment loss at EU28 level between 2008 and 2009 amounted to 3.97 million jobs. However, these figures are still likely to underestimate the scale of the damage inflicted by the Covid-19 crisis because of the various support measures introduced to cushion the loss of jobs, such as short-time work or furlough schemes. According to estimates produced by Müller and Schulten (2020a), at the peak of the first wave of the pandemic (that is, between April and May 2020) as many as 50 million workers in Europe were on short-time work

Figure 2.5 Number of employed in EU28, data for second quarters (in milions)



Source: Eurostat [lfsq_egaps].
Notes: Age group 15-64. Data for second quarters; data for Malta are for 2020_Q1.

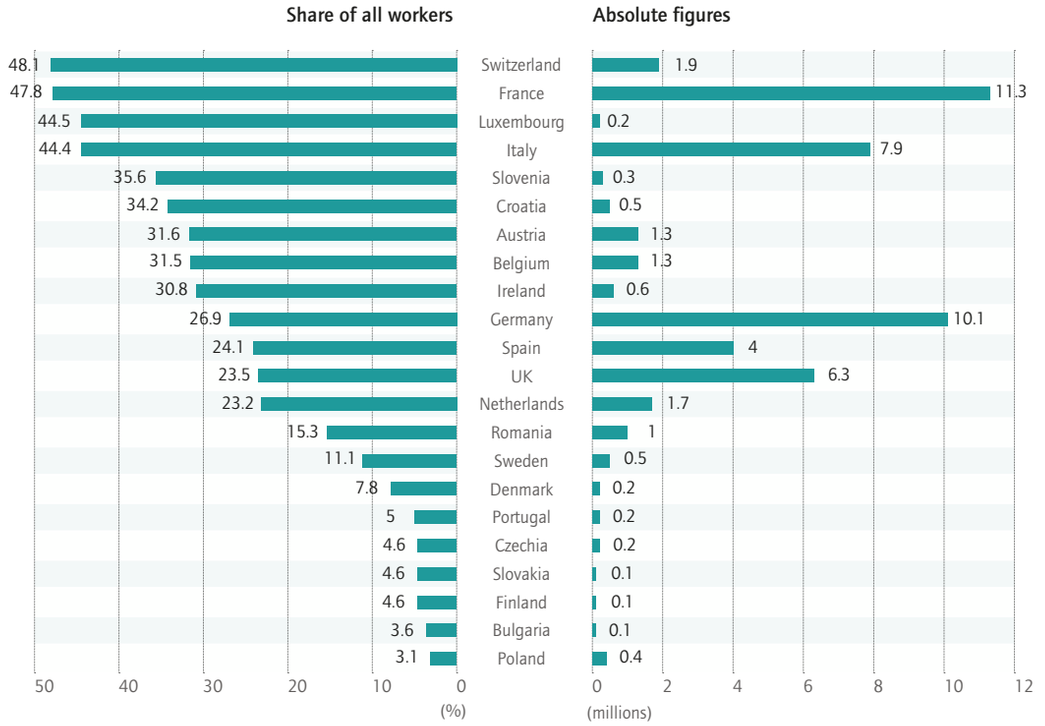
Net employment loss in the EU28 over the past year:

-4.8

million people

(number of employed aged 15-64 in 2020_Q2 compared to 2019_Q2, not including Malta)

Figure 2.6 Number of workers (actual or applied for) on short-time work and similar schemes. End of April/beginning of May 2020. (In % of all workers and in millions)

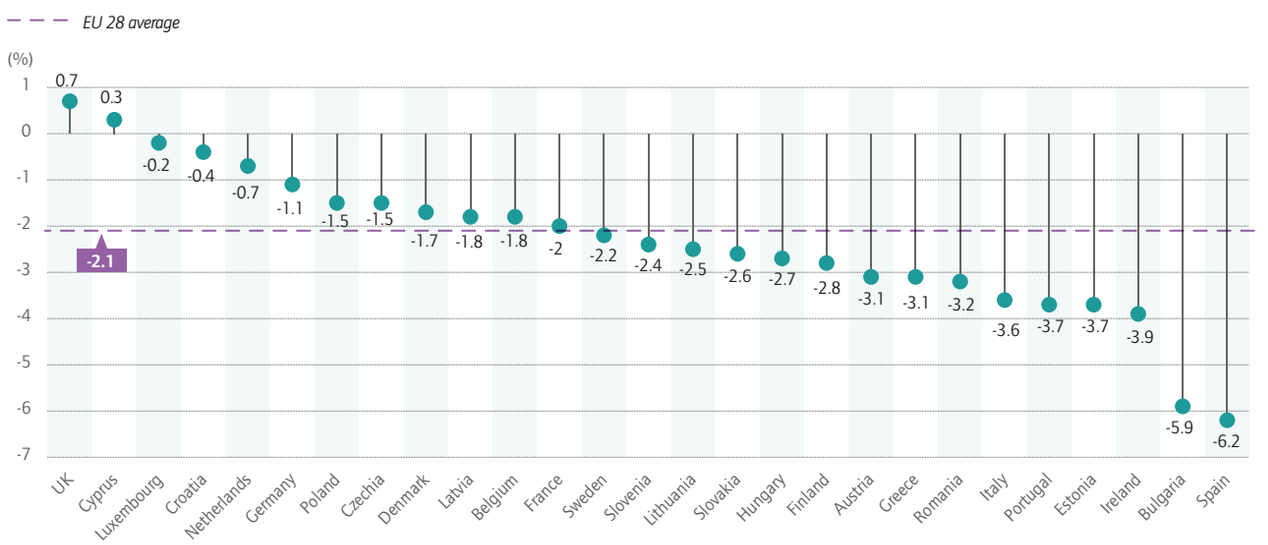


Source: Müller and Schulten (2020a) on the basis of data from national employment agencies and ministries.
Note: Data for Luxembourg include cross-border commuters.

or similar schemes, amounting to nearly half of all workers in countries such as Switzerland, France and Italy (Figure 2.6). These numbers have evolved in the months since, and the ETUI plans to publish an update with the autumn figures in early 2021.

The loss of employment has differed significantly across the Member States, which is mainly due to differences in sectoral composition (e.g. countries with a larger tourism sector being more affected by job losses) as well as to different national policy responses and mechanisms adopted to alleviate the toll on employment. As illustrated in Figure 2.7, Spain and Bulgaria suffered the biggest job losses: around 6% of all employed persons compared to 2019. They are followed by Ireland, Estonia, Portugal, Italy, Romania, Greece and Austria, which all lost more than 3% of their employment over the past 12 months. On the other hand, the UK and Cyprus were the only countries with a higher number of persons in employment in 2020_Q2 than in 2019_Q2, though again this trend would need to be reviewed as new data and statistics become available.

Figure 2.7 Change in number of employed persons, 2019_Q2-2020_Q2 (as % of the 2019 level)



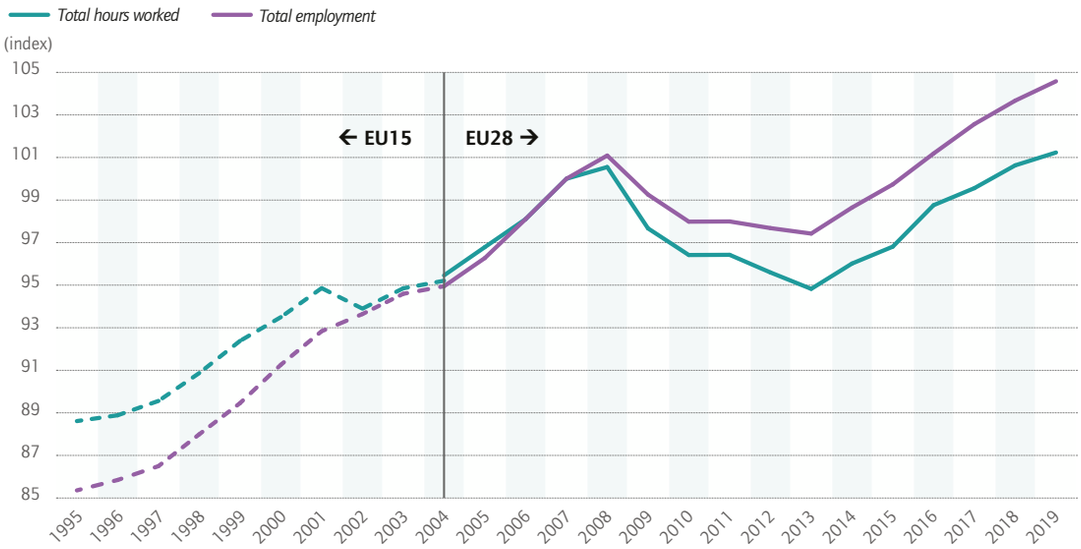
Source: Eurostat [lfsq_egaps], data for Germany are from Destatis (Genesis-Online Database).
Note: Malta not included in the EU28 average.

Working hours

An average employee works 36 minutes less per week in 2019 than in 2009

Working-time reductions cushioning employment losses in the EU

Figure 2.8 Trends in employment and total actual hours worked (Index 2007=100)



Source: Eurostat, own calculations.
Note: 1995-2004 = EU15; 2004-2019 = EU28.

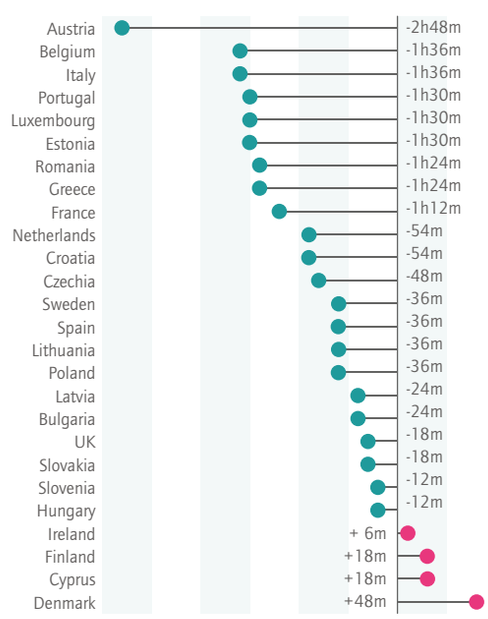
In recent decades, macroeconomic shocks have had a significantly disruptive impact on otherwise relatively stable working hours in the EU. As shown in Figure 2.8, in the economic slowdown of the early 2000s, and again in the post-2008 recession, the decline in the number of people in employment was cushioned by a more profound decline in the volume of work, measured by the total number of hours worked by all employed (see also Myant et al. 2016; Piasna and Myant 2017).

Overall, this resulted in a process of work redistribution, with the total number of working hours declining more than the number of workers performing them. The recovery period preserved much of this discrepancy: working hours caught up to pre-crisis levels at a slower rate than employment. In the EU28, the net job growth over the last decade (2009-2019) amounted to 5.4%, while the total number of hours increased by 3.7%. In other words, an average employed person would have worked 36 minutes less per week in 2019 than they did in 2009, and about one hour and 18 minutes less than in 2002. However, neither the redistribution of working hours in previous recessions nor an assessment of its role is straightforward, and a lot of the changes were also linked to sectoral composition effects and a steep growth in part-time employment, including that which was involuntary (De Spiegelaere and Piasna 2017).

Moving on to 2020, although the Covid-19 crisis is still unfolding, its profound impact on working time is already tangible. As shown in Figure 2.9, in the second quarter of 2020 the actual hours worked per week were much shorter compared to the same period in the previous year, with a decline noted in 22 out of 26 EU28 countries for which data were available at the time of writing. The biggest reduction in working hours was observed in Austria (by two hours and 48 minutes per week on average), followed by Belgium, Italy, Portugal, Luxembourg, and Estonia.

This huge decline in working time is in large part a result of policies implemented very early on in the Covid-19 crisis with the deliberate aim of

Figure 2.9 Change in weekly working hours, 2019-2020 (second quarters)



Source: Eurostat-LFS [lfsq_ewhan2].
Notes: Average number of actual weekly hours of work in main paid job. No data available for Germany and Malta.

By the end of April 2020, an estimated 50 million employees in Europe were participating in short-time work schemes."

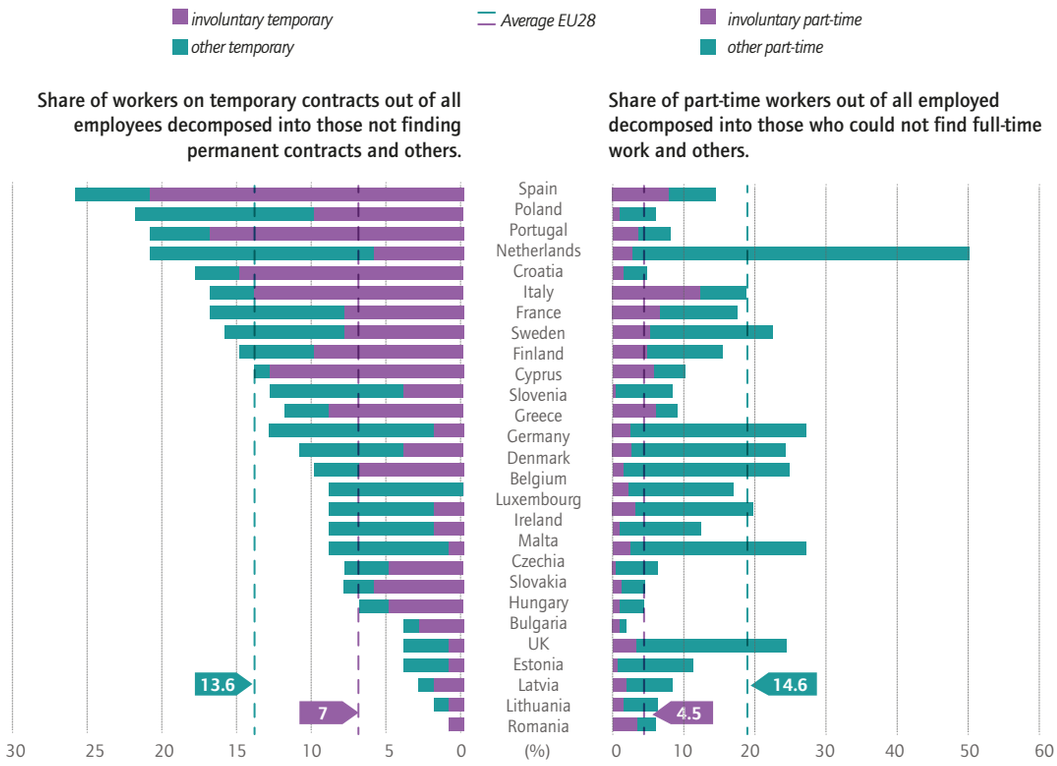
preserving employment while at the same time reducing operations in most sectors of the economy. By the end of April 2020, an estimated 50 million employees in Europe were participating in short-time work schemes, and almost 50% of the workforce in some countries (Müller and Schulten 2020a). At the European level, the SURE (Support to mitigate unemployment risks in an emergency) programme was launched with the objective of providing financial assistance to countries that have put such policies in place. It provides favourable loans (up to €100 billion) to Member States to support systems of short-time work. The SURE instrument gave the signal that reduction in working hours was one of the most important measures to combat the effects of the Covid-19 crisis and reduce job losses.

Underemployment

Sizable shares of temporary and part-time work are involuntary

On average, around half of the workers on temporary contracts would prefer an open-ended contract but could not find one."

Figure 2.10 Share of workers on temporary contracts (left) and part-time contracts (right) in 2019



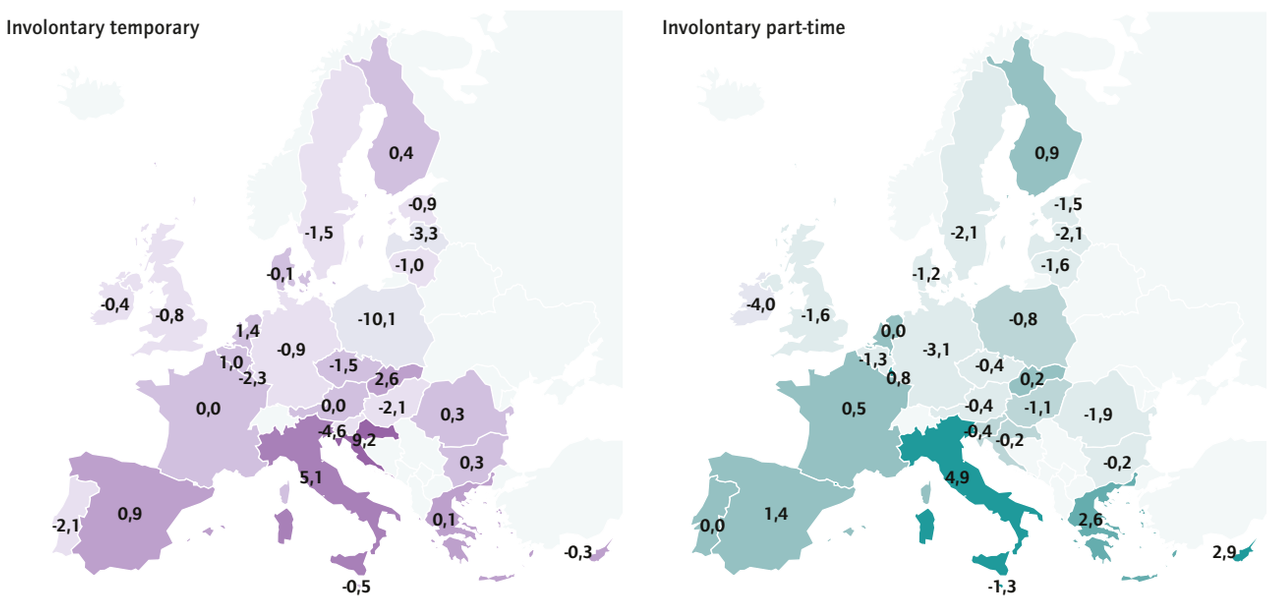
Source: lfsa_etgar lfsa_epgar, lfsa_eppga.
Note: The left panel shows share of workers on temporary contracts out of all employees decomposed into those not finding permanent contracts and others in 2019. The right panel shows share of part-time workers out of all employed decomposed into those who could not find full-time work and others. Temporary employment for Estonia is from 2018.

The type of contract under which somebody is engaged and the number and pattern of working hours in any employment relationship are important indicators of job quality, and they vary substantially between Member States (Piasna 2017). Figure 2.10 shows the share of those employed under a temporary contract of employment (left) or a part-time contract (right). There are marked differences across the EU: temporary contracts are less prominent (typically falling below the 5% mark) in countries such as Romania, Lithuania, Latvia, Estonia, the UK, and Bulgaria, while more than a fifth of the workforce in the Netherlands, Portugal, Poland, and Spain work on temporary contracts. On average, around half of the workers on temporary contracts would prefer an open-ended contract but could not find one. Motivation also differs between countries however: in southern Europe (Spain, Italy, Portugal and Croatia) more than 80% of temporary workers are involuntarily temporary, while in the Netherlands only a quarter work on a temporary contract because they could not find a permanent job.

On average, a fifth of the EU workforce is employed through a part-time contract. Only around a quarter of part-time workers do this because they could not find a full-time contract, which is sizeably less than the number who work under temporary contracts due to lack of a permanent offer. Part-time work is quite rare in many of the post-2004 EU Member States (Bulgaria, Hungary, Slovakia, Croatia, Poland, Romania, Czechia and Lithuania), but very common in the western and northern Member States (the Netherlands, Austria, Germany, Belgium, the UK, Denmark and Sweden). The Netherlands in particular stands out, with half of its workforce working part-time, and with the vast majority of part-time workers not looking for full-time contracts. Involuntary part-time work is common in Italy (12%) and comparatively high, at around 5%, in Spain, France, Greece, Cyprus and Sweden. Country variation partly reflects different national policies such as equalising conditions between part-time and full-time work, allowing for reduced hours, or explicitly using part-time work as a way to increase labour force activity (Eurofound 2007). Countries also differ in the extent to which childcare and labour can be combined through part-time work, rather than people having to choose between working full-time or providing care (Chung and Tijdens 2012). Finally, cross-European wage variation means that, depending on the country you live in, it is not always financially viable to reduce working hours (Drahokoupil and Piasna 2017).

Figure 2.11a Change in involuntary temporary and part-time work, 2010-2019 (%)

Figure 2.11b Change in involuntary temporary and part-time work, 2010-2019 (%)



Source: lfsa_etgar, lfsa_epgar and lfsa_eppga.
Notes: Change in the share of employees who are on involuntary contracts because they could not find permanent contracts, or on part-time contracts because they could not find full-time positions, out of all employees (for temporary work) and all employed (for part-time work). Age group 15-64. Estonian data on involuntary temporary work show change for 2010-2018; UK data on involuntary part-time work show change for 2011-2019.

Limited progress in reducing underemployment

The share of workers on a temporary contract remained more or less constant between 2010 and 2019 in the EU28, at 14%, while the share of part-time workers increased slightly, from 18.5% to 19%.

Figure 2.11 shows the change in the numbers of involuntary temporary and part-time workers who could not find a permanent or full-time contract, respectively, and can thus be described as underemployed, from 2010 to 2019. This form of underemployment decreased slightly across the EU in this period, although these data hide some substantial variations between countries. Involuntary temporary work decreased in most countries, with key exceptions being Italy, Croatia, Slovakia, Spain, the Netherlands and Belgium. Involuntary part-time work also decreased in many countries, but increased in Italy, Greece, Cyprus, and Spain. These figures do seem to suggest that underemployment is a relatively large and increasing problem in southern EU countries.

The variation in temporary and part-time contracts matters: given the job crisis resulting from Covid-19, these precarious workers ought to be considered as being particularly at risk. Non-standard workers are more likely to become unemployed or slide into poverty during prolonged recessions. As their careers are generally more fragmented, they may also not meet all conditions for benefits if they do lose their jobs.

Gender differences in non-standard work

The prevalence of non-standard work differs greatly by gender. While in the EU as a whole, 9% of men report working on a part-time basis, the figure stands at 31% for women. Men are also 10pp more likely to report wanting a full-time job but not being able to find one. Part-time work is thus much more common among women, often taken up due to care responsibilities or an unequally distributed burden of unpaid work, which prevents full participation in the labour market.

The probability of working on temporary contracts is more similar between the sexes, with 13% of men and 14% of women currently working on such contracts. A similar share of each gender (about half) work on temporary contracts because they could not find permanent positions.

Source : Eurostat [lfsa_etgar, lfsa_epgar, lfsa_eppga].

Sectoral impacts of the Covid-19 crisis

Growth seen only in knowledge-intensive industries and the public sector

The Covid-19 pandemic and the measures taken to contain its spread brought about closures of entire branches of the economy across the EU countries. Therefore, the early impact of this crisis on employment was very particular and, in the first instance, concentrated in the sectors that were purposefully shut down during the lockdown. However, the slowdown is likely to have a spill-over effect on other branches of the economy in the long run.

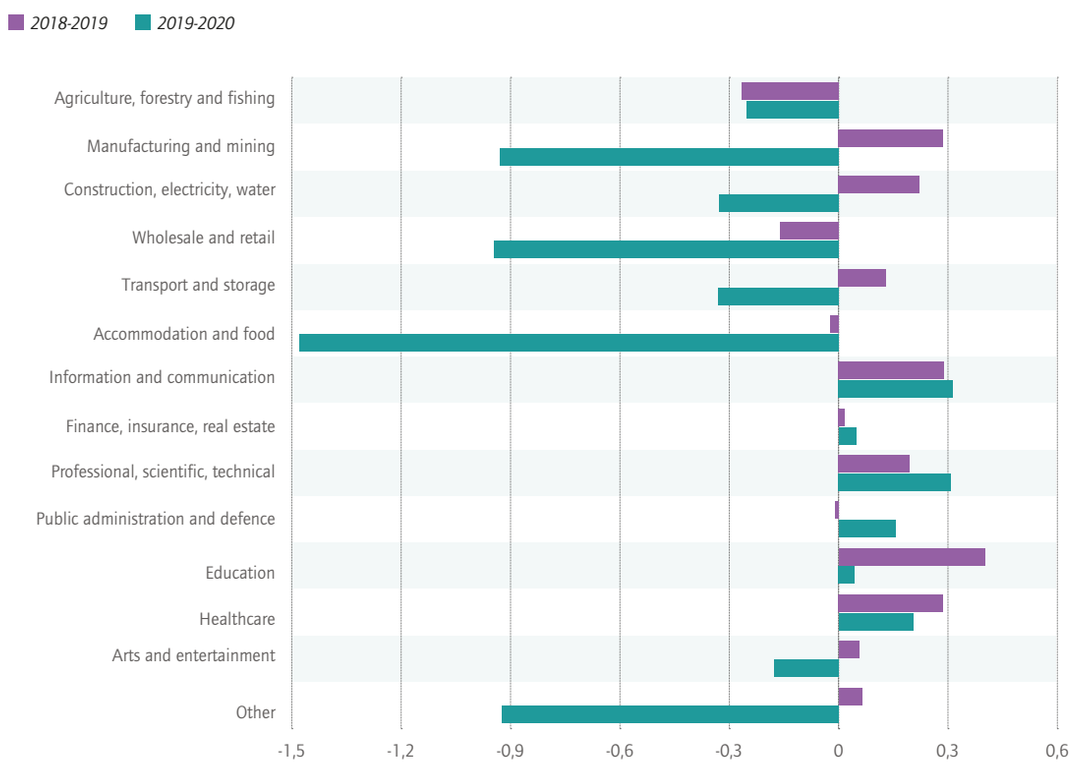
The biggest job losses during the first months of the Covid-19 pandemic were, not surprisingly, in the accommodation and food sectors. In the EU28 (with the exclusion of Germany and Malta due to a lack of data), this sector shrank by nearly 1.5 million jobs (Figure 2.12). For similar reasons, the transport and storage, wholesale and retail, and arts and entertainment sectors also experienced record levels of employment loss. An important finding is that, despite various short-time work measures adopted in many countries, the manufacturing sector was similarly affected by a substantial decline in employment (by about one million jobs), breaking with the upward trend of recent years. Maintaining essential health services has been a priority and a necessity in the pandemic, and the healthcare sector thus continued to grow, albeit at a slower pace than the year before (see also Chapter 5 in this volume).

Two other sectors also continued to grow, with their net job creation at an even higher level in 2019-2020 compared to 2018-2019: the information and communication technologies (ICT) sector, and the professional, scientific and technical activities sector. In fact, these knowledge-intensive sectors were the sole bastions of job growth across most EU Member States (Figure 2.12). Nevertheless, those countries that were particularly affected by job losses in tourism-related activities (notably Spain, Italy, Bulgaria, Greece and Estonia) also recorded employment decline in ICT and professional activities.

Romania and Greece were the only countries to experience a growth in the wholesale and retail sector, and in Romania a sizeable part of lost employment was in the manufacturing sector.

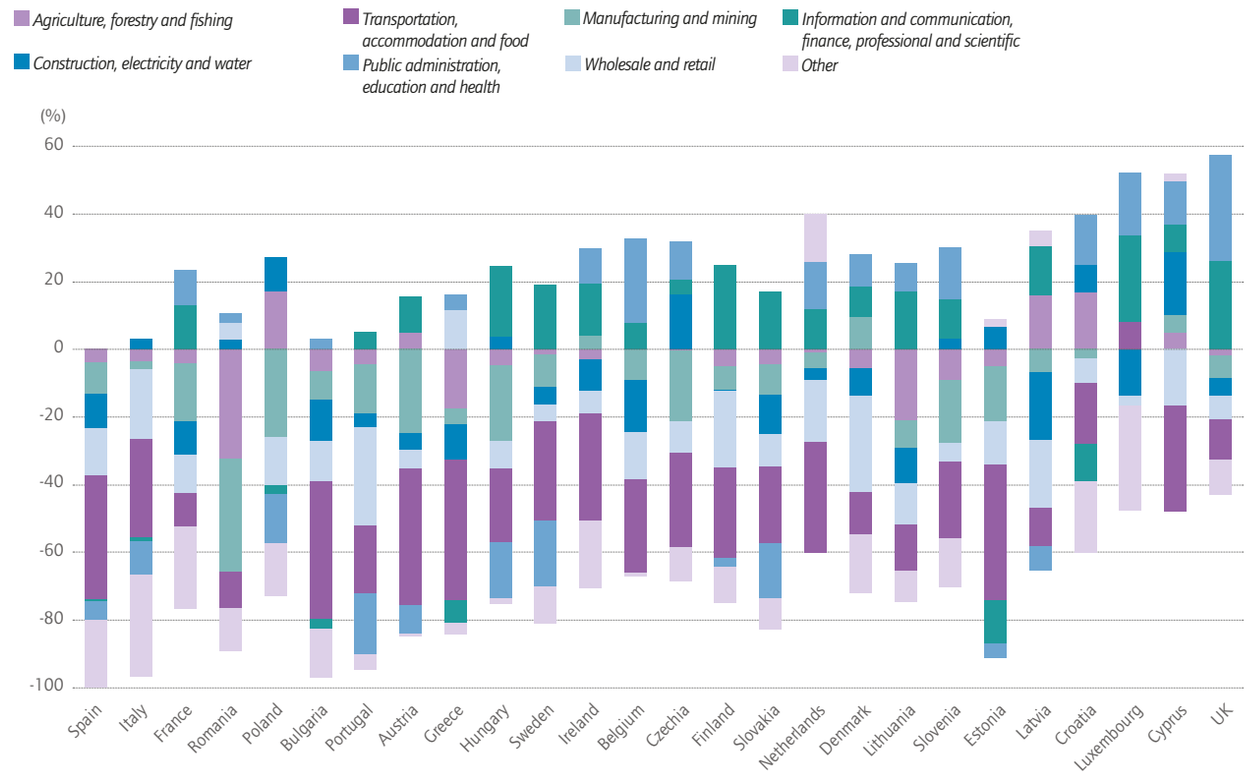
The accommodation and food sectors shrank by nearly 1.5 million jobs as a result of the Covid-19 pandemic

Figure 2.12 Change in number of employed persons, by sector, EU28 (millions)



*Source: Eurostat-LFS [lfsq_egan2]. Note: *Data for EU28 excluding Germany and Malta. Comparison of second quarters. Age group 15-64.*

Figure 2.13 Sectoral breakdown of total employment change in EU28, 2019_Q2-2020_Q2 (%)



Source: Eurostat-LFS [lfsq_egan2].
Notes: Age group 15-64. Values represent percentage of total employment change for each country; values below zero indicate a decline in number of employed in each sector and country, and values above zero indicate an increase. No data for Germany and Malta.

Online gig economy

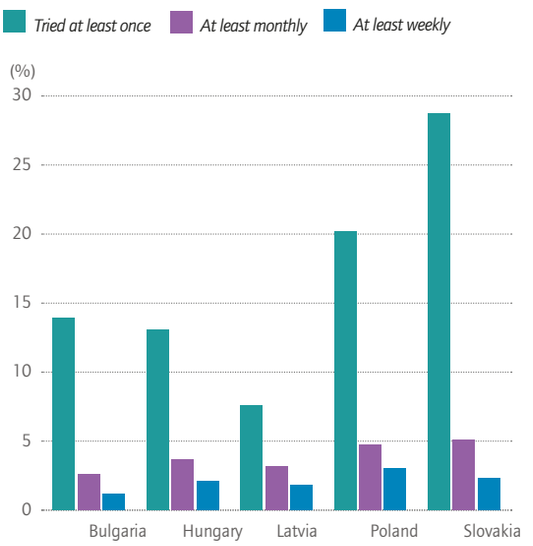
By shutting down entire branches of economy Covid-19 accelerated the move of many operations online."

Internet work tried by many, but low incomes a deterrent

With consumption and many business services shifting in large part to online delivery, the internet has created new opportunities for individuals to access paid work. The rise of the online economy is not new, with the growth of online platforms such as Uber, Airbnb and Amazon Mechanical Turk much touted in recent years (Berg et al. 2018; Drahokoupil and Piasna 2017; Pesole et al. 2018). However, the Covid-19 crisis, which resulted in entire branches of the traditional economy being shut down and strict social distancing rules being imposed, accelerated the move of many operations online. In view of this, it is important to find out what groups of workers have been relying on the internet for their income and what sort of work they have been engaged in. The rationale for looking at various forms of economic activity that are mediated (to a different degree) by digital technologies is that they may represent 'gigs' in the sense of not being based on standard employment contracts, undermining the existing institutions of worker protection (Kalleberg and Vallas 2017; Vallas and Schor 2020).

Data on the size of the workforce engaged in the online gig economy are scarce, with official labour market statistics only addressing these issues in ad hoc and non-comparative surveys (see a review in Piasna 2020). Among several pioneering studies, the ETUI Internet and Platform Work Survey stands out due to its mapping of the extent of not only platform work but also the use of the internet to generate income more broadly, a phenomenon labelled 'internet work' (Piasna and Drahokoupil 2019).

Figure 2.14 Internet work by country, excluding sale of belongings (% of population 18-64)



Source: ETUI Internet and Platform Work Survey.

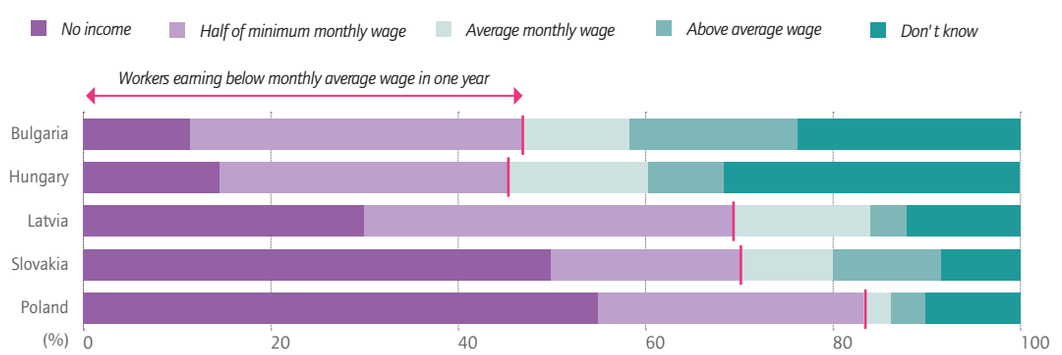
The ETUI Internet and Platform Work Survey

This survey was initially carried out in five central and eastern European countries: Bulgaria, Hungary, Latvia, Poland and Slovakia. Data were collected between 2018 and 2019, based on standard probability samples with a minimum of 1,000 respondents per country. The participants were recruited offline and were representative of the entire adult population. This means that each individual had an equal chance of being recruited and non-responses could be monitored. Interviews were administered face-to-face in respondents' homes (Computer Assisted Personal Interviewing, CAPI).

68%
of workers who have done internet work earned, in one year, less than a monthly minimum wage from it

ETUI Internet and Platform Work Survey

Figure 2.15 Annual income earned by occasional internet workers from internet work (before tax) (%)



Source: ETUI Internet and Platform Work Survey (Piasna and Drahokoupil 2019).

40%
of internet workers have received higher education

ETUI Internet and Platform Work Survey

Internet work includes any forms of gaining income on the internet (through the use of websites or mobile apps) and hence encompasses digitally mediated services as well as the selling of goods, blogging or renting out property online. Internet work need not be mediated by online platforms (such as Uber), but at least some of its forms do overlap with platform work (Piasna and Drahokoupil 2019).

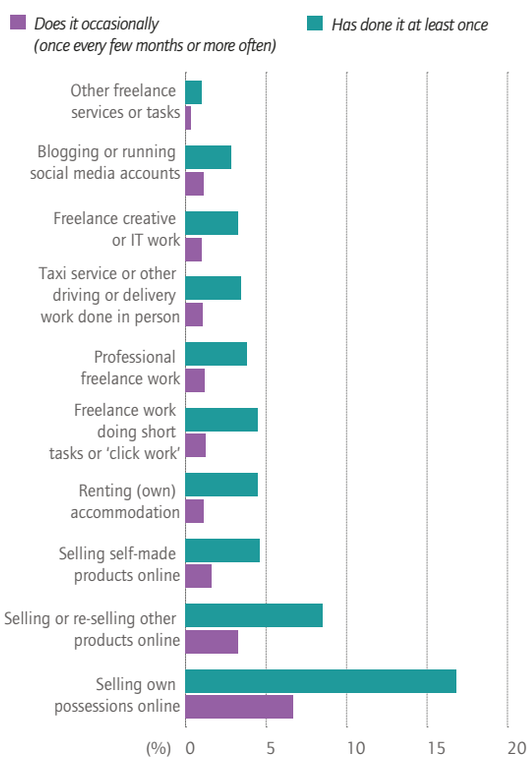
The survey shows that across the five analysed European countries (Bulgaria, Hungary, Latvia, Poland and Slovakia), experiences with internet work are quite common, but only a small group of the population engages in this type of work on a regular basis. A large proportion of the adult population (aged 18-64) – ranging from 17.6% in Latvia to 33.3% in Poland – has tried at least once to earn money on the internet. The numbers are somewhat lower if the sale of personal belongings is excluded (see Figure 2.14). The share of adults who use the internet to generate income regularly, i.e. at least monthly, is small but not insignificant, ranging from 2.6% in Bulgaria to 5.1% in Slovakia, while work on a weekly basis in reported by less than 3% of respondents. Very low income levels (see Figure 2.15) are a likely reason for this attrition and explain why the majority of these workers are simultaneously employed in the offline labour market (Piasna and Drahokoupil 2019).

Activities performed by online workers usually require basic skills, even though the workers performing them tend to be better educated than the general population. Figure 2.16 shows the prevalence of low-skilled activities in internet work. As can be expected, the largest number of respondents had sold personal possessions at some point or continue to do so on a regular basis. Selling and re-selling on a commercial basis is also relatively widespread. In contrast, professional and skilled activities are among the least common.

Factors such as low incomes and a lack of standard employment locate internet work squarely within the category of precarious employment. The vulnerable situation of online workers is aggravated by the fact that they often simultaneously hold offline jobs which are also more likely to be non-standard, i.e. based on freelancing or temporary contracts, and with more fragmented career trajectories (Piasna and Drahokoupil 2019). It remains to be seen whether the internet as a source of generating income will provide sufficient incentives to workers, given that it requires relatively high levels of digital literacy but offers mainly low-paid activities with low-skill requirements.

"Low incomes and a lack of standard employment locate internet work squarely within the category of precarious employment."

Figure 2.16 Internet work, by type of activity (%)



Source: ETUI Internet and Platform Work Survey (Piasna and Drahokoupil 2019).
Note: Average across five countries: Bulgaria, Hungary, Latvia, Poland and Slovakia.

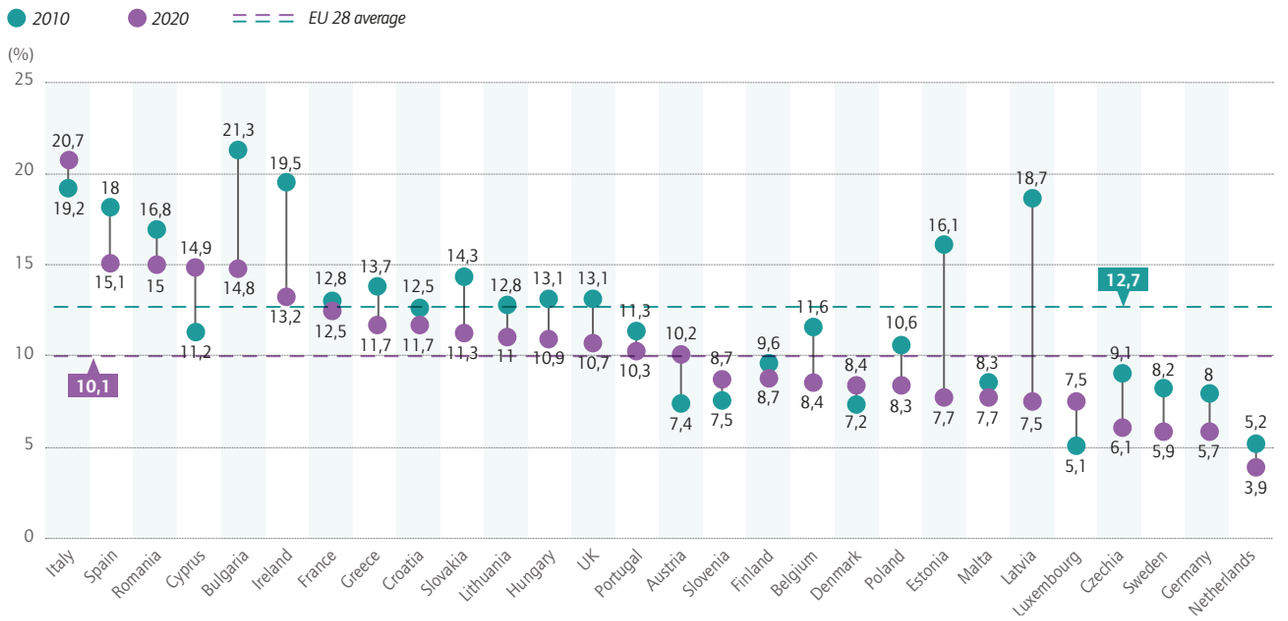
Internet work: income-generating activities accessed via websites or mobile apps

- Renting out (own) accommodation
- Taxi services or other driving or delivery work done in person
- Blogging or running social media accounts
- Freelance work doing short tasks or 'click work', e.g. data entry, transcriptions, online surveys
- Freelance creative or IT work, e.g. web design, graphic design, programming, translation, copywriting, content creation
- Professional freelance work, e.g. consultancy, accounting, research
- Other freelance services or tasks
- Selling personal possessions online
- Selling self-made products online
- (Re-)selling other products online

Youth

Young people at risk in labour markets

Figure 2.17 NEET rate (ages 15-24) in 2010 and 2020 (%)



Source: Eurostat [lfsi_neet_q].
Notes: Expressed as percentage of total population. 2019_Q4 for DE; 2020_Q1 for EU28, BE, BG, CZ, HR, HU, MT, NL, PL, RO, FI, SE; otherwise, 2020_Q2.

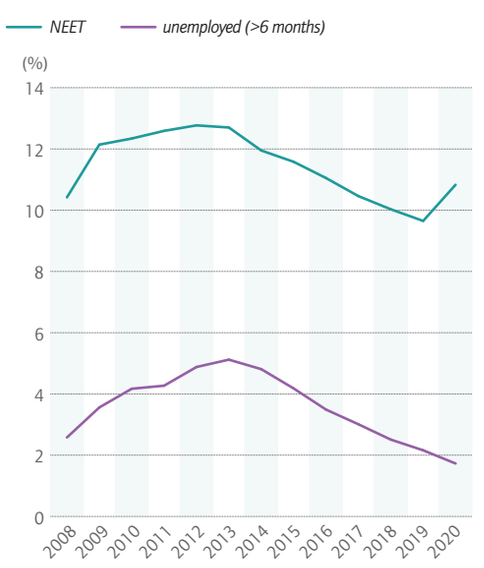
Successfully integrating young people into the labour market is crucial for the economy as a whole but also for young people's later employment outcomes, as entering the labour market during a recession can have long-lasting scarring effects (Bell and Blanchflower 2011; Strandh et al. 2014). This issue has been recognised by the EU with its Youth Guarantee, in which all Member States commit to ensuring that young people (under 25) are not unemployed for more than four months before finding good-quality education, training, or employment.

Figure 2.17 shows that the share of young people who are not in employment, education or training (NEET) has generally come down from the high rates that were seen across Europe in 2010, declining from 13% to 10% in the EU28 overall, albeit with significant regional variations. The situation improved substantially in several countries, such as Latvia, Estonia, Ireland and Bulgaria. However, almost a fifth of young people in Italy are not in employment, education or training, compared to 6% in Sweden, Czechia and Germany, and only 4% in the Netherlands.

Figure 2.18 shows the evolution of the NEET rate across the EU28, and the share of young people who are unemployed and looking for work for longer than six months – this constitutes a persistent fifth of all NEETs, despite the commitment set out in the Youth Guarantee. The NEET rate has been increasing in 2020, most likely as a result of the Covid-19 crisis, but we have not yet witnessed an increase in long-term unemployment in the second quarter of the year.

The Youth Guarantee has been a partial success, as can be seen by the decrease in the NEET rate and in long-term unemployment among young people since 2013, when it was first introduced. From a longer-term historical perspective, however, the NEET and long-term unemployment rates have merely returned to 2008 levels.

Figure 2.18 Youth (15-24) NEET and long-term unemployment rates, EU28 (%)



Source: Eurostat [lfsi_neet_q, lfsq_ugad, demo_pjan].
Note: Q2 for each year and 2020 where avaialble, otherwise 2020(Q1).

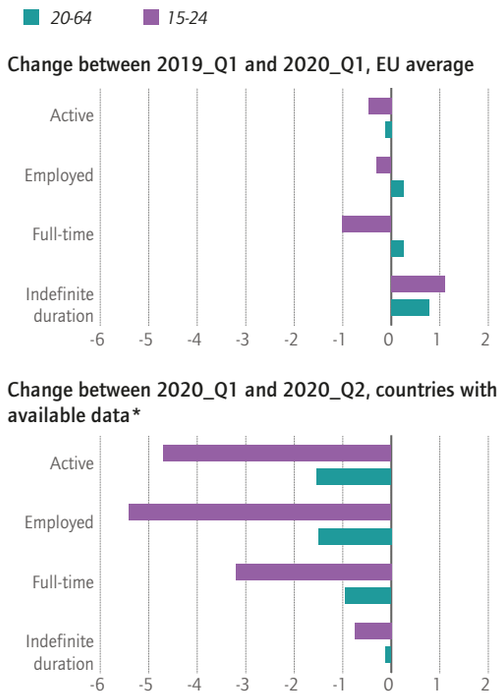
The Covid-19 crisis risks hitting younger generations hardest

Young people have already spent the past decade in precarious positions in the labour market (see ETUI and ETUC 2012, 2013 and 2014), and this will likely only be exacerbated by the current Covid-19 crisis and associated job losses. During the global financial crisis young people were particularly affected; it is crucial that this be avoided in the current crisis to prevent a long-lasting 'scarring effect' on the whole generation, who not only had their education and training severely limited this year but also their transition to the labour market.

Figure 2.19 (top) shows a comparison between the evolutions in the employment situations of young workers and of the general active population from the first quarter of 2019 to the first quarter of 2020. It shows the evolution in the number of economically active people, the number of employed workers, and the number of workers who are on full-time contracts or contracts of indefinite duration. The number of young people active in the labour market decreased by 0.5% (105,000 workers) from 2019 to 2020. While a small figure, in relative terms this is almost twice the decrease of the general workforce (305,000 fewer people active, or 0.3%). Moreover, the number of employed young people decreased by 0.2%, while there was a small increase for the general population. The reduction in young people's employment was mainly in full-time employment (1% reduction). The number of workers in open-ended contracts increased slightly in Europe from 2019 to 2020. However, these changes in the EU28 hide substantial country variation. Labour force activity among the young declined the most in Luxembourg (13%) and Bulgaria, Croatia and Czechia (6-8%), while it increased in some countries, including Estonia (10%), Romania and Malta (3%) and Germany (2%). Similarly, changes in youth employment vary between a 15% decrease (Luxembourg) and a 7% increase (Ireland).

Figure 2.19 (bottom) shows (for a subgroup of countries) how the labour market situation changed from the first to the second quarter of 2020 for youth and for workers aged 20-64. This highlights how much more precarious the situation is for the young. The number of young people active in the labour market dropped by 5% on average – even by up to 10% in Slovenia, Italy and Spain – compared to a 2% decrease for the general population. As this is almost the same as the reduction in employment, it shows a push out of employment altogether for young people. The young are also more likely to lose standard employment contracts (full-time and open-ended) than older workers. The difference between the figures for the young and those aged 20 to 64 likely reflects the relatively successful efforts at retaining employment for the working-age population, through subsidised retention schemes. Young people, on the other hand, are not likely to have quality jobs or are deciding to postpone entering the labour market for longer, if they can. This could have long-term negative effects on this cohort.

Figure 2.19 Labour market status changes, 2019/2020 (%)

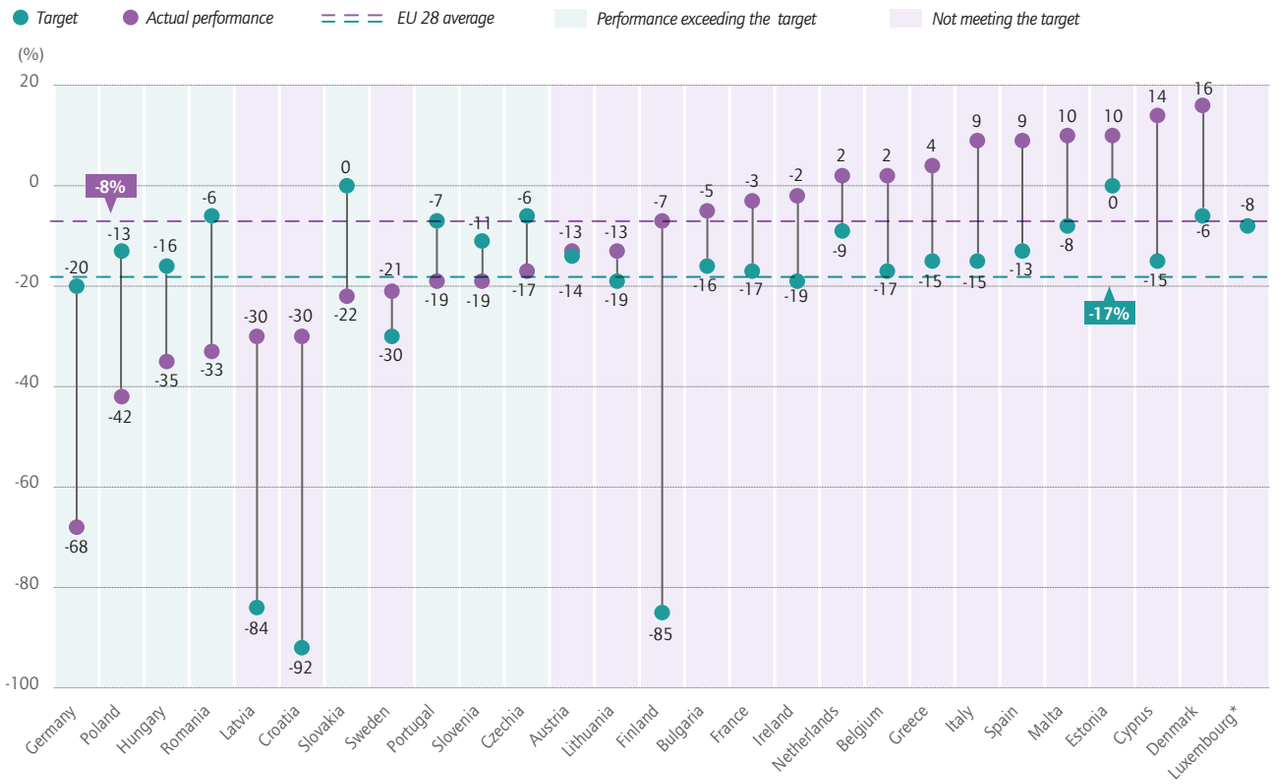


Source: Eurostat-LFS [lfsi_emp_q, lfsi_pt_q].
**SI, IE, ES, PT, LU, EE, IT, CY, FR, SK, UK, LT, AT, LV*

Social inclusion

Europe 2020: heading in the right direction, but social exclusion still a problem

Figure 2.20 Reduction of social exclusion, compared to Europe 2020 country targets, 2008-2019 (%)



Source: Eurostat [T2020_50, T2020_52, T2020_52, lfsa_ugad, lfsa_igar].
Notes: In NL and DK, the social exclusion rate is calculated as the number of people in households with very low work intensity; in BG and EE, it is the number of people at risk of poverty after social transfers; in DE, the number of long-term (>1 year) unemployed; in SE, the number of inactive workers; in the remaining countries, the number of people at risk of poverty or social exclusion.
Data for the UK are not included.
**Luxembourg had a 75% increase, this is left out of the figure.*

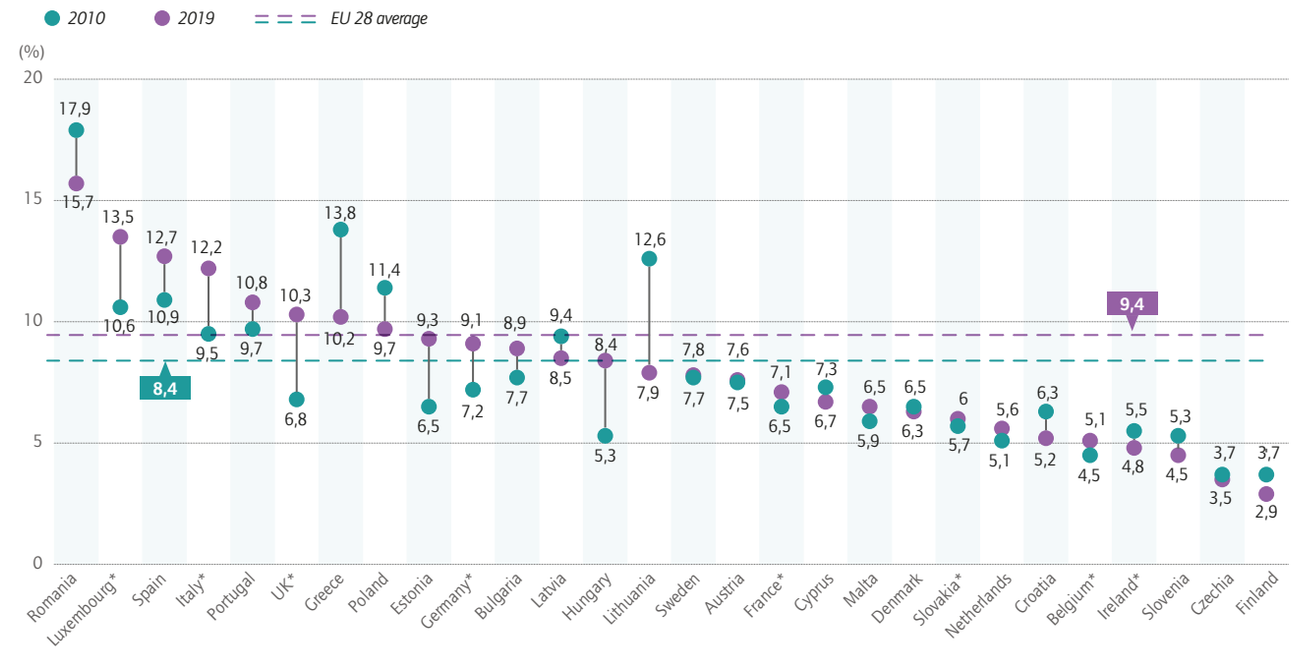
The Europe 2020 strategy set out to ensure growth and jobs through different targets (see ETUI and ETUC 2011). The EU-wide employment target for 2020 (75% employed) was almost reached in 2019 (73.9%), with 17 countries meeting their targets. The EU as a whole is also close to its education targets, with the share of young people leaving school early at 10.3% in 2019 (against a target of 10% at most) and the share of graduates increased from 31% in 2008 to 41.6% in 2019, meeting the 40% target.

Yet while progress has been made on employment and education objectives, the Member States also committed to reducing the number of people at risk of poverty or social exclusion by at least 20 million by 2020. Different national targets have been set up to measure progress on these issues. Figure 2.12 contrasts the performance in each Member State against their own target.

Until the pandemic outbreak, the EU as a whole had been moving in the right direction, with the number of people at risk of poverty decreasing by 9 million (8%) from 2008 to 2019. However, this is still 11 million short of the target (which equates to 17% of this group). Social exclusion decreased in the majority of Member States, and even by more than 20% in Germany, Poland, Hungary, Romania, Latvia, Croatia, Slovakia, and Sweden. However, it went up in 10 countries (the Netherlands, Belgium, Greece, Italy, Spain, Malta, Estonia, Cyprus, Denmark and Luxembourg).

Meanwhile, national targets were met in only nine of the Member States (Germany, Poland, Hungary, Romania, Slovakia, Portugal, Slovenia, Czechia and Austria). While Latvia and Croatia are among the best-performing Member States in terms of reduction of social exclusion, their targets were very high and were not reached. Since relevant data for the pandemic period are not yet available and the Covid-19 crisis is not yet over, it remains to be seen what impact it will have on the social inclusion indicators. Preliminary evidence suggests that those workers who are already in precarious and low-pay positions are also at a higher risk of having to reduce hours or lose work altogether (Eurostat, 2020), thereby increasing inequality and reducing the chance of the Europe 2020 targets being met.

Figure 2.21 In-work at-risk-of poverty rate, 2010-2019 (%)



Source: sdg_01_41, and demo_pjan to weight.
Note: the EU-total is the weighted average of the shares of all EU28 countries; the in-work at-risk-of-poverty rate is the share of the working population (18+) whose equivalised household income lies below 60% of the median equivalized household income, after social transfers.
**data refer to 2018, as 2019 not yet available.*

Figure 2.22 At-risk-of-poverty rate for the working population in EU28, 2010 and 2019 (%), age group 18+

Source: sdg_01_41, and demo_pjan to weight.
Note: the EU-total is the weighted average of the shares of all EU28 countries; the in-work at-risk-of-poverty rate is the share of the working population (18+) whose equivalised household income lies below 60% of the median equivalized household income, after social transfers.
**data refer to 2018, as 2019 not yet available.*

In-work poverty is rising

Employment is the key to increasing social inclusion, provided work pays a decent wage. The in-work at-risk-of-poverty (AROP) rate is the share of persons in the population who are in work and have an equivalised household income that is below 60% of the national median equivalised household income, after social transfers such as pensions and unemployment benefits.

Figure 2.21 shows the in-work AROP rates in 2010 and 2019. The share of workers who are at risk of poverty increased somewhat in the EU as a whole, by 1pp. It went up in 17 of the Member States by an average of 1.4pp, but was static or even decreased slightly in countries that were already among the better performers (Ireland, Slovenia, Czechia, and Finland); it also came down in Romania and Greece, which had very high rates of working poor in 2010.

This variation between countries shows the scope for setting EU-wide regulation on minimum wages that guarantees a decent wage (Müller & Schulten 2020b; see also Chapter 4 in this volume). With the share of working poor close to 10% in the EU as a whole and above 10% in several countries (Greece, the UK, Italy, Spain, Luxembourg and Romania), such regulation could have a positive impact on many people.

Share of working poor rises most among vulnerable groups

Figure 2.22 breaks down the EU-wide in-work AROP rates. The shares of working poor are over three times higher among lower-educated than higher-educated workers. They are also far higher among part-time workers, and those on temporary contracts. The risk of in-work poverty remains higher for younger than older workers, but this difference has decreased over time. Finally, migrants are much more at risk of being in poverty than native-born workers; and the risk is simultaneously higher for third-country nationals than intra-EU migrants. Alarmingly, these gaps have generally widened over time, as the working poor rate increased most in the already at-risk groups: the lower-educated, part-time workers, those on temporary contracts, and migrants.

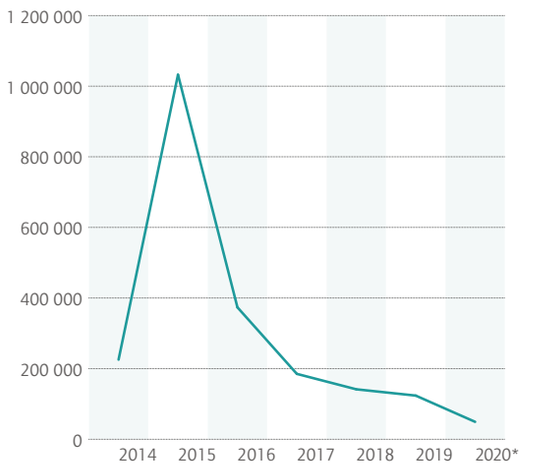
The 2015 refugee crisis: five years on

From Orbán`s fence through the EU-Turkey Statement to Covid-19."

No European solution in sight

With over one million asylum seekers from the Middle East, Asia and Africa fleeing civil war, oppression and failing states, in 2015 and 2016 Europe was facing the greatest migration inflow since World War II. And with European institutions largely failing to address this historical challenge to solidarity at a supranational and coordinated level, national governments often pursued self-serving, and in certain cases obstructive, policies. A small number of countries, meanwhile, took up the challenge and acted. Parts of the existing European legal framework were breaking down, with the collapse of the Dublin III regulation on Member State responsibility regarding the examination of an asylum application, and the temporary suspension of the Schengen system of free movement. Instead of cooperating to produce a common response to this humanitarian challenge, the 2015 emergency created new fault lines in Europe. In the last five years, and since the peak of that crisis, a common and coherent European asylum policy has genuinely struggled to emerge, and the newly proposed Pact on Migration and Asylum by the European Commission (2020) does not deliver one either. These historic failures have been exposed even further by the Covid-19 crisis, with the tragic events in the Lesbos campsite in Moria – where cramped conditions no doubt played a major role in the propagation of Covid-19 among its 12,000 residents – becoming a powerful symbol of Europe's inability to deal humanely with refugees, and migration flows at large, and testimony to the EU's lack of long-term vision when it comes to immigration policy and strategy. This section takes stock of the main developments, then concludes with policy recommendations related, in part, to the proposed Migration and Asylum Pact.

Figure 2.23 Arrivals of asylum seekers to the EU

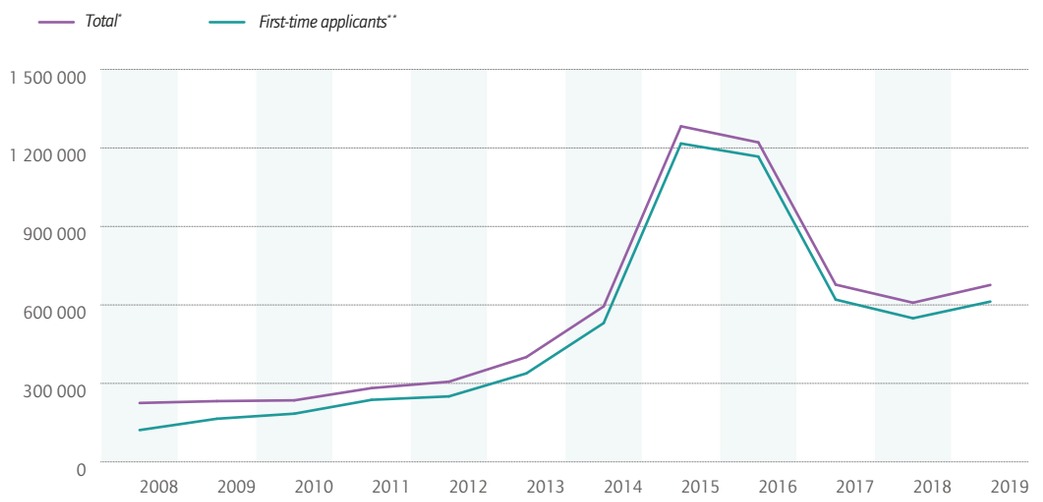


Source: UNHCR 2020.
**2020 data are for January-August*

Arrivals and asylum applications: 'flattening the curve'

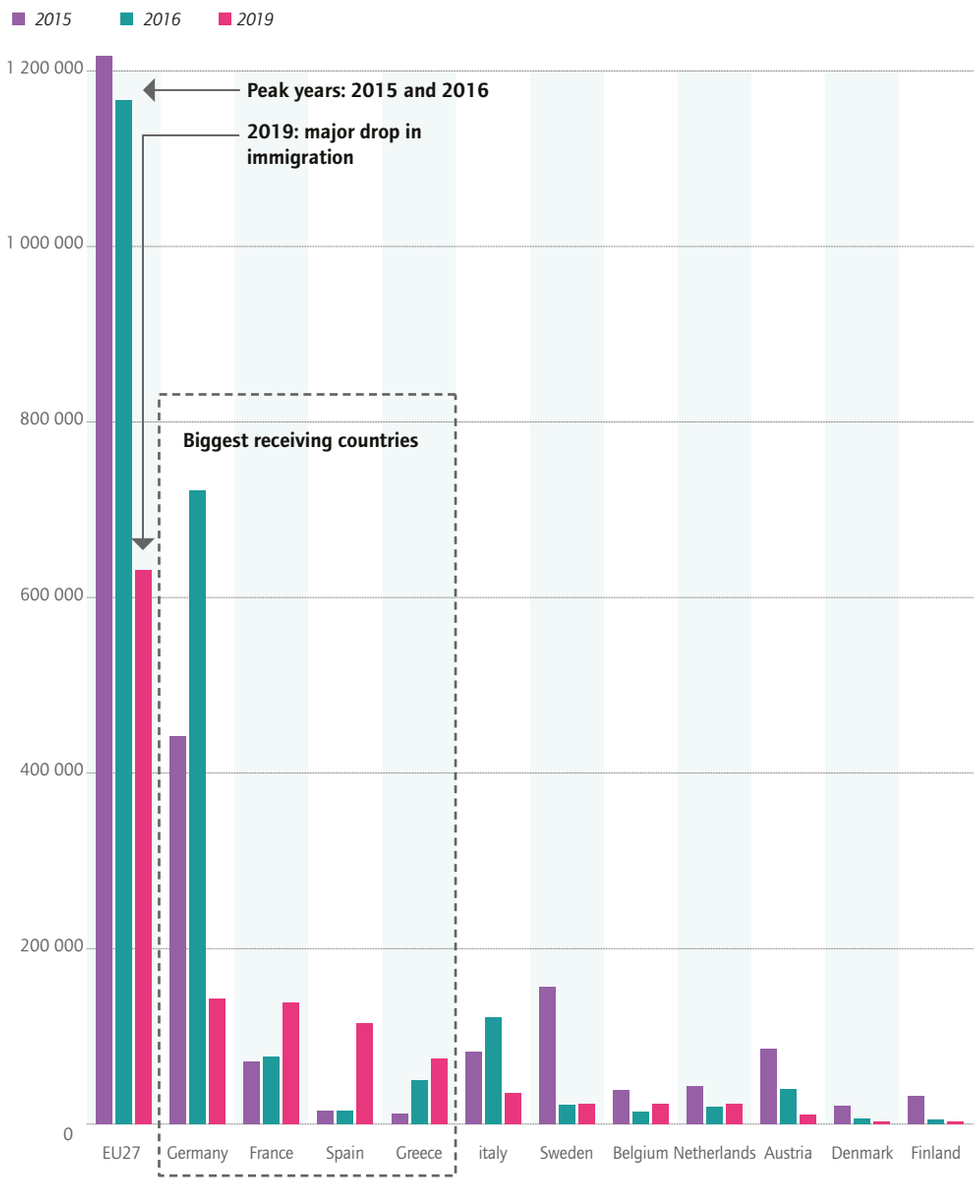
The statistical coverage of migration flows is patchy, but while not offering an exact picture of events, it still allows some major developments to be tracked. As the UNHCR data presented in Figure 2.23 reveals, with a total of 1,032,408 asylum seekers arriving in Europe, 2015 can be considered as the peak year for number of arrivals. From 2016 onwards, the numbers showed a clearly decreasing trend, and the influx of asylum seekers to Europe has almost dried up in 2020, partly due to the effects of the Covid-19

Figure 2.24 Number of asylum applicants (non-EU27 citizens), EU27, 2008–2019



Source: Eurostat [migr_asyappctza].
** 2008–2014: Croatia not included (no available data).*
*** 2008: Bulgaria, Greece, Spain, France, Croatia, Lithuania, Luxembourg, Hungary, Austria, Romania, Slovakia and Finland not available. 2009: Bulgaria, Greece, Spain, Croatia, Luxembourg, Hungary, Austria, Romania, Slovakia and Finland not available. 2010: Bulgaria, Greece, Croatia, Luxembourg, Hungary, Austria, Romania and Finland not available. 2011: Croatia, Hungary, Austria and Finland not available. 2012: Croatia, Hungary and Austria not available. 2013: Austria not available.*

Figure 2.25 First-time asylum applications, by key Member State



Source: Eurostat (2020).

pandemic. The sudden drop in arrivals in 2016 was mostly a consequence of unilateral steps taken by certain Member States to close their borders, which led to a de facto closure of the important Balkans route.

The development of the number of first-time asylum applications in the EU27 is shown in Figure 2.24 (for the EU) and Figure 2.25 (by Member State). A first-time applicant for international protection is a person who filed an application for asylum for the first time in a given EU Member State; repeat applicants are therefore excluded from this definition The number of repeat applicants in that Member State (persons filing more than one application) in the EU27 in 2019 made up 9.4% of the total number of applicants (also shown by Figure 2.24).

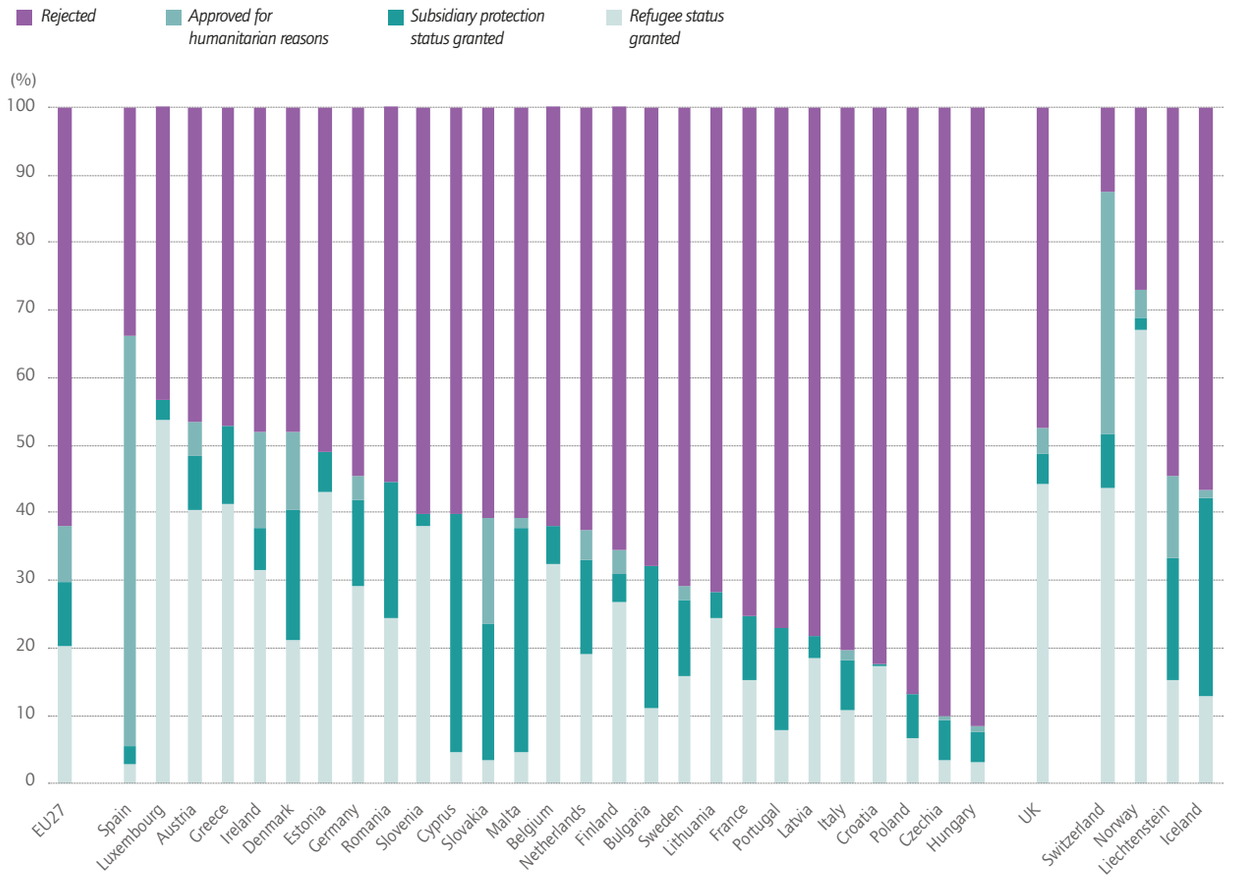
The number of first-time applicants followed the trend of arrivals with varying time lags, with 1.21 and 1.16 million claims in the peak years of 2015 and 2016, respectively (Eurostat 2020). Since then, these figures have declined markedly. First-time applicants across the EU27 fell to 620,000 in 2017 and have broadly remained at that level over the last two years.

Figure 2.25 shows first-time asylum applications for selected Member States and the EU27 for the years 2015, 2016 and 2019. Germany accounted for most asylum claims in the peak years of 2015 and 2016 with, respectively, a share of 36% and 60% of the EU27 total. The evolution of asylum claims by Member State showed different trends, depending on shifting migration routes and varying time lags between arrivals and registrations. For Sweden and Austria, the peak year was 2015; for Germany and Italy 2016; while for Greece, Spain and France it was 2019, a year when EU asylum claims were already falling sharply. In that year, France was the second most popular destination (after Germany) even though in the peak years it was only moderately affected.

The most striking contrasting trend between 2016 and 2019 can be observed when comparing Germany and Spain. While in 2019 asylum claims in Germany fell to one fifth of the 2016 levels, in Spain they were almost eight times higher in 2019 than in 2016.

Another pattern appears fairly consistent throughout the entire period: asylum seekers were concentrated in a small number of Member States, putting some of

Figure 2.26 Distribution of first instance decisions on asylum applications (from non-EU27 citizens), by outcome, 2019 (%)



Source: Eurostat (2020).

them under substantial strain, while other Member States were hardly affected. The most affected were those at the entry points of the EU (Greece and Italy) and a few Member States that took it upon themselves to make an active contribution to the management of what, back then, was a common humanitarian crisis (for example, Germany, Sweden, Spain and Austria, at least initially).

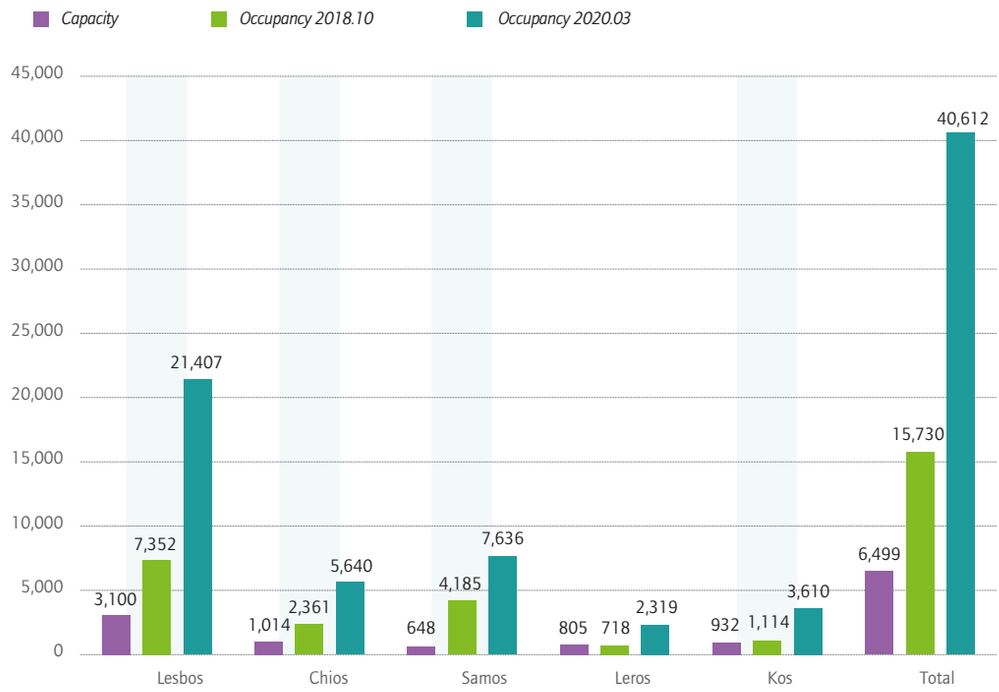
Figure 2.26 shows the results of first-instance asylum decisions by Member State for the year 2019. The high share of rejected asylum claims is the most apparent feature emerging from these figures. At the level of the EU27, the share of rejected claims in first-instance decisions was above 60% in 2019, while refugee status was awarded to approximately 20% of applicants. However, the picture varies by Member State; the rejection rate was lowest in Spain and highest in Hungary. Germany (with the highest number of asylum claims in 2019) had a 54% rate of rejection, while France rejected more than three quarters of its asylum claims. With a very low rate of return to their home country for rejected refugees, this high proportion of rejections means that hundreds of thousands of people are getting trapped in situations of extreme vulnerability, mostly without the right to employment and with only limited access to social services.

Lack of a common EU migration and asylum policy

Although no comprehensive EU policy framework to face the challenge was put in place, the closure of the western Balkans route meant that a smaller wave of arrivals was concentrated in the central Mediterranean route. The 'flattening of the curve' (of both arrivals and asylum claims) since 2016 is a temporary phenomenon due mostly to unilateral actions by certain Member States and not a result of co-ordinated or successful European-level policies. Where European 'co-ordination' did prove to be somewhat effective was in the strengthening of migration policies that contributed to the creation of what has been termed 'fortress Europe'. The restriction of access to the EU with the closure of the land route through the Balkans was followed by the EU-Turkey Statement in 2016 that aimed at stopping the flow of irregular migration via Turkey to Europe. Accordingly, all new irregular migrants and asylum seekers whose applications for asylum had been declared inadmissible were forced to return to Turkey. The Statement also envisaged that all new irregular migrants crossing from Turkey to the Greek islands would be sent back and that, for each returned Syrian, another would be resettled from Turkey into the EU.

However, the EU-Turkey Statement did not end the crisis and fell short of its objectives. Between April 2016 and February 2019, only 2% of the 84,210 refugees and migrants who arrived on the Greek islands were returned to Turkey (UNHCR 2019).

Figure 2.27 Occupancy in Reception and Identification Centres for asylum seekers on Greek islands (number of persons)



Source: Greek government (2020).

The difficulty of finding a European solution was most apparent with the failure of the proposed relocation quotas: only a third of the foreseen number of asylum seekers were relocated from Italy and Greece to another Member State, due to the resistance of a small number of countries.

Lesbos: a symbol of EU migration and asylum policy

Currently, the Greek state operates five reception and identification centres (RIC) for asylum seekers (also called 'hotspots') in the eastern Aegean islands. The breakdown of the data by RIC presented in Figure 2.27 demonstrates major shortcomings in the system. The situation has been dramatically escalating in the last 18 months, with occupancy rates far above capacity: by sevenfold for the largest RIC in Lesbos and by almost twelvefold for Samos. In the context of the spread of the Covid-19 pandemic, overcrowded reception centres with poor sanitary standards and limited health care provision present a looming humanitarian catastrophe. The devastating fire in the Moria camp on Lesbos in early September 2020 was the apex of this tragedy so far.

Labour market integration of refugees

The big challenge for the countries hosting refugees and asylum seekers will be their labour market integration. Numerous factors are at play in determining employment levels among non-EU nationals, such as the labour market situation in the host country and the socio-demographic characteristics of the migrants themselves. There is no comparable data available on the labour market participation of refugees. To give some background, based on Eurostat data, Figure 2.28 shows employment rates for non-EU28 citizens by main host country for the years 2007-2019. These figures are indicative, as they include all non-EU nationals, not only refugees, and provide a maximum value. In 2019, the number of employed non-EU28 nationals in most of the Member States shown in the figure was close to 50% or above (and highest in Denmark, Italy and Austria). Among the main host countries, Germany had the greatest increase in the non-EU28 national employment rate between 2007 and 2019. In Greece and Spain, it was significantly lower in 2019 than in 2007.

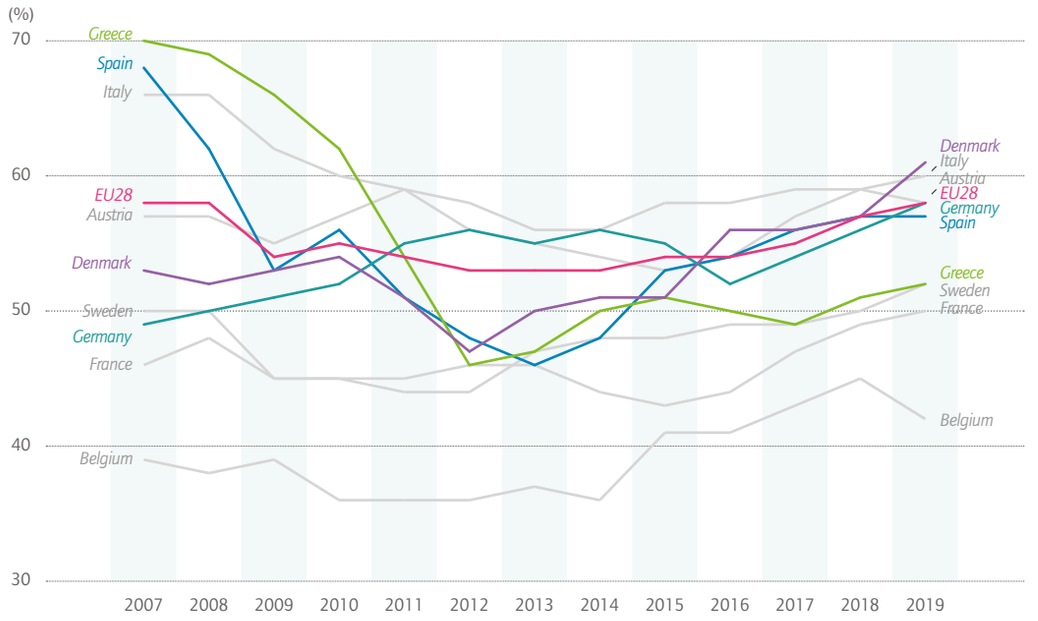
It is also interesting to look at the absolute numbers in non-EU28 employment changes between 2014 and 2019. In the EU27 (without the UK) employment of non-EU28 citizens grew by 2.1 million; 55% of this increase was absorbed by Germany (by 750,000) and by Spain (407,000), followed by France (289,000), Italy (124,700) and Sweden (110,000).

The Migration and Asylum Pact: already a failure at birth

The New Pact on Migration and Asylum proposed by the European Commission (2020) can be seen as the acknowledgement of its inability to establish a common migration and asylum policy framework – as the new key term 'flexible solidarity', a main pillar of the Pact, suggests. This failure leads to fragmentation in European cooperation on an issue that lies at the very core of the EU's foundations, and where common action is essential.

Although the Pact refers to the United Nations Global Compact for Refugees (UN GCR), it goes against its core principle in its very title: the EU's approach of linking asylum with migration is fundamentally flawed and disregards a core element of the UN GCR: the primacy of refugee protection.

Figure 2.28 Employment rates of non-EU28 citizens, by country (%)



Source: Eurostat-LFS [lfsq_pganws].
Note: age group 15-64.

One positive feature of the Pact is the setting up of an independent monitoring mechanism of border procedures, in compliance with fundamental rights. However, at a fundamental level, and regardless of how it is being sold by the EU, the principle of solidarity is nowhere to be seen in the idea of 'return sponsorship', which is actually just a euphemism for 'deportation sponsorship'. The ETUC dismissed the Pact by saying: 'Trade unions know the meaning of solidarity and this is not it. Fortress Europe looks stronger than ever' (ETUC 2020). The main objective of the Pact is undoubtedly deterrence.

The result of these policies can be seen on the Greek islands, where asylum seekers are living in reception centres in numbers several times their capacity, and without elementary sanitary protection during the height of a pandemic. The scandalously high losses of life in the Mediterranean Sea, the Sahara Desert and the detention camps in Libya are to a great extent the result of an EU policy approach of external border defence against asylum seekers that is violent and often deadly.

This Pact also has nothing to say about the precarious employment situation of hundreds of thousands of asylum seekers, who are often working in the informal economy. As the labour market situation in Europe deteriorates dramatically during the Covid-19 crisis, it is asylum seekers and refugees that will be disproportionally affected.

"While admittedly impressive from a rhetorical point of view, the Commission's openness towards a 'new growth model' is only significant if effectively transposed into tangible policies."

Labour market policies in the 2020 CSRs

The 2020 European Semester objectives: sustainability and overcoming the Covid-19 crisis

The 2020 European Semester cycle introduced some interesting novelties with respect to previous years. These novelties are mainly the result of two separate but ultimately converging processes.

First, the Von der Leyen Commission launched the 2020 European Semester on a rather innovative premise. In the past, the policy objectives of each Semester cycle were defined in the Annual Growth Survey. Traditionally, the reduction of public spending through reforms of national social protection systems, as well as the creation of flexible, inclusive and mobile labour markets, had figured high among the main priorities of the yearly growth agenda. However, in December 2019, the Von der Leyen Commission opened the Semester cycle with the Annual Sustainable Growth Strategy (ASGS) for 2020, which, as the title of the document indicates, presented a more holistic and less competitiveness-driven growth agenda. The Commission thereby declared its commitment to substantially widening the rationale of the Union's growth strategy, and introduced 'fairness' and 'environmentalism' among the objectives of the Semester process. The Commission also proclaimed its intention to integrate the UN Sustainable Development Goals in the European Semester.

While admittedly impressive from a rhetorical point of view, the Commission's openness towards a 'new growth model' is only significant if effectively transposed into tangible policies. In this respect, the 2020 Country-Specific Recommendations (CSRs) provided a first occasion to test the propositions developed in the new ASGS. And interestingly, our analysis shows that, despite the fact that the impact of the UN SDGs is hardly noticeable, a renewed emphasis on Europe's social dimension does indeed seem to have emerged.

The second factor responsible for the novel policy orientations of the 2020 European Semester cycle is the Covid-19 outbreak and the consequent efforts to mitigate the impact of the socio-economic crisis that it has generated. The stress that the pandemic imposed on the Member States' health systems and the (more or less) prolonged containment measures adopted by different national governments called for a revaluation of the public spending figures for all countries (even if to different extents). In March 2020, the Commission thus proposed the activation of the general escape clause of the Stability and Growth Pact, allowing Member States to deviate from the Union's usual budgetary rules. Moreover, the pandemic highlighted the importance of effective social safety nets and led to the adoption of the SURE mechanism, providing support for national short-time work schemes. Our analysis of the 2020 CSRs indicates that both the suspension of the budgetary rules and the emphasis on social protection systems are echoed in the recommendations. The CSRs are, for the first time, released from the dictates of EU fiscal rules, allowing greater leeway to focus on welfare and progressive policies.

Evolution of the Annual Growth Survey's priorities over the years: from 'flexicurity' to a more social orientation

In the initial years of its publication, the Annual Growth Survey (AGS) explicitly addressed the need to increase competitiveness by lowering labour costs. For example, the 2012 AGS stated: 'In some Member States employment protection legislation creates labour market rigidity, and prevents increased participation in the labour market. Such employment protection legislation should be reformed to reduce over-protection of workers with permanent contracts, and provide protection to those left outside or at the margin of the labour market'. Similarly, the 2013 AGS proclaimed: 'Several ambitious reforms are being implemented across Europe. [...] measures have been taken to facilitate flexible working arrangements within firms, reduce severance pay for standard contracts and simplify individual or collective dismissal procedures. Steps have also been taken to enhance flexibility in wage determination, such as easing the conditions for firms to opt out of higher-level collective bargaining agreements and the review of sectoral wage agreements.'

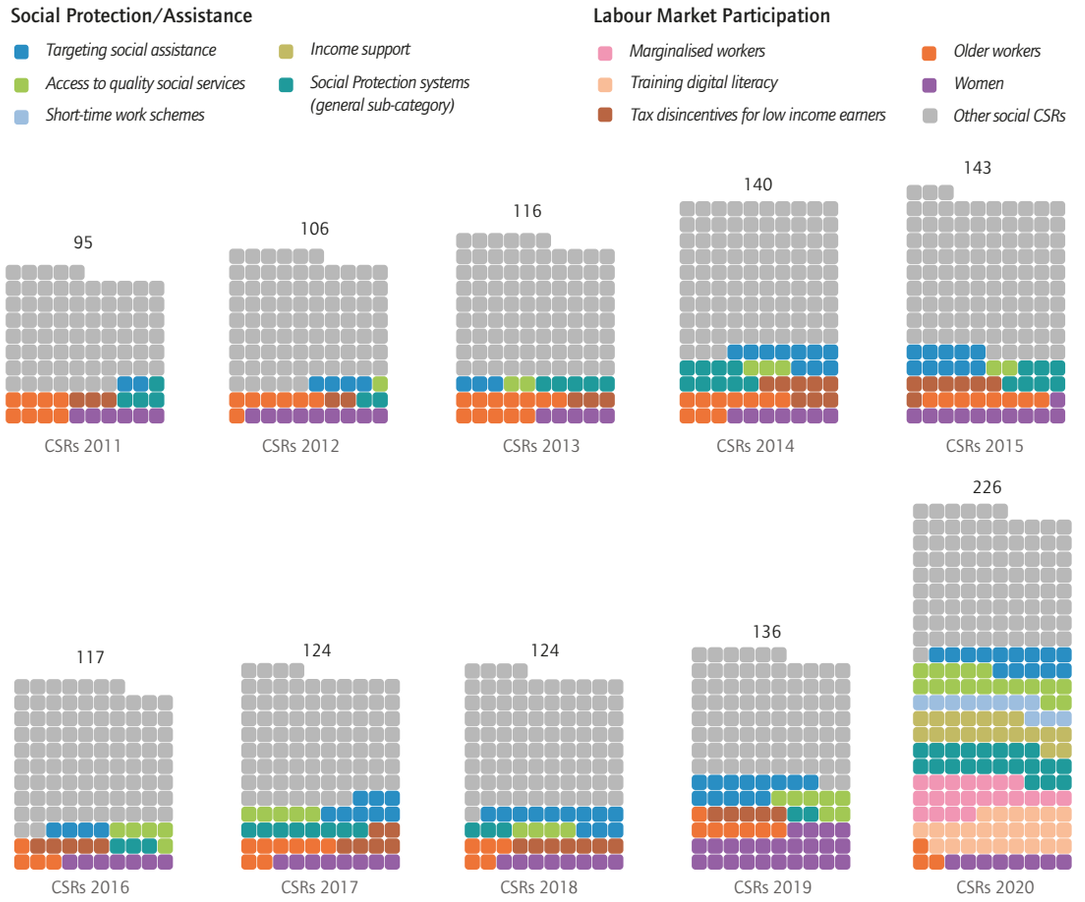
Throughout the years, direct references to the reduction of employment and social security protection became less frequent, but the AGS consistently stressed the importance of increasing the flexibility of the labour market. For the first time, in the 2020 Annual Sustainable Growth Strategy the focus on flexicurity is fully abandoned.

Observing the evolution of the 'social' Country-Specific Recommendations

A key question that emerges from this analysis is: how did the ASGS and the Commission's response to the Covid-19 crisis reverberate in the 'social' CSRs? A CSR is considered to be 'social' when it touches upon one of the following categories: wages; social dialogue; employment protection legislation; labour market participation; youth employment; pensions; social protection and social assistance; child poverty; and taxation.

In conclusion, it is safe to argue that the 2020 CSRs dedicate a substantially greater deal of attention to social aspects than they did in previous years."

Figure 2.29a Evolution of CSRs on social protection and labour market participation



Source: ETUI own analysis, see also Rainone (2020).

Figure 2.29b Evolution of CSRs on labour market policies and considerations on the impact of Covid-19

Category	Sub-category	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014	CSRs 2015	CSRs 2016	CSRs 2017	CSRs 2018	CSRs 2019	CSRs 2020
Labour Market Participation	Women	6	9	5	7	11	7	8	8	14	8
	Older workers	8	7	12	10	8	4	8	5	7	3
	Tax disincentives for low income earners	3	2	3	8	7	5	6	7	5	0
	Training digital literacy	/	/	/	/	/	/	/	/	/	25
	Marginalised workers	/	/	/	/	/	/	/	/	/	21
	Subtotal	**17**	**18**	**20**	**25**	**26**	**16**	**22**	**20**	**26**	**57**
	% of total social CSRs	**17.90%**	**16.10%**	**17.20%**	**17.80%**	**18.20%**	**13.70%**	**17.70%**	**16.10%**	**19.10%**	**25.20%**
Social Protection / Assistance	Social Protection systems (general sub-category)	4	2	5	9	7	3	8	3	2	21
	Income support	/	/	/	/	/	/	/	/	/	19
	Short-time work schemes	/	/	/	/	/	/	/	/	/	11
	Access to quality social services	0	1	2	3	2	5	5	4	7	17
	Targeting social assistance	2	4	3	10	10	4	8	12	13	14
	Subtotal	**6**	**7**	**10**	**22**	**19**	**12**	**21**	**19**	**22**	**82**
	% of total social CSRs	**6.30%**	**6.60%**	**8.60%**	**15.70%**	**13.30%**	**10.20%**	**16.90%**	**15.30%**	**16.10%**	**36.20%**
TOTAL SOCIAL CSRs		**95**	**106**	**116**	**140**	**143**	**117**	**124**	**124**	**136**	**226**

Source: ETUI own analysis, see also Rainone (2020).
Note: The '/' symbol indicates that until 2020 the subcategories did not exist in the ETUI taxonomy, since CSRs on those topics were never identified. In 2020, the plethora of CSRs on those topics compelled the creation of new categories .

First of all, from a rather crude quantitative point of view, the total number of the recommendations addressing social or employment matters significantly increased (from 136 in 2019 to 226 in 2020). Secondly, this quantitative increase especially concerns the categories of 'labour market participation' and 'social protection and social assistance', which together hold more than 60% of the total social CSRs (25.2% and 36.2%, respectively; see Figure 2.29). And, last but not least, the 2020 CSRs frequently address new topics: 'training digital literacy', 'enhancing labour market participation for marginalised workers', 'income support' and 'short-time work schemes'. Therefore, as crude as this measurement may be, it does clearly show a renewed interest in 'social' issues in the CSRs and in the general policy orientation of this Commission.

In conclusion, it is safe to argue that the 2020 CSRs dedicate a substantially greater deal of attention to social aspects than they did in previous years. The absence of tangible macroeconomic constraints creates a policy space for public investments directed at strengthening national safety nets and the inclusivity of labour markets, with particular attention given to those at risk of marginalisation. Furthermore, and differently from previous years, there is no emphasis on reducing labour costs, decentralising wage bargaining, or further pursuing the flexibilisation of labour markets. Overall, it is quite encouraging to note that the social CSRs have abandoned their (usually dominant) economic rationale and respond more genuinely to social objectives. This development reflects the Commission's declared commitment to mitigate the social effects of the Covid-19 crisis, in keeping with the spirit of the ASGS for 2020. However, it is too early to say whether this more social outlook will become a structural trend in EU governance. So far, there has been some ambiguity on this question. On the one hand, the recently published ASGS for 2021 indicates that the recovery and resilience plans that the Member States will need to present to access the EU recovery fund (the Recovery and Resilience Facility) will be assessed against the 2020 CSRs. But, on the other hand, the ASGS for 2021 addresses social and labour policies mostly in the broader context of the green and digital transitions, without identifying concrete priorities and targets. The actual implementation of the Recovery and Resilience Facility mechanism will thus be the first test of the resilience of the social orientation of the 2020 Semester.

Methodology of the ETUI's comparative research on the CSRs

As in previous years (see e.g. Clauwaert 2019), the ETUI analysis takes into consideration all the recommendations received by the Member States, regardless of the fact that these recommendations are formulated in the recitals or in the more prescriptive part of the document.

It should be noted that the higher number of social CSRs observed in 2020 can partially be attributed to the fact that the 2020 CSRs addressed new topics, requiring an update of the analytical framework through which the ETUI assesses the CSRs. For example, some more complex recommendations that would only be counted under one category in the old framework, have been disaggregated and doubly counted this year, under both old and new categories. However, this multiplier effect is only marginal since, in the past years, the number of CSRs that addressed these 'new topics' was minimal.

Conclusions

The Covid-19 pandemic is a shock of historic proportions: it needs a strong policy response

The Covid-19 crisis has come more than a decade after the onset of the great recession and following a period of prolonged economic recovery and sustained, if at times patchy, employment growth. Indeed, many of the labour market indicators, notably employment and unemployment rates, would lead many to believe that, before this crisis hit, the EU was at a historic high point in terms of labour market performance, with fully recovered losses and a likely greater resilience to future shocks. However, the analysis presented in this chapter has scrutinised in greater depth the extent to which the EU labour markets have changed in the past decade. It has scratched beneath the surface of data pertaining to the share of population in employment to explore the types of jobs available, how well these jobs perform the task of protecting workers from poverty and social exclusion, and some of the less obvious challenges that have torn into the social fabric of European societies in the past ten years.

The analysis shows that there was indeed a net increase in participation in the labour market over the past decade, but also that it has been a lost decade in terms of the persistent social inequalities, with large swathes of vulnerable groups of workers still at a high risk of poverty and exclusion. For instance, the recovery period did very little for gender equality, with women's employment rates today still lower than men's by more than 10 percentage points in the EU. It is an unfortunate paradox that women's relative position in society should suffer the most during periods of economic recovery. The situation of young people also remains problematic. The share of NEETs (not in employment, education, or training) among young people still stands at around 10% in the EU, with around a fifth unemployed for six months or longer – a proportion that remains relatively stable despite the ambitions of the Youth Guarantee. And, finally, migration from outside of the EU is another unresolved issue, placing unequal burdens on several EU Member States, with labour market integration of non-EU28 citizens at stubbornly low levels. This all clearly indicates that, in these areas, EU policy must change dramatically if any tangible results are to be expected.

Moreover, while more people have jobs compared to a decade ago, there is still a lot to improve with respect to the quality of jobs available in the EU labour market and their ability to provide a decent standard of living. Underemployment, measured as the prevalence of involuntary non-standard employment, has remained relatively stable in the EU as a whole. Around 13% of employees in the EU work on temporary contracts, and half of those because they could not find a permanent job. Around 20% of workers in the EU work part-time, with a quarter of them doing so because they cannot find a full-time position. Part-time work is especially high among women (31%, compared to 9% for men), contributing to a persistent gender gap in wages and pensions in later life. And the much-touted jobs in the new economy linked to digitalisation, such as online gig work and platform work, appear easy to access yet offer shockingly low incomes, with the majority of workers not able to earn more than a month's worth of minimum wages over an entire year.

By 2019, the EU was not close enough to achieving the Europe 2020 targets for employment and education, and not even halfway towards its goal to reduce the number of people at risk of poverty or social exclusion. Only nine of the Member States had met their country-specific targets, while in 10 EU countries social exclusion had actually increased. The share of working poor has also increased in the EU over the past decade. The risk differs substantially between groups; it is higher for the lower educated, for part-time workers, for those on temporary contracts, for the young, and for EU and third-country migrants. The share of working poor increased most in those countries and especially for those groups that already have higher shares; thereby increasing inequality over time.

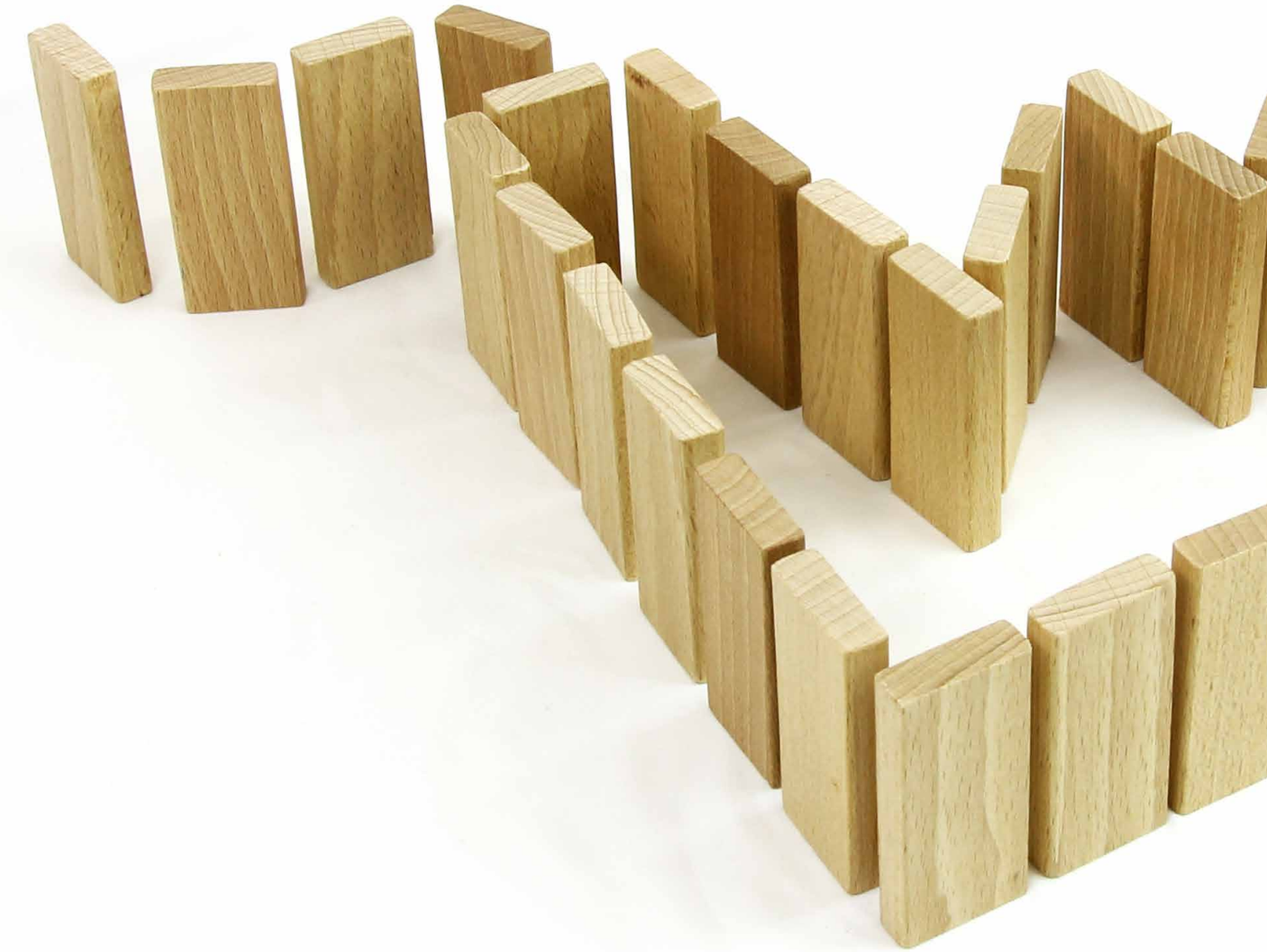
The Covid-19 crisis thus hit the EU while numerous social challenges were still far from being resolved. Its impact was very sudden, with 4.8 million jobs lost by the end of the second quarter of 2020 in the EU28 (excluding Malta). The full impact of the pandemic on employment is yet to unfold and will continue to be felt throughout EU labour markets in the months to come.

The challenge for policy is to limit the negative impact of the lockdowns and other restrictive public health measures on jobs and employment. It is important to monitor the situation to understand in what way labour markets react and how far-reaching the spill-over effects will be in the months to come. As shown in this chapter, the unemployment rate cannot be used as sole guidance, neither in the assessment of the severity of the crisis nor for the allocation of recovery resources by the EU institutions. In these exceptional circumstances, many workers joined the ranks of the 'economically inactive' rather than the unemployed; many small businesses continued to exist thanks only to temporal support or income replacement; and a large proportion of workers who managed to stay employed saw their working hours dramatically reduced. As long as the rescue programmes continue to make up for lost income, the full severity of the loss in total volume of work will not be felt by workers and society at large.

One example of a good policy measure has been the short-time work schemes. After a positive evaluation of their effectiveness in the 2008 crisis in terms of limiting the number of lay-offs and maintaining employment and incomes (Messenger and Ghosheh 2013), they were massively used in the first months of the Covid-19 lockdown in numerous EU Member States. And they proved effective once

again, as evidenced by a less dramatic increase in unemployment rates in the EU compared to, for instance, the US. They will also, hopefully, contribute to a quicker recovery in economic activity at a later stage.

However, the EU Member States have not all been hit equally hard by the Covid-19 crisis, for instance due to different sectoral structures, and those more exposed will likely have fewer resources to allocate to the support programmes. To avoid a growing divergence between the Member States, a coordinated response at EU level is now of paramount importance. There are certainly some positive signs. For instance, Member States have received significantly more recommendations on social issues in the 2020-2021 CSRs than in the previous Semester cycles, in particular aimed at enhancing the inclusivity of the labour market and at strengthening the adequacy of national social protection systems. However, this depart from the economic rationale of the past is largely linked to the exceptional suspension of the fiscal rules of the Stability and Growth Pact and to the emergency context of the pandemic. It is too early to tell whether and in what shape the social orientation of the 2020 European Semester cycle will persist. The 2021 Annual Sustainable Growth Strategy, announced by the European Commission in autumn, does not provide any tangible targets for social policies. With the Recovery and Resilience Facility, one of the main tools for the recovery at EU level, it promises to support Europe's social and economic resilience, but while concrete objectives are formulated in terms of digitalisation and the development of infrastructure, there is a noticeable policy vacuum regarding creation of quality employment or social cohesion. As has been the case with EU employment and social policy in the past (see e.g. Piasna et al. 2019), an effective integration of social issues into EU policy depends on concrete and measurable objectives and targets, followed by targeted investment.



3. The path to 'zero carbon' in a post-Covid-19 world

Author

Béla Galgóczi

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A climate lockdown is not an option."

Béla Galgóczi, ETUI

Introduction

€260
billion needed to achieve 2030 climate targets

Acknowledging the gap between the European Union's climate policy commitments and the targets of the 2015 Paris Agreement, in November 2018 the European Commission set the long-term objective of a 'climate-neutral Europe', to be achieved by 2050. However, while Europe did manage to meet its rather unambitious 2020 GHG reduction target of 20% before the Covid-19 crisis hit, indicators show that the equally unsatisfactory 2030 target (40%) appears to be out of reach. Meeting the enhanced ambition of climate neutrality by 2050 thus poses a huge challenge and will require a radical step up in terms of the Continent's climate policy efforts.

The European Green Deal, announced by the new Commission in December 2019 (European Commission 2019c) as its flagship initiative, seeks to translate this objective into concrete policies. A key pillar in this strategy is the large-scale Sustainable Europe Investment Plan, which aims to mobilise at least EUR 1 trillion in sustainable investments over the next decade to help meet additional funding needs to fulfil the new policy ambitions. At an earlier date, the Commission had estimated that achieving the current 2030 climate and energy targets would require EUR 260 billion of additional annual investment (or about 1.5% of 2018 GDP) in energy systems and infrastructure. These numbers alone offer a sobering assessment of the challenges Europe is confronted with.

Just a few months after these important announcements, the effects of the Covid-19 pandemic manifested themselves, bringing profound and unexpected changes to our daily lives, our work, and to the economy as a whole. Addressing the dramatic consequences of the pandemic became the number one priority for policymakers all over Europe, as well as for the social partners, at both a national and supranational level. For obvious reasons, the very first initiatives sought to contain the spread of the virus, with various lockdowns imposed across Europe. This was also done in order to facilitate upgrading efforts regarding national healthcare systems, which in most countries were visibly challenged by the Covid-19 'tsunami'. Of course, it soon became clear that further and more long-term measures would be needed to mitigate the damage caused by the shutdown of the economy and to protect workers against the worst consequences of the pandemic, which could continue to be felt for several years to come.

Beyond these measures, however, it is time to reflect about the world after Covid-19 from an eco-sustainability perspective. This chapter argues that the environmental dividend of the lockdown was short-lived and a return to 'business as usual' would be a serious mistake. The climate emergency, which was at the top of the policy agenda up until February 2020, has not gone away and it could, in many ways, be further exacerbated by the policy responses addressing the Covid-19 emergency. It should also be clear to all that a 'climate lockdown', as a desperate, last-resort measure to deal, in a not-so-distant future, with the consequences of an ineffective response to the climate emergency, is neither possible nor desirable. This chapter elaborates on this crucial point by advancing a series of policy recommendations for a sustainable recovery.

Two emergencies: climate change and Covid-19

Parallels and differences

It is arguable that, in many ways, the pandemic and the policy responses to it have delivered important lessons for dealing with the broader topic of sustainability.

Habitat destruction and an ever-increasing pressure on natural resources (especially food production) have clearly emerged as a breeding ground for pandemics (Chin et al. 2020). The assault on ecosystems that allowed the novel coronavirus to jump from animals to humans shows that sustainable use of Earth's resources and biodiversity protection have a key role in preventing similar diseases from emerging in the future.

The planet's resources are finite

The two crises bear some interesting similarities and also some crucial differences. Both the pandemic and the climate crisis are intimately connected to the exponential growth of demand suddenly imposed on resources: on the one hand, the resources available to national health systems (see Chapters 1 and 5 in this volume), and on the other, planetary resources. However, while the pandemic was partly managed by expanding the capacities of our national healthcare systems, the climate emergency cannot be addressed simply by throwing more resources at it, because, at a fundamental level, our planet's resources, unlike healthcare capacities, are finite and cannot be extended indefinitely. There is, as the saying goes, no Planet B to bail us out.

The temporal dimension of the causal links between human actions and either crisis is also crucially different. For instance, with the pandemic, the effects of individual and collective choices and behaviours tend to manifest themselves almost in real time: infections and fatalities can grow exponentially in a matter of days or weeks, shocking people and governments into action. This narrow timeframe (and also the potential for counter-measures to reverse dangerous trends in an equally short timeframe) pushes citizens to demand urgent solutions, and governments and regulators to provide immediate answers. Not so with climate change (and the loss of biodiversity), where cause and effect are more distant from each other in both time and space: a quasi-perfect manifestation of the 'boiling frog' syndrome. With climate change, collective and individual risk are also less self-evidently connected than in the case of the pandemic. Nevertheless, the strong and proactive response to the outbreak holds some lessons for addressing the slower-moving, but no less insidious, dangers of climate change.

The lockdown's impact on the environment

In the midst of this crisis, one could have been forgiven for thinking that the climate emergency could be set aside for a while. In fact, the early phases of the economic shutdown created a small window of 'climate optimism', when the air of our cities was breathable, the skies were once again blue, and pictures of Venice's unusually transparent waters seemed to present us with the possibility that a different, more eco-sustainable, future was within grasp.

The lockdown of cities, regions and even entire countries did indeed lead to a sudden drop in greenhouse gas emissions and a consequent unprecedented improvement in air quality, as documented in images by NASA (2020) and the European Space Agency (ESA) (Watts and Kommenda 2020). However, while this has certainly been a welcome, if unintended, consequence, it is clear that it lacks any structural character. Furthermore, there are not only opportunities but also risks that can arise from such radical carbon footprint-shrinking measures, and policy responses need to balance short-term actions with longer-term objectives.

On the positive side, even short-term air quality improvements in lockdown regions and a subsequent drop in global CO_2 emissions are undoubtedly an encouraging phenomenon. For example, the German think tank Agora Energiewende (2020) estimates that, due to the Covid-19 lockdown, German CO_2 emissions in 2020 could shrink by between 50 and 100 million tonnes. This means that Germany could reach an average emissions reduction of 42% in 2020 (when compared to 1990) instead of the earlier expected 37%, and thus meet its climate policy target. But could this lead to an unwarranted degree of optimism, or even to societal complacency?

The benefits will not last forever

This lockdown-induced optimism was in fact short-lived and, with hindsight, clearly misplaced. As economies began to reopen in the late summer months, our roads became progressively busier, factories and businesses started planning ahead, with a view to resuming their old production and distribution processes, and people's changing attitudes towards public transport – now viewed with suspicion as a possible locus of viral contagion – suggest that the days ahead may not necessarily be any greener.

The rebound effects of this 'back to business' reopening could reverse any positive environmental consequences and even make things worse in the longer term, just as we saw at the time of the 2009

50-100
millions tons of CO_2
estimated reduction of German emissions

crisis. While global CO_2 emissions fell by 1.2% in 2009, due to a 0.1% drop of global GDP during the financial crisis, this was followed by a 5% rebound the following year (Peters et al. 2012).

At the same time, empirical evidence indicates that, despite the impact of the coronavirus crisis, a new global peak in atmospheric carbon dioxide levels was actually reached in May 2020. Measurements by the Mauna Loa observatory in the US showed that the concentration of CO_2 in the atmosphere reached 417.2 parts per million (ppm) in this month, 2.4ppm higher than the peak of 414.8ppm in 2019. Without the worldwide lockdowns, it might have risen by 2.8ppm. This means that the effects of the lockdown could only slow down the increase of global CO_2 concentration, but not stop or even mask it (Harvey 2020). And it is now clear that 2020 is also going to be the first or second hottest year on record, as global data of the first seven months of the year indicate (Scientific American 2020).

Policy responses to the pandemic do not offer a template for the climate crisis

The economic shock to people's livelihoods – with businesses, education systems and entire sectors of the economy shutting down, redundancies and restructuring taking place (see Chapters 2 and 6), travel restrictions being imposed, and disruptions to supply chains causing shortages of essential goods and services – demonstrates how damaging rapid responses can be. This is certainly not the way to deal with the climate crisis. The Covid-19 crisis should enter our history books as a stark reminder that it is best to avoid a situation in which, due to a lack of incremental action taken over a longer period, radical, almost-overnight measures become necessary to avoid a catastrophe.

The sudden stop of economic activities also has the negative side effect that it reinforces the 'growth versus environment' and 'jobs versus environment' dichotomies that sensible climate policymakers have been eager to leave behind in recent years. Any 'emergency brake' response almost inevitably triggers a reaction, from both decision-makers and large parts of the public, in which the priority becomes growth and jobs at any price.

Greenhouse gas reductions and their drivers

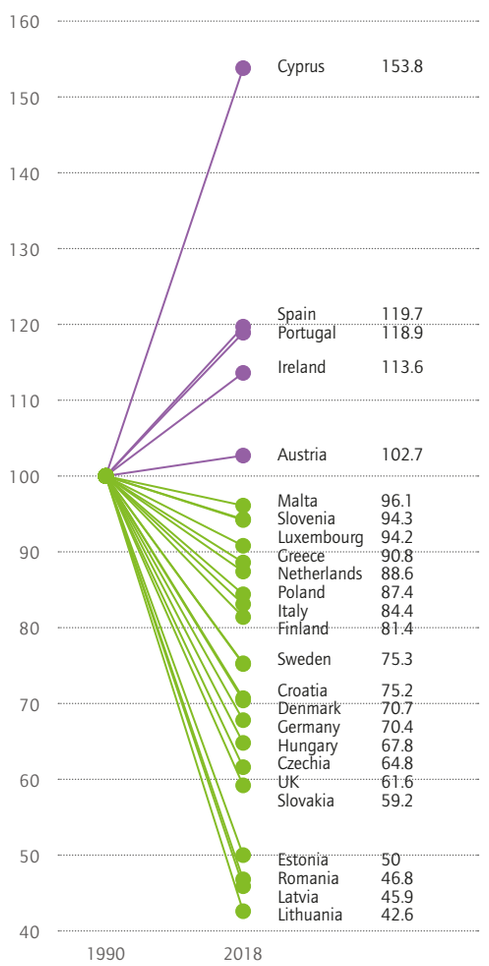
50%
of EU GHG reduction achieved by Germany and the UK

GHG reductions on a territorial basis

The reduction in total GHG emissions since 1990 means that the EU – even without the one-off effect of the Covid-19 crisis – will meet its 2020 target. However, projections reported by Member States show that the EU targets currently envisaged for 2030 and 2050 (despite falling short of the Paris objectives) are out of reach on a business-as-usual basis. Meeting even these non-satisfactory current targets would require significantly more effort, and even stricter targets are expected to be adopted within the European Climate Law proposal in Autumn 2020.

This section looks back over the past few decades and examines Member State performance in the reduction of GHG emissions in both quantitative and qualitative ways.

Figure 3.1 Greenhouse gas emissions in 2018, index (1990=100)



Source: EEA [env_air_gge].

As Figure 3.1 shows, most of the Member States reduced emissions between 1990 and 2018, contributing to the aggregate EU performance.

Most emissions cuts were due to economic restructuring and not to dedicated climate policies

In absolute terms, Germany and the United Kingdom accounted for about 50% of the EU net GHG reduction in this 28-year period. New Member States from central and eastern Europe showed the highest relative reductions, mostly due to the radical change in their economic structure during the transformation crisis of the 1990s; reductions in Romania, Latvia and Lithuania actually exceeded the 50% mark. Germany also 'benefited' greatly from the collapse of East German energy-intensive industries during the 1990s.

The overall net GHG emission reductions achieved by most Member States were, however, partly offset by higher GHG emissions in a few Member States such as Austria, Ireland, Portugal, Spain and Cyprus, which recorded increases of between 2.8% and 53% between 1990 and 2018.

Structural features and drivers of emissions

Figures 3.2a and 3.2b show the structural features and key drivers underpinning GHG emissions: on the one hand, emissions per unit of GDP and emissions per capita in 2017 (Figure 3.2b (right)), and on the other, changes in energy demand and in the carbon intensity of energy generation over the period 1990-2017 (Figure 3.2a (left)).

In a business-as-usual scenario, higher GDP leads to higher GHG emissions, other factors being equal. Richer Member States with higher GDP per capita would thus also be expected to have higher GHG emissions per capita. However, Figure 3.2b (right) shows GHG emissions per capita by Member State and reveals that in reality there is no consistently direct link between GDP and emissions, illustrating that those 'other factors' matter a lot in the reduction of the latter. Such factors might be energy efficiency, energy intensity or the carbon intensity of energy generation, but the structure of the economy plays also an important role. Below we take a look at some of these factors in more detail. For example, emissions per capita are highest in Luxembourg and Estonia (20.0 and 16.0 total CO_2 per person), respectively the richest and one of the lower-income (but fast-growing) Member States. A common feature for both, however, is a relatively low level of decoupling of GDP from emissions: in other words, as their GDP grows, so do their

Figure 3.2a Change in the carbon intensity of energy 1990-2017 (%)

Figure 3.2b GHG emissions per unit of GDP in 2017 (PPS, EU-28 =100)

Source: EEA 2020 https://www.eea.europa.eu/publications/soer-2020/chapter-07_soer2020-climate-change/view, Table 7.3.

emissions. On the other hand, Sweden and Romania are among the countries with the lowest per capita emissions, again an unusual pair (one of the richest and one of the poorest Member States), but both with a strong record of decoupling.

Figure 3.2b (right) also shows GHG emissions per unit of GDP for Member States, depicting how much GHG they emit in the production of a unit of GDP (at purchasing power parities) relative to the EU28 average. There are important differences among countries. In 2017, Estonia, Bulgaria and Poland had the highest GHG intensity of GDP relative to the EU28 average (232%, 204% and 178%, respectively), while Sweden had the lowest, with 52% of the EU average. Trends over time (not shown by the graph for this indicator) suggest a downward convergence in emissions intensity among Member States as a combined effect of structural changes in economies (such as the shift towards less polluting services) and of a reduction in both energy use and in its carbon intensity. As a result, the levels of GHG emissions both per capita and per GDP are also more similar now across Member States than they were in 1990, illustrating a convergence process, with continued decoupling of GHG emissions from economic growth (EEA 2019a). It is worth noting that, by both measures, Sweden tops the list of Member States in the decoupling of GDP from emissions.

Decreasing emissions intensity is mostly driven by decreases in the energy intensity of the economy and by a lower carbon intensity of energy generation. The main trends by Member State between 1990 and 2017 are shown in Figure 3.2a (left). A decrease in the energy intensity of GDP is characteristic for all Member States, although to varying degrees. New Member States from central and eastern Europe (CEE) had the highest relative reductions (between 38% and 69%), while Portugal, Greece and Spain had, relatively, the lowest (between 4% and 14%). Lower energy intensity of economic growth can be explained by improvements in energy efficiency (in its transformation and end use, and also in energy savings) and the strong uptake of renewables, as well as by changes in the structure of the economy. Deindustrialisation in CEE countries and in Eastern Germany during the 1990s was a major driver, while a general trend for most Member States has been the services sector comprising a higher share of GDP, thus

leading to lower energy intensity in their economies. An increasing share of the services sector has been a general trend in most MS and contributed to lower energy intensity.

Beside reductions in energy intensity, the lower carbon intensity of energy generation has been a key factor underpinning lower emissions, in spite of a decline in nuclear electricity production in recent years. This positive trend has been due both to the higher contribution from renewable energy sources in the fuel mix and to the switch from more carbon-intensive coal to less carbon-intensive gas. With the exception of Cyprus, all Member States saw decreasing carbon intensity in their energy generation. Bulgaria, the Netherlands and Portugal had the smallest reductions in carbon intensity over the 27 years (between 6% and 8%); Poland achieved a reduction of 11.6%; while Belgium, Czechia, Denmark, Finland, Latvia, Slovakia and Sweden achieved the greatest reductions (between 28.8% and 35.2%).

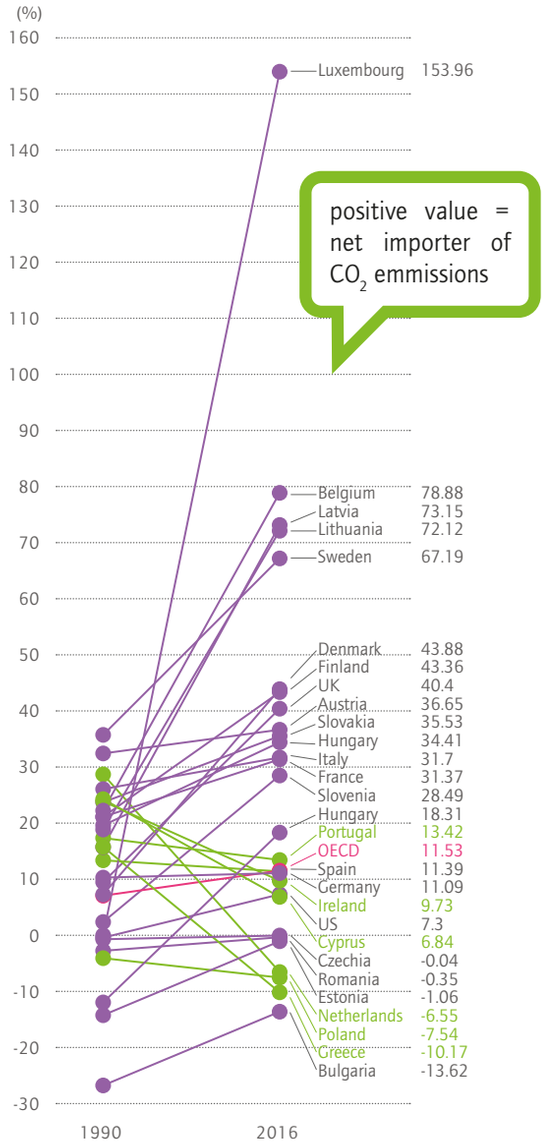
As regards the contribution of individual economic sectors to the reduction of GHG emissions, the picture is very mixed. EU climate mitigation policy is based on a distinction between GHG emissions from large industrial sources, which are governed by the EU Emissions Trading System (ETS) (European Commission, 2019a), and emissions from sectors covered by the Effort Sharing Regulation (European Commission, 2019b). Of the net EU reduction in total GHG emissions between 2005 and 2017, the sectors in the ETS accounted for two thirds, and the sectors not covered under the ETS accounted for one third. The sectors falling under the scope of the Effort Sharing Regulation currently represent about 60% of total greenhouse gas emissions in the EU, and they broadly include transport, waste and agriculture, as well as the heating systems of residential and commercial buildings, and the parts of industry not covered by the ETS. In the last couple of years, transport (in particular, road transport) and agriculture showed an increase of emissions. Section 3 will focus in more detail on the energy sector (which achieved a substantial GHG reduction) while Section 4 will address road transport, where initial reductions turned into a renewed increase of emissions in the last couple of years.

Consumption-based emissions

In addition to the commonly reported production-based ('territorial') emissions, statisticians also calculate 'consumption-based' emissions, by correcting the former to include CO_2 emissions 'embodied in trade'. Emissions embodied in trade are those emissions that occur during the production of traded goods and services. This type of estimate is also known or referred to as a 'carbon footprint'. Eurostat's calculation of the EU27's carbon footprint measures how much CO_2 would have been emitted due to the EU27's demand for products, if all imported products had been produced within the EU27 using an EU27 average production technology.

Figure 3.3 shows the share of emissions embodied in trade for most EU Member States for 1990 and

Figure 3.3 CO_2 emissions embedded in trade, as % of territorial emissions



Source: Global carbon project https://ourworldindata.org/consumption-based-co2.
Note: values shown, are for 2016

2016. Positive values mean that a country is a net importer of CO_2 emissions, as its emissions calculated on a consumption basis are higher than those based on production. Emissions embodied in trade actually grew between 1990 and 2016 for most Member States, indicating that their actual carbon footprint has tended to shrink more moderately than what the more widely used production-based calculations show. There are substantial differences, however, by Member State.

Most EU Member States (and the EU as a whole) are net importers of carbon emissions embodied in trade, and when examining emissions reductions over time, reductions in consumption-based emissions tend to be lower than reductions in production-based emissions.

A smaller reduction in consumption-based emissions

Initially, new CEE Member States tended to be net exporters of CO_2 emissions, meaning that their

A much more radical decoupling of GDP growth from material use, resource use and GHG emissions is needed than what has been achieved so far."

production-based (territorial) emissions were higher than their emissions linked to the goods and services they consumed. However, as these countries became richer with GDP and consumption growth, their net emissions export (as a share of total production-based emissions) showed a diminishing trend, with most of them becoming net importers of emissions by 2016 (see Figure 3.3). From this group, only Bulgaria, Czechia, Estonia and Poland remained net exporters of emissions. Belgium and Luxembourg also stood out for their high share of trade-embodied CO_2 imports, which in 2016 were equal to, respectively, 78% and 153% of their territorial emissions.

Following these changes over time provides an answer to the question of whether countries have mostly achieved emissions reductions by offshoring emission-intensive production to other non-EU countries. If only production-based emissions fell, whilst consumption-based emissions rose, this would suggest that Member States may have indeed 'offshored' emissions elsewhere. In general, this has not been the case: for the EU as a whole, including large, rich countries like France, Germany and the UK, both types of emissions decreased in this period. However, certain Member States like Belgium and Luxembourg did display this pattern.

Figure 3.4 shows the main trends of GHG emissions, domestic material consumption (DMC) and resource productivity (GDP/DMC) for the EU27.

To sum up, as GHG emissions, material use and resource use in the EU have been shrinking since 1990, while GDP has been growing, resulting in an increase in resource productivity, an absolute decoupling of GDP from the former can indeed be acknowledged. However, the extent of this is nowhere near enough to meet the 2030 targets and in particular the 2050 target of a net-zero-carbon economy. If Europe wants to maintain economic growth in the future, a much more radical decoupling of GDP growth from material use, resource use and GHG emissions is needed than what has been achieved so far. If we continue with the current economic model, only a full 'climate lockdown' could deliver a zero-carbon economy. However, the recent Covid-19 lockdown has demonstrated that this is an untenable policy proposition, and alternative and immediate action is therefore needed to address the climate emergency which combines environmental protection with social and economic sustainability.

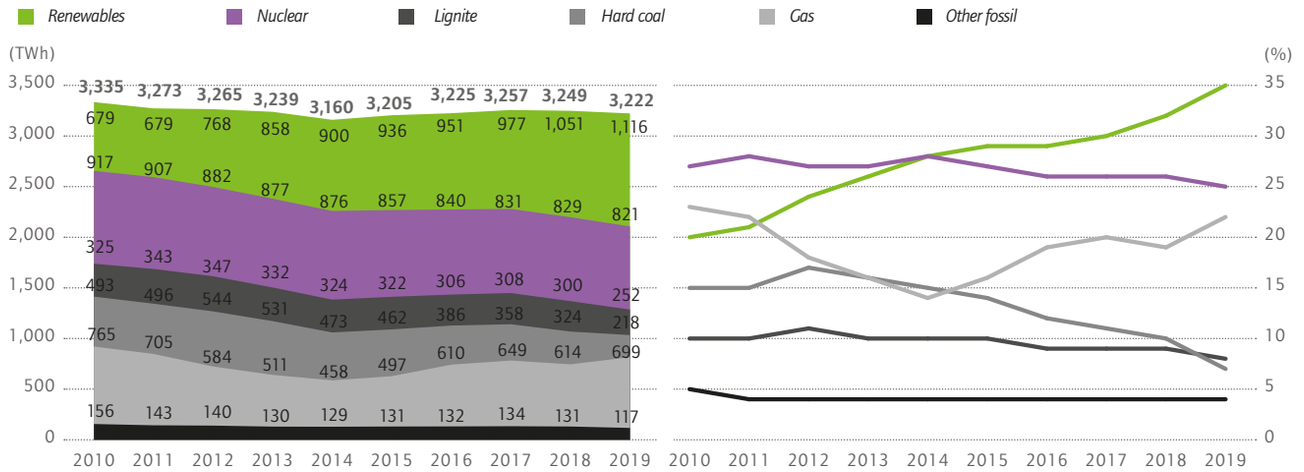
Figure 3.4 EU28 domestic material consumption, gross domestic product, and resource productivity (2000-2017)

Source: EEA 2020.

Energy transformation

A shifting energy mix

Figure 3.5 Electricity generation by fuel type and changes in composition (2010-2018), EU-28 terawatt hours (TWh)



Source: Eurostat; Agora Energiewende and Sandbag (2019).
Note: right hand scale indicates the composition in percent

34.6%
Share of renewables in total EU electricity mix (2019)

As shown in section two, the two major factors in reducing GHG emissions have been a reduction in energy intensity of GDP and a reduction in the carbon intensity of energy generation. This section now shows how this worked with electricity generation at EU level over the last decade. While between 2010 and 2019 GDP grew by 14.8% in the EU28, electricity generation fell by 3.5%. However, it was the decarbonisation of energy generation, principally through changes in the composition of electricity generation, that played the biggest role in the reduction of emissions in the last decade, as shown in Figure 3.6. In 2019, renewables provided 34.6% of total electricity in the EU28, followed by nuclear energy (25.5%), gas (21.6%) and coal (14.5%) (Agora Energiewende and Sandbag 2020).

On the basis of the period 2010-2019, the contribution of coal to electricity generation in the EU is on the retreat, as its share fell from 24.5% in 2010 to 14.5% in 2019. The decrease for hard coal was much more radical (from 14.8% to 6.7%) than for lignite (from 9.7% to 7.8%). Figure 3.6 also reveals that the retreat of coal has not been consistent over the decade: until 2015 coal stubbornly kept its share in electricity generation. From 2016, however, its shrinkage gathered pace, peaking in 2019 (in one year, hard coal fell by one third and lignite by 16%).

2019: a bigger reduction in coal than during the entire previous decade

At the same time, the share of renewable sources of energy generation in electricity grew from 20.3% in 2010 to 34.6% in 2019.

Phasing out coal

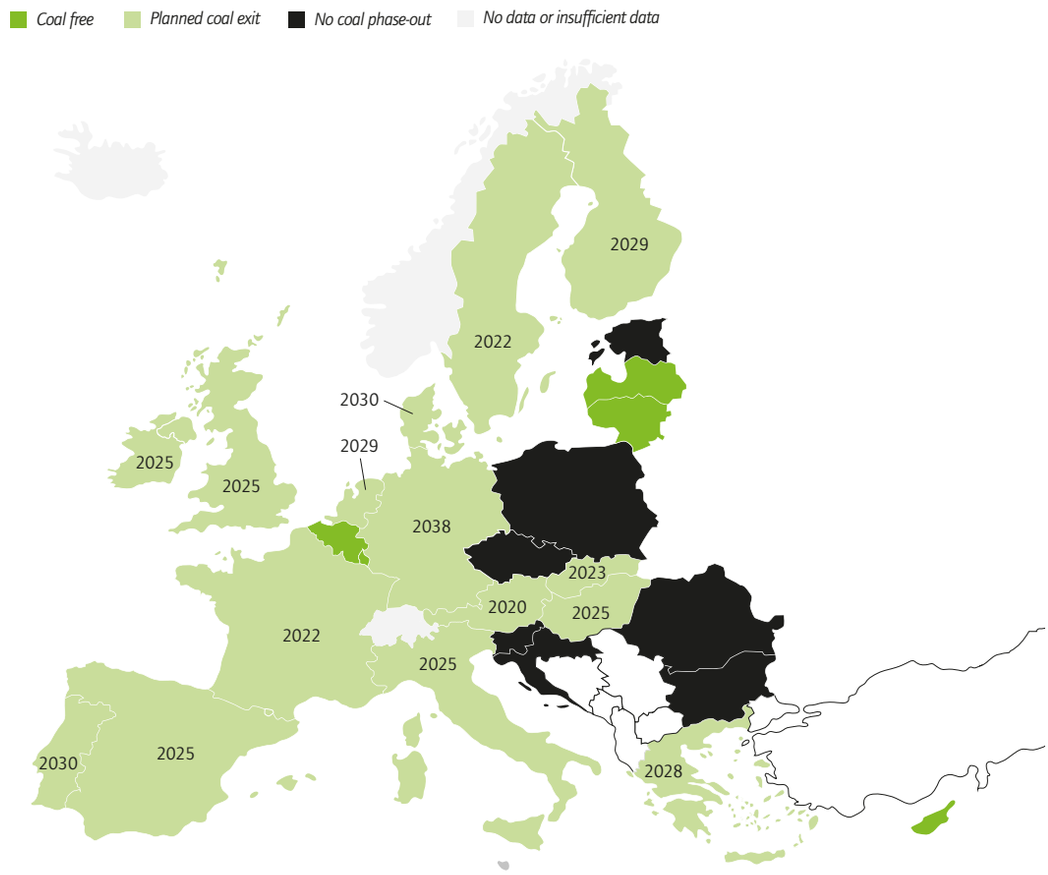
The phase-out of coal in energy generation is gaining momentum throughout Europe

Figure 3.6 shows that the phase-out of coal in energy generation is gaining momentum throughout Europe. The majority of EU Member States have set up a plan with a deadline by which they are to become coal-free. Phasing out coal in energy generation is an explicit policy target for most Member States.

All EU15 Member States other than Germany are planning to phase out coal by 2030 at the latest, with Germany announcing a later deadline of 2038. These 'phase-out countries' have been responsible for almost all of the fall in hard coal generation in the last decade. While western Europe is thus on course to phase out coal, for the new Member States in central and eastern Europe the picture is more mixed. Latvia and Lithuania are currently coal-free, and Hungary and Slovakia are to phase out coal by 2025 and 2030, respectively. However, negotiations about a possible phase-out out have only just started in Czechia, and although Poland took an important first step in September 2020 with an agreement to phase out coal mining by 2049 (Euractiv 2020), a phase-out of coal in energy generation is not currently on the agenda. Meanwhile, Bulgaria, Croatia, Romania and Slovenia have held no negotiations nor made any decision about phasing out coal. Finally, although Estonia does not have coal in its energy mix, the majority of its energy demand is covered by oil shale, a more polluting solid fuel than coal, without any phase-out plan.

Figure 3.6 The status of coal phase-outs in the EU (as of June 2020)

2030
target year for coal phase-out in western Europe (excluding Germany)



Source: Europe Beyond Coal (2020), national sources.
Note: Belgium, Cyprus, Latvia, Lithuania, Luxembourg and Malta are coal free; Estonia does not have a coal plant, but uses shale oil, an even more polluting solid fossil fuel. without a phase-out plan

Trade unions and the coal phase-out

The role of unions in the coal sector in various countries can be regarded as defensive, from defending the status quo of coal-based economies (for instance, in Poland and at plant level in France) to pleading for lengthier transition processes (for instance, in Germany).

The main objective of trade unions in the Polish coal sector is to defend the status of coal in Poland and vehemently oppose any phase-out initiative (Szpor 2019).

In Germany, the IG BCE union (for mining, chemicals and energy) has pursued a balancing act, arguing for an as-late-as-possible coal phase-out strategy that incorporates 'proper framework conditions', including an active industrial policy and job security (Borgnäs 2019). There have been repeated clashes between members of the IG BCE and environmental activists of the Ende Gelände movement who occupied the Hambach Forest and an open-cast mine in Rhineland (Bergfeld 2019). The IG BCE's general secretary, Michael Vassiliades, insisted on the need to put jobs first and environmental issues second.

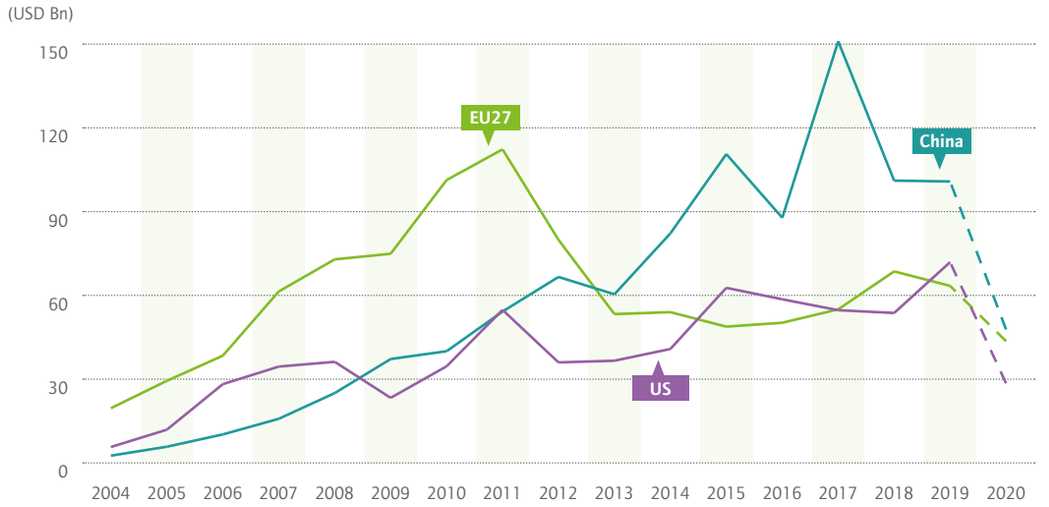
In France, the coal sector is limited to four coal-fired power plants with less than a thousand direct employees between them. After the declaration of the government in 2018 to close them down by 2022, demonstrations were held by the Confédération Générale du Travail (CGT) union and all four plants began a strike action that has continued in repeated waves ever since (Jakubowski 2019). The CGT and Force Ouvrière (FO) unions argue that the government should withdraw the closure project, given the low share the plants have in France's CO_2 emissions and their role in maintaining energy security. Both organisations have also denounced the high social costs of the closure, which could lead to up to 5,000 job losses. The third main union, the Confédération Française Démocratique du Travail (CFDT), has taken a more nuanced approach to the transition, supporting the decarbonisation of the energy sector but denouncing the lack of transparency concerning the future of the plants. It is clear that without strong and transparent commitments to future investments that guarantee both a just transition and sustainable and long-term employment alternatives, unions will continue to view with scepticism any decarbonisation efforts that threaten, in the short or long term, the livelihoods of their members and of the communities they represent.

Clean energy investments

The other important aspect of the energy transformation is to invest in renewable sources of energy generation and to deploy new capacities on a massive scale. This has been a declared objective of the European Commission, from the Energy Union Strategy in 2015, and the Juncker Commission's Investment Plan, to the most recent initiative of

At its peak, in 2011, the EU outperformed China and the US combined. In 2015 and 2017, it was China that achieved more clean energy investments than the EU and the US combined."

Figure 3.7 New investments in renewable energy (USD billion)



Source: BNEF (2020a).

the European Green Deal (see also Laurent 2020). Looking back over Europe's performance in the last decade, however, its record is rather mixed, in particular when put into international comparison with the US and China.

Europe is losing its position as a climate policy world leader, and the changing levels of clean energy investment provide an evident example of this.

50%
growth in clean energy investments in the EU, despite the Covid-19 crisis (first half of 2020)

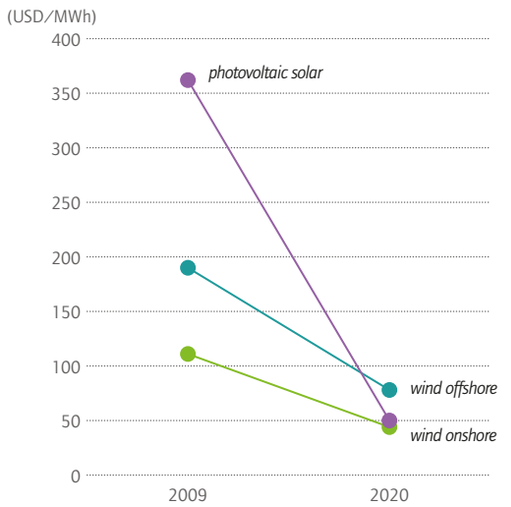
Based on Bloomberg New Energy Finance (BNEF 2020a) data, Figure 3.7 shows that in the period between 2004 and 2011, the EU had been the unquestionable leader in this field, with a spectacular increase in investments. At its peak, in 2011, the EU outperformed China and the US combined. Then an equally spectacular collapse led to a low point in 2015, when clean energy investments in Europe were just over 40% of the 2011 investment peak. In 2015 and 2017, it was China that achieved more clean energy investments than the EU and the US combined, and even if the EU afterwards gained back some ground, in 2019 both the US and China invested more in clean energy than Europe. According to the latest data, the first half of 2020 looks promising as, in the face of the Covid-19 crisis, clean energy investments in the EU grew by almost 50% when compared to the first half of 2019, and were just slightly behind China. Nevertheless, the EU has clearly lost some ground in recent years, and will need to be more ambitious in the future.

Rapidly falling cost of renewables starts to outprice coal

86%
in 2020 1kWh of solar energy cheaper than in 2009

The shift in the energy mix is showing an accelerating trend, thanks in part to economy-of-scale developments, with the unit price of solar and wind energy generation falling rapidly and thus making fossil fuel-based energy generation less and less competitive. According to BNEF data (2020b), following a 9% drop in the price of onshore wind and a 4% drop for solar generation after the second half of 2019, by early 2020 these had become the cheapest sources of new-build generation for at least two thirds of the global population (living in locations that comprise 71% of GDP and 85% of global energy generation). Figure 3.8 shows that the global electricity benchmark price for one kilowatt hour (kWh) of solar energy in 2020 was 86% lower than in 2009. For onshore and offshore wind, the fall in prices was less spectacular but still around 60% (BNEF 2020b).

Figure 3.8 Global electricity benchmark prices for renewables (USD/megawatt hour)



Source: BNEF 2020b, https://about.bnef.com/blog/scale-up-of-solar- and-wind-puts-existing-coal-gas-at-risk/.
Note: 2020 first half.

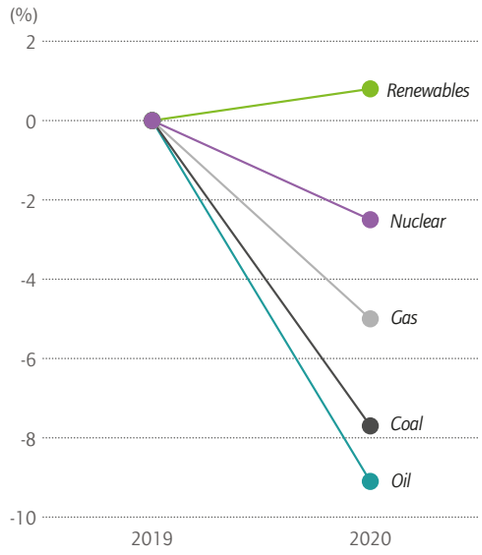
In 2020

solar and wind

power

are the cheapest sources of energy

Figure 3.9 Projected change in global primary energy demand in 2020 relative to 2019, by fuel (%)



Source IEA 2020 https://www.iea.org/data-and-statistics/charts/projectedchange- in-primary-energy-demand-by-fuel-in-2020-relative-to-2019.

Energy shifts in the time of a pandemic

Recent global developments show that the era of fossil fuel is in rapid decline. Global projections by the International Energy Agency for 2020 estimate that the Covid-19 crisis is likely to accelerate the already ongoing energy shift away from fossil fuel towards renewables. Figure 3.9 shows the latest energy demand forecast with regard to its composition by source of energy. While global energy demand is likely to fall by 6.1% in 2020, it is only renewables that are expected to grow slightly (by 0.8%), while demand for oil is likely to fall by 9.1%, for coal by 7.7% and even for gas by 5%.

The social side of energy transformation: energy poverty in Europe

When it comes to the social aspects of the energy transformation, energy poverty is an important indicator. As most European countries have no official definition for the term 'energy poverty', this state is often described as the 'inability to keep homes adequately warm'. The EU SILC (Statistics on Income and Living Conditions) survey thus uses energy poverty as an indicator of material deprivation that expresses the share of population that is unable to keep its home adequately warm. Figure 3.10a shows energy poverty for the total population in EU Member States for the years 2005, 2012 and 2019.

The main trend in Europe has been a gradual reduction in energy poverty (Figure 3.10b), as the share of the total population affected slightly declined between 2005 and 2019, with an interim increase in the early 2010 years. New CEE Member States have a difficult legacy to confront, however: over a third of their populations often experienced energy poverty in 2005 (with an almost 70% peak in Bulgaria). For most of these countries, the situation has improved markedly in the past 14 years, as in 2019 Czechia, Estonia, Hungary and Poland all had lower levels than the 7.6% EU average. However, Bulgaria and Lithuania still had alarmingly high values (30.1% and 26.7%, respectively). Southern European countries form the other risk group: Italy, Greece, Portugal and Cyprus were particularly affected by energy poverty, with 2019 values ranging between 14.1% and 21%. Although there is no link between energy poverty and the speed and depth of energy transformation, vulnerable groups need particular attention when national climate and energy plans are being set up.

Figure 3.10a Energy poverty in the EU in % of total population

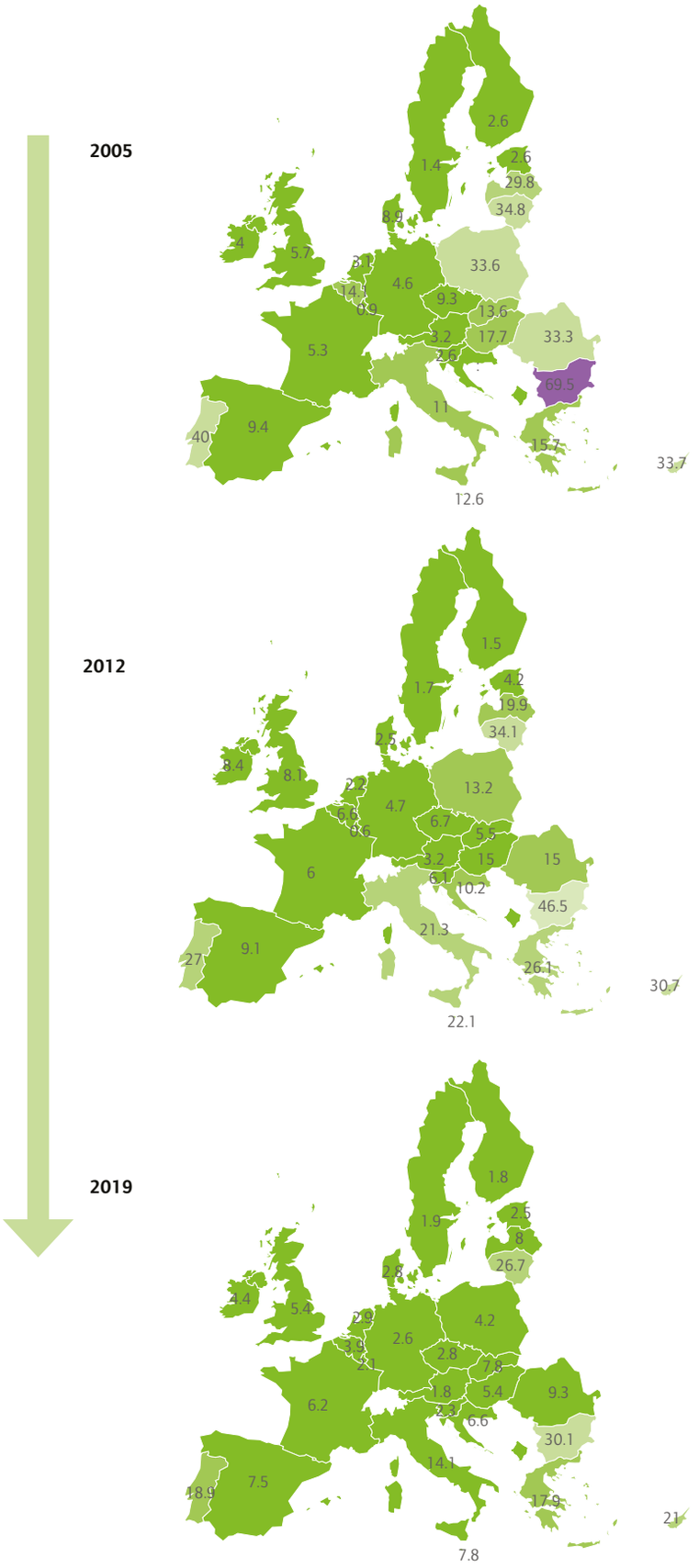
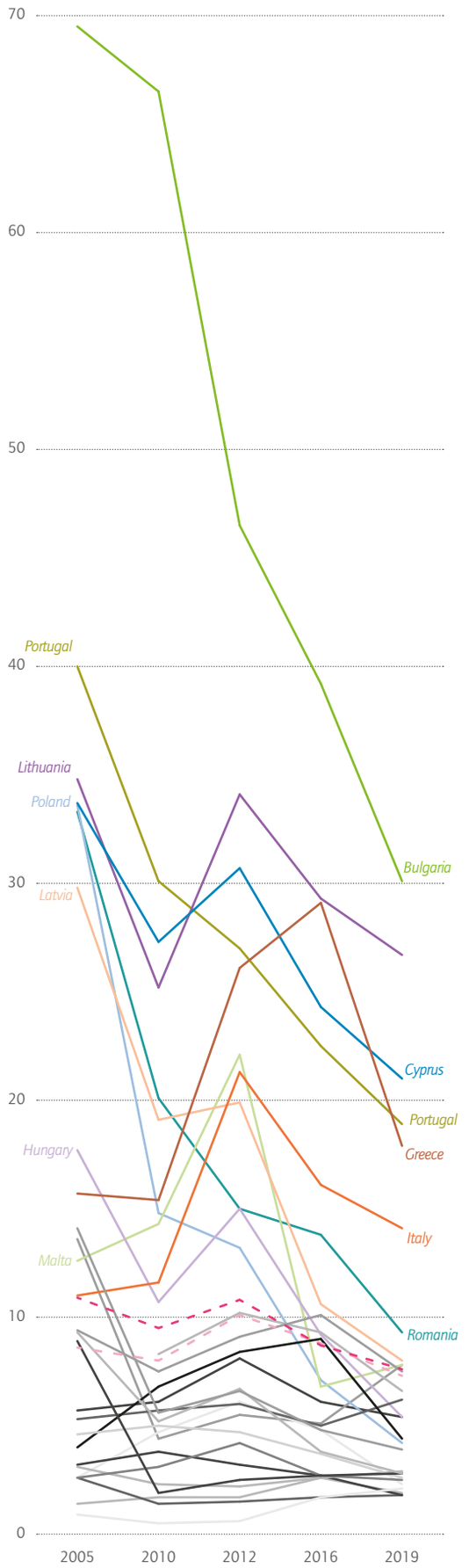


Figure 3.10b Change in energy poverty by Member State (2005-2018)



Source: EU SILC, 2020.
Note: Energy poverty defined as share of respondents claiming inability to keep home adequately warm.
For Italy, Ireland, Luxembourg, the UK, the EU and EA 2019=2018.

The case of the automobile industry: moving towards electromobility

19%
and growing

Share of road transport in EU emissions

Total transport made up 27% of total EU28 GHG emissions

Source: EEA, 2017

Besides the energy sector, road transport is a major source of EU GHG emissions (with roughly 19% of the EU total in 2018) and unlike the energy sector, road transport has been a source of emissions growth in the last few years. According to the European Energy Agency (EEA 2019b), in 2017 transport made up 27% of total EU28 GHG emissions, and specifically road transport was responsible for 19% of EU emissions (for comparison, aviation constituted 3.5% and rail less than 0.2%).

As of May 2020, with 3.7 million quality jobs in automobile manufacturing and a total of 14.6 million jobs in the broader European automotive sector, the industry remains a key employer in Europe (ACEA 2020a). Digitalisation and decarbonisation are likely to reshape the entire business model of this industry, and throw unprecedented challenges in the way of its future, first and foremost by redefining the ways in which labour is sourced and used, and secondly by reorganising its entire value chain.

Figure 3.11 shows the evolution of average CO_2 emissions from new passenger cars for the EU27, the UK and Norway between 2000 and 2019.

A quantum technological leap needed to meet emissions targets

Following a moderate decrease in car emissions between 2000 and 2007, the reduction became steeper and continued in this trend up until 2014: this amounted to a total reduction of 29% over these 14 years. Since 2015, however emissions have been rising again, with average emissions at 122.4g CO_2/km in 2019. Reaching the EU emissions target of 95g CO_2/km by 2021 would require a colossal effort from the car industry.

Yet despite the many uncertainties and structural pressures, the European automobile industry still managed to squeeze out a record year in 2019. Compared to 2018, new-car registrations increased by 1.2% across the European Union, reaching more than 15.3 million in total and marking the sixth consecutive year of growth (ACEA 2020b).

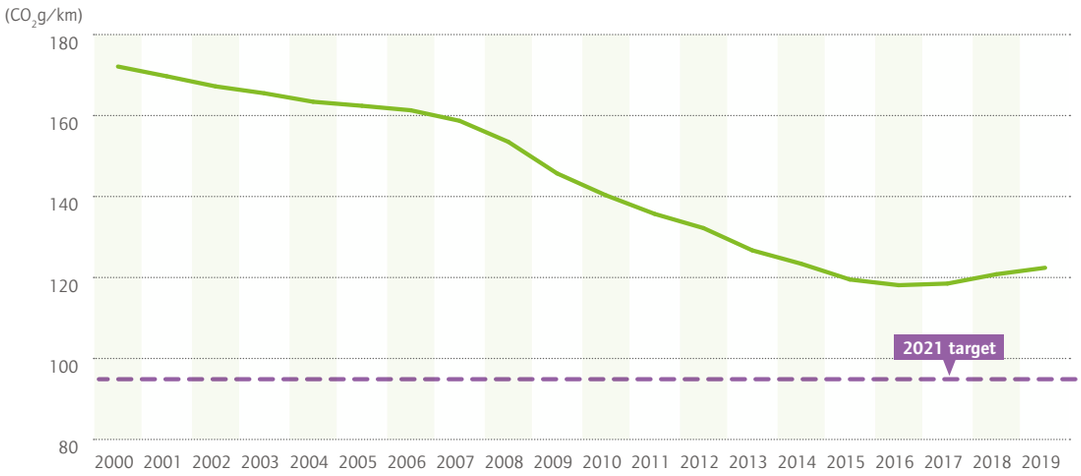
However, 2020 has already shaped up to be a very different year for the industry, not least because of the Covid-19 crisis. New car registrations in June 2020 were far behind those of June 2019, as Figure 3.12 shows.

Most EU countries saw double-digit drops. Italy, Germany and Spain fell by 23%, 32% and 36% respectively, while Portugal recorded the highest decrease of 56%. France was the only Member State that recorded a growth in new car sales due to its recovery plan that also favoured car purchases.

Europe is way behind China on electromobility

The path for the future is towards zero-carbon mobility, where battery (fully) electric vehicles (BEVs) will have a central role, even if Europe is still at the very beginning of this transformation. Figure 3.13 shows the evolution of the stock of electric vehicles since 2015 in global comparison. In 2015 the spread of passenger vehicles with electric propulsion was still in an embryonic phase, as the total number of such vehicles, including BEVs and plug-in hybrids (PHEVs), constituted just 639,000 worldwide (IEA 2020). In that year, 98% of BEVs were

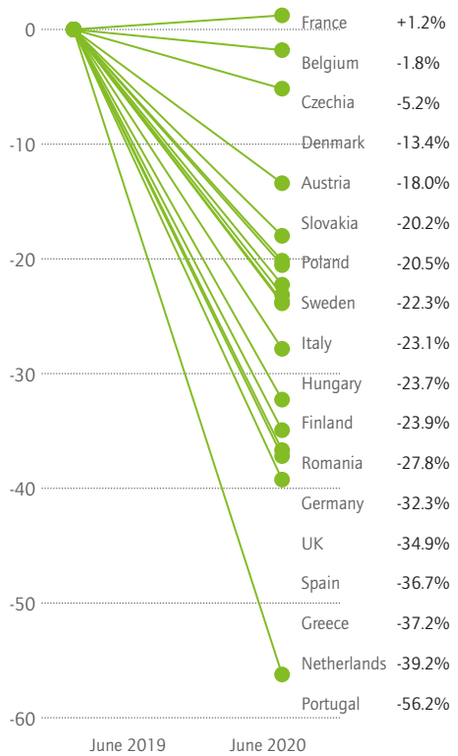
Figure 3.11 Average CO_2 emissions from new passenger cars in the EU27, UK and Norway (CO_2 grams per kilometre)



Source: EEA 2020 https://www.eea.europa.eu/data-and-maps/indicators/average-co2-emissions-from-motor-vehicles/assessment-2.

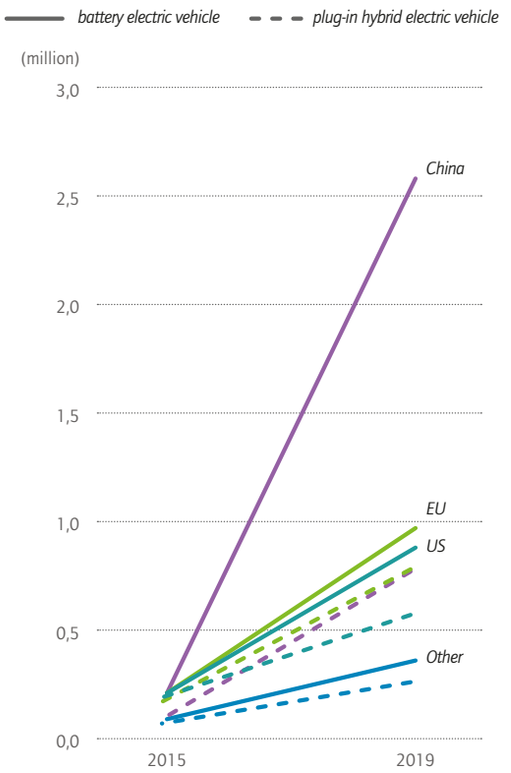
56%
Portugal: highest decrease in the EU in new car registrations in 2020

Figure 3.12 NChange in new car registrations in key European markets, June 2020/June 2019, (%)



Source: ACEA 2020b

Figure 3.13 Global electic car stock, 2019



Source: IEA, 2020 https://www.iea.org/reports/global-ev-outlook-2020.

EU
20%
vs. China
53%
share of global battery electric vehicle stock

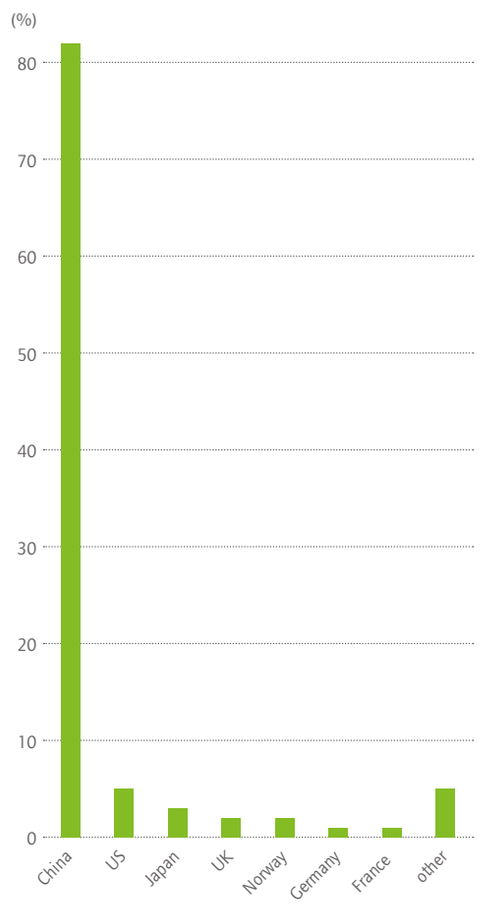
equally shared between the EU, the US and China, and these three regions also made up the overwhelming majority of PHEV global stock. There has since been a spectacular growth in the pure electric BEV category, as between 2015 and 2019 the stock (still a tiny fraction of the total passenger car market) quadrupled in the US, grew almost fivefold in the EU and grew a staggering twelvefold in China. In 2019, China had 53% of all battery electric vehicles in the world, while the EU's share was 20%. Although the EU made some progress in plug-in hybrids and, in 2019, slightly overtook China, this technology ought to be seen as an interim stage towards full electric mobility.

The dominance of China is even more pronounced in publicly accessible electrical vehicle chargers (for both conventional slow chargers and fast chargers). Figure 3.15 shows data for publicly accessible fast chargers (IEA 2020).

The data speaks for itself: China has 82% of global publicly accessible electrical vehicle fast chargers worldwide, followed by the US (5%), Japan (3%), the UK and Norway (2%) and Germany and France (1%).

For Europe, there is a long way to go in both speeding up BEV production and sales and establishing the necessary charging infrastructure. It is a positive sign that the EU Recovery Fund and the Next Generation EU Investment programme include these as priorities.

Figure 3.14 Publicly accessible electric vehicle fast chargers, 2019 (% of the global total of 598,000)



Source: IEA, 2020 https://www.iea.org/reports/global-ev-outlook-2020.

The EU recovery plan

No way back to a pre-Covid-19 'normal'

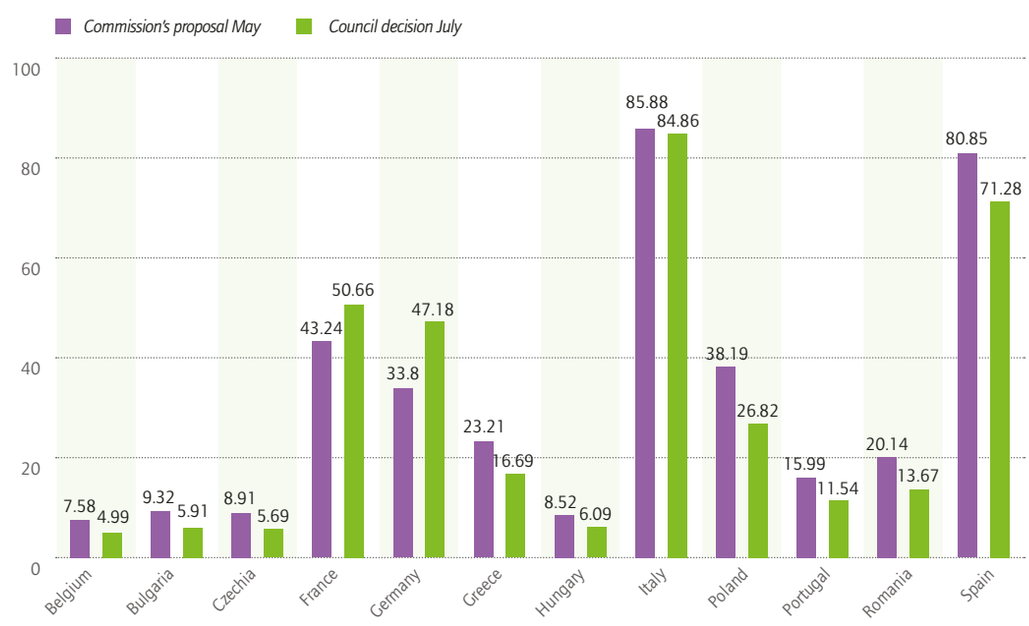
It is clear that after the pandemic there is no way back to the 'old normal', as a structural shift will necessarily have to be part of any cyclical adjustment. From a technological point of view, the digitalisation of the economy gained a further boost, and this will have longer-term effects. From a sustainability point of view, policymakers recognised the urgent need to act and shape recovery measures in line with earlier decarbonisation strategies. It is a welcome development that once the first shockwaves of the health crisis had settled, European policymakers (both at national and at EU level) quickly recognised that the blueprint of EU recovery should be the European Green Deal.

The European Recovery Fund proposed by the Commission in May 2020, and approved by the European Council in a modified form at the July Summit (2020), is a historical milestone in two ways. It is the first time that the EU as a whole will borrow from capital markets to finance expenditures throughout the Union. And, secondly, it aims at a longer-term vision of a zero-carbon economy, with the Next Generation EU (NGEU) investment programme building on the objectives and priorities of the European Green Deal (see also Laurent, forthcoming). This includes: stepping up investment in retrofitting/renovation of the building stock, with a target of EUR 350 billion per year via the InvestEU instrument; establishing an EU tendering scheme for renewables and facilitating EUR 25 billion worth of capital investment at the Member State level, along with EUR 10 billion in funding from the European Investment Bank; and scaling up investment in clean hydrogen. For the automotive sector, key objectives are a EUR 40-60 billion investment in zero-emission powertrains and a doubling of investments in charging stations.

The final compromise deal approved by the European Council, includes cuts in total grants from EUR 433 billion originally proposed by the Commission to EUR 384.4 billion, and it also includes modifications in the cross-country allocation method of the largest instrument, the Recovery and Resilience Facility (RRF). While 70% of the RRF is now expected to be allocated during 2021 and 2022, for the 30% that is due in 2023 a new allocation key is applied. Instead of the relative unemployment rate between 2015 and 2019, now the loss in real GDP in 2020 and the cumulative loss in real GDP observed over the period 2020-2021 will be decisive. This means that while the earlier proposal generally favoured lower-income countries (independently of how much they have been affected by the Covid-19 crisis), the approved package now favours large countries with a high GDP loss, as the fall of GDP is measured at absolute level in constant-price euros (see Chapter 1). Figure 3.15 shows the effect of the changes in the allocation of grants to Member States as a percentage of their gross national income (GNI), based on calculations by Bruegel (Darvas 2020).

While Italy and Spain will further on receive the highest amount of grants, it is Germany and France who will benefit most from the amendments. At the other end of the spectrum, Poland and some CEE new Member States now receive significantly lower allocations than what the original Commission proposal contained. Poland, Romania and Croatia will receive roughly 32% less in the form of grants; for Greece the reduction is 28%, and for Bulgaria 38%.

Figure 3.15 Comparison of cross-country grant allocations from the recovery instruments (EUR billion at 2018 prices)



Source: Bruegel 2020 and European Commission.

The ETUC expressed its support for the upward revision of the 2030 greenhouse gas emission reduction target, from 40% to 55% (compared to 1990 levels)."

Trade unions and the green transformation

A strategic dilemma

Stevis and Felli (2015) differentiate between labour unions in terms of political strategy, terming different organisational styles as either 'business' or 'social' unionism. 'Business unionism' limits itself to getting a fair share out of a growing economy while leaving broader questions of political economy and equity to firms and states. 'Social unionism', on the other hand, believes that unions ought to have a say in the organisation of the (political) economy, both because it shapes the material reality of workers' lives and because these unions see themselves as collective representation organs for engaged citizens.

In their traditional roles, many trade unions have aimed to manage the effects of economic changes driven by the profit-seeking motives of capital. Often, they have gone as far as questioning the legitimacy of such changes, and at least one strategy to shield workers from their more negative consequences has been that of resisting or opposing change altogether.

However, changes linked to decarbonisation presents a novel challenge for these traditional strategies. After years of debate, decarbonisation is now best characterised as a shared objective in the interest of humanity. At the same time, meeting this objective poses significant challenges to the world of work, as the workplace-level effects of this transition – such as employment reduction, job transitions, higher flexibility and work pressure – are similar to those which unions normally fight against when defending their members' interests. A further complication is that, in most cases, changing dynamics in the world of work are under the simultaneous influence of all other major megatrends: decarbonisation, certainly, but also technological change and globalisation.

There is a visible tension between the main responsibility of unions in managing the consequences of change and their role as agents of change. By raising their climate policy ambition, and with it also the pressures and demands on work organisation, they are invariably and consequentially rendering their interest representation role more difficult. This conflict often manifests itself as a growing tension between plant-level action and union action at a higher level. Unions at national or supranational level have been promoting the concept of just transition in the context of climate change for a while now. But unions on the ground – at local, regional, sectoral or company level – are confronted with its implementation in real-life work relationship practices. National union centres and their umbrella organisations are, by and large, organisations set up to represent workers before government and intergovernmental organisations on matters relating to broad economic, industrial and social policy, and environmental issues, whereas the dealings of industry- or sector-wide union structures with employers typically pertain to wages, working conditions, collective bargaining, and union coordination. The former category of union organisation thus typically engages more with broader societal issues, while the latter is more narrowly focused on how the membership is affected by the immediate consequences of the transformation. In an ideal system of internal industrial democracy, these two levels would be able to reconcile their different roles in ways that would strengthen union action across the board. In reality, however, it is often the case that such a reconciliation of interests is rendered more challenging by the reluctance of governments and employers to provide adequately funded and sufficiently targeted policies that offer a fair mutualisation of the risks pertaining to the transition to a green economy. It is thus often the case that the inadequacies of the broader policy framework end up being internalised within the union movement, generating intra-systemic tensions.

Trade unions on the European Green Deal

The tension between trade union strategies described above has also been recognisable in various trade unions' positions on the European Green Deal (EGD) and on the climate policy objectives attached to it. As summarised in the ETUI Green New Deal newsletter (ETUI 2020), while the ETUC and the European Federation of Public Service Unions (EPSU) openly declared their support for an ambitious EU climate policy, IndustriALL and IG Metall were more cautious and expressed some reservations.

Ahead of the announcement of the EGD, the ETUC pointed to the urgent need for ambitious climate policies that should be inclusive and supportive of the most vulnerable regions, sectors and workers. The position paper rightly emphasised that a concrete just transition strategy which aligns with the EU's climate policy aspirations is necessary.

In a statement on the industrial strategy document of the Commission, the ETUC stressed the importance of a just transition concept that offers prospects to those regions, sectors and workers that will be most affected, and that guarantees that no one is left behind. The confederation also called for a carbon border adjustment mechanism to protect European jobs and industry from unfair competition or carbon leakage.

It must be enshrined in a much broader investment strategy that channels billions of euro into all regions that struggle with structural challenges."

Luc Triangle, General Secretary of IndustriAll

Ahead of the Climate Law and the EU Climate Pact, the ETUC expressed its support for the upward revision of the 2030 greenhouse gas emission reduction target, from 40% to 55% (compared to 1990 levels), as well as for the longer-term objective of reaching net-zero GHG emissions by 2050. However, it again stressed that trade union support for a binding climate law is conditional on a well-funded just transition mechanism. In order to have sufficient funding to fight climate change, the ETUC urged the EU Council to increase the EU budget to 1.3% of GNI and to pursue further progress on a fairer taxation system.

EPSU also expressed its support for the 2030 and 2050 targets but it emphasised that the European Green Deal should steer away from market-based solutions. The federation formulated several key demands, including a significant increase in public investment, the promotion of public ownership of utilities, an ambitious just transition strategy, and universal and affordable access to basic services and common goods.

For its part, IndustiAll stressed that in order to secure the support of workers in industry, the EGD should be made 'social'. Europe's industry union warned that increasing the carbon price within the ETS might not be the silver bullet that will trigger transformative change, partly because this would neglect the specificities of the different industrial sectors regarding technological readiness and the cost of low-carbon options. Regional disparities represent another risk for the success of the EGD.

On the Just Transition Mechanism, IndustriAll General Secretary Luc Triangle stressed that for it to be successful, it 'must be enshrined in a much broader investment strategy that channels billions of euro into all regions that struggle with structural challenges'. He added that the planned amount available from the EU budget is much too small 'to trigger the transformative changes that those regions need to become climate-neutral without becoming economic deserts at the same time'.

According to IndustiAll, the new EU industrial strategy must be implemented for workers and with workers. Triangle warned that 'decarbonising sectors such as energy-intensive or automotive industries will not happen with a target-driven and a market-driven approach. The EU and its Member States must create the conditions for the targets to become reachable.'

Meanwhile, Europe's biggest industrial union, the German IG Metall, expressed its support for the objective of climate neutrality set out in the EGD, but stressed that the targets must be concrete and achievable. The union also made the point that it would not support a disruptive transformation carried out on the backs of workers, stating that the automobile industry was key for the economy. The union agreed with the raising of the CO_2 price, but stressed that the idea can only work if people are offered practicable and socially acceptable alternatives.

Conclusions

"Job losses and longer-term labour market effects of the Covid-19 crisis, in particular increases in inequality and the high exposure of vulnerable groups, have made it clearer than ever how important a 'just transition' approach is in climate policy."

This chapter has provided an overview of the performance of the EU and its Member States regarding their progress towards meeting key climate policy targets over the last few decades. It has presented a double focus, on both the climate emergency crisis and the unfolding Covid-19 crisis – the two being intimately entwined, but also offering opportunities for mutual learning. While the 2020 targets have been reached at EU level, the 2030 targets remain out of reach (despite being unsatisfactory in their ambition and non-compliant with the Paris Agreement), not to speak of the ambitious and now official net-zero emissions target for 2050. The analysis has shown the different aspects and drivers of GHG emissions reductions at Member State level. GDP per capita matters, as richer countries can only keep emissions low if they are efficient in energy and resource use and decarbonise their energy generation and use (which offsets the trade-embodied emissions which are commonly on the rise due to growing consumption). For 'catching-up economies', the challenge is how to increase their wealth without generating higher emissions and resource use. Structural shifts in the economy, in particular the shift from industry to services, have historically helped in this respect, but this approach has its limits, and the preservation of core industry competences for Europe has emerged as a key strategic priority during the pandemic. The data reported in the previous sections also showed that while the EU has been rather successful over the years in reducing territorial (production-based) emissions, the reduction in consumption-based emissions has tended to lag behind (effectively causing the 'farming out' of emissions beyond the EU).

Decoupling economic growth from emissions and resource use remains the most important policy objective, but also policy challenge, for 21st century Europe. In spite of the temporary reduction of GHG emissions due to the Covid-19 crisis this year, reaching zero carbon by 2050 will require a radical step up in decarbonisation efforts, with a paradigm change in both production and consumption patterns. An insight into two key sectors, energy and automobiles, shows how difficult this transformation process is and what challenges lie ahead. The energy sector has an encouraging record of GHG reductions and its decarbonisation has sped up in the past couple of years. Besides more stringent policy targets, the fall in the cost of deploying renewable energy due to technological progress and economies of scale has also contributed to a faster retreat of fossil fuels, in particular coal. Road transport and the automobile industry are, however, in a more challenging situation. Emissions from road transport started to grow again in the past couple of years and the 2021 emissions target for new vehicles seems to be out of reach. Europe is lagging behind China and to some extent the US in the transformation towards electromobility. Urgent action is needed to reverse this trend, for the sake of the planet but also to make sure that the European automobile industry, and the 14 million European jobs depending on it, remains competitive in the years to come.

These difficulties present us with a number of mutual learning opportunities, stemming from both the Covid-19 crisis and the way the climate crisis is currently being addressed. Five of them will no doubt need to receive further attention in the months and years to come. Firstly, job losses and longer-term labour market effects of the Covid-19 crisis, in particular increases in inequality and the high exposure of vulnerable groups, have made it clearer than ever how important a 'just transition' approach is in climate policy. The EU's ambitious climate policy objectives can only be reached if accompanied by a strong social policy element and supportive labour market policies.

Secondly, policies that are framed as 'just transitions' should be much more comprehensive. The Just Transition Mechanism within the European Green Deal and its support from the EU Recovery Fund initiative are welcome, but fall short of addressing the magnitude of the challenges ahead. Much more emphasis should be placed on human capital investments and on facilitating labour market transitions across the whole economy. Just transition should not be reduced to policies for energy-intensive regions only.

Thirdly, it is fair to observe that both the recent health and the economic crises have led to a recognition of the central role of the state as the actor providing the safety nets and investments necessary to weather a crisis. During the Covid-19 crisis, state intervention and its mobilisation of public resources at levels not seen before suddenly became possible. Dealing with the climate emergency also needs a stronger state that has learnt the necessary lessons about recovery plans and their implementation.

Fourth, launching the European Recovery Fund and mobilising massive investments through the Next Generation EU programme was the right decision for the EU to make. These initiatives need to be made operational while also ensuring that they will mobilise additional resources and investments instead of simply reallocating existing resources.

Fifth, from a governance perspective, the European Semester framework will have a key role to play in the implementation of the EGD objectives, and needs to be equipped accordingly. As the 2020 Semester is to integrate an environmental dimension as well as the UN Sustainable Development Goals, this needs to be reflected in its practical implementation – not only in the upcoming Annual Sustainable Growth Strategy, but also in the Country Reports and the Country-Specific Recommendations.

Finally, a high degree of policy integration will be needed to establish and maintain the consistency between growth, social fairness, environmental sustainability and fiscal responsibility under the new circumstances.

The climate emergency needs to be understood in the same spirit of urgency and with the same sense of purpose that has shaped Europe's response to the pandemic; as noted in the opening paragraphs of this chapter, a climate lockdown is not an option.

4. Fair minimum wages and collective bargaining: a key to recovery

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> *Long term, only fair minimum wages and strong collective bargaining structures can stabilise employees' income as part of a demand-led and socially acceptable recovery strategy."*
>
> **Torsten Müller,** ETUI

Introduction

Almost overnight, the outbreak of the Covid-19 pandemic in March 2020 turned European economies upside down. In February 2020, the European Commission (2020a) was still forecasting a continuation of the (modest) growth of previous years, but economic performance more or less collapsed in all European countries a few weeks later. The new economic context emerging from the pandemic also has far-reaching implications for wages and collective bargaining. During an economic crisis, growing levels of unemployment or uncertainty about job security can make it harder for trade unions to negotiate higher wages. Other matters, such as safeguarding employment, typically rise to the top of the negotiating agenda during bargaining rounds.

From a European perspective, however, one of the key questions in light of the current Covid-19 crisis is whether policymakers have drawn the right set of conclusions from the last crisis in 2008/2009, when the crisis management based on austerity and internal devaluation not only prolonged the crisis itself but also had tragic social consequences and undermined the political support for the European project as a whole (Hermann 2017; Müller et al. 2019). In the field of wages and collective bargaining, the most important initiative was launched before the outbreak of the pandemic, with Ursula von der Leyen's statement that 'within the first 100 days of my mandate, I will propose a legal instrument to ensure that every worker in our Union has a fair minimum wage' (Von der Leyen 2019: 9) and the subsequent proposal of a Directive on adequate minimum wages in the EU (European Commission 2020b).

In order to assess whether the proposed Directive would really ensure fair minimum wages and supports multi-employer collective bargaining, this chapter will review the Commission's more general approach to wages and collective bargaining, and will chart the development of wages, minimum wages, collective bargaining and strike activity, with the ultimate objective of identifying key elements of the Directive that need improvement in order to make fair minimum wages and strong collective bargaining part of the Covid-19 recovery strategy.

For the first time since 2011, there was no explicit CSR on wages and collective bargaining."

Wage developments

Figure 4.1a Country-specific recommendations in the field of wages (2011-2020)

Main trends:
1) Marginal focus on wages;
2) Progressive decrease of CSRs addressing wages as a cost for productivity, in favour of CSRs addressing wages as a labour condition;
3) In 2020 there are only three CSRs, all implict and only addressing jobs in so-called 'essential' sectors

Source: Author's own compilation based on Clauwaert (2011-2019) and Rainone (2020).

Is the Minimum Wage Directive a game changer?

In the field of wages and collective bargaining, the management of the crisis in 2008/2009 generated pressure on wages, imposed cuts and freezes on minimum wages, and forced the decentralisation, and in some countries even the dismantling, of multi-employer collective bargaining systems (Schulten and Müller 2015). In the aftermath of Covid-19, there is no more pressing or urgent a policy question than what the approach of policymakers will be to the issue of wages and collective bargaining in the context of the wider recovery strategy currently being developed. Will it be the same, and largely discredited, mixture of austerity and internal devaluation, or will measures be taken to pursue a demand-side strategy built on fair wages and strong collective bargaining to stabilise and boost internal demand?

The first signs are encouraging. Policymakers at both European and national level responded swiftly with impressive emergency rescue packages to stabilise national economies. Moreover, the fact that the European Commission did not abandon its initiative to establish fair minimum wages across Europe in the face of this crisis can be read as a sign that, this time, the importance of fair minimum wages and strong collective bargaining, and the essential contribution that they can make to the recovery strategy, will receive the recognition it deserves.

After years of political debate (Schulten et al. 2015), the proposal of a Directive on adequate minimum wages is a watershed in the history of European social and economic integration for two main reasons. Firstly, because for the first time ever, the Commission has taken legislative action to ensure fair minimum wages and to promote collective bargaining in Europe. Secondly, the proposed Directive demonstrates that minimum wages and collective bargaining are no longer exclusively

Figure 4.1b Country-specific recommendations in the field of wages (2011-2020)

Category	Sub-category		CSRs 2011		CSRs 2012		CSRs 2013		CSRs 2014		CSRs 2015		CSRs 2016		CSRs 2017		CSRs 2018		CSRs 2019		CSRs 2020	
			Implicit	Explicit	Implicit	Explicit	Implicit	Explicit	Implicit	Explicit	Implicit	Explicit	Implicit	Explicit	Implicit	Explicit	Implicit	Explicit	Implicit	Explicit	Implicit	Explicit
Wages	Reviewing wage indexation		0	5	0	4	0	2	0	3	0	0	0	0	0	0	1	0	0	0	0	0
	Reform wage setting mechanism	Productivity	0	7	0	7	0	6	0	6	0	8	1	4	2	2	2	1	0	1	0	0
		Improvement labour standards	0	0	0	0	0	0	0	0	0	2	0	2	0	4	1	0	0	2	0	0
		Other	0	1	1	0	0	1	1	4	0	3	3	1	2	2	4	2	1	1	0	0
	Reform wage setting mechanism for specific sectors	Productivity	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1	0	1	0	0	0
		Improvement labour standards	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Other	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	1	0	1	3	0
	Subtotal		**0**	**13**	**1**	**11**	**0**	**9**	**1**	**13**	**0**	**13**	**5**	**8**	**6**	**8**	**9**	**4**	**2**	**5**	**3**	**0**
	Total		**13**		**12**		**9**		**14**		**13**		**13**		**14**		**13**		**7**		**3**	
TOTAL SOCIAL CSRs			**95**		**106**		**116**		**140**		**143**		**117**		**124**		**124**		**136**		**226**	
% CSRs on wages compared to total social CSRs			**14%**		**11%**		**8%**		**10%**		**9%**		**11%**		**11%**		**10%**		**5%**		**1%**	

Source: authors' own compilation based on Clauwaert (2011-2019) and Rainone (2020).

"Particularly striking is the absence of a clear definition of what the Commission means by 'adequate' minimum wages."

viewed as an impediment to the downward flexibility of wages and competitiveness.

However, while in principle the proposed Directive represents a welcome new approach to minimum wages and collective bargaining in the context of the Covid-19 crisis, it also leaves important questions unanswered. Particularly striking is the absence of a clear definition of what the Commission means by 'adequate' minimum wages. All the proposed Directive has to say in Article 5, dealing with adequacy, is that 'Member States shall use indicative reference values to guide their assessment of adequacy of statutory minimum wages in relation to the general level of gross wages, such as those commonly used at international level' (European Commission 2020b: 24). While this hints at what can be called the 'double decency' threshold of 60% of the median wage and 50% of the average wage, a combination which is mentioned in the recitals, the Commission still shied away from setting a clear minimum threshold, below which no minimum wage should be set. Without such a clear minimum threshold, all the criteria that should guide the setting and updating of statutory minimum wages mentioned in the proposed Directive, such as the purchasing power of statutory minimum wages, the growth rate of gross wages, and labour productivity developments can just as easily be used to cement the status quo of inadequate minimum wages.

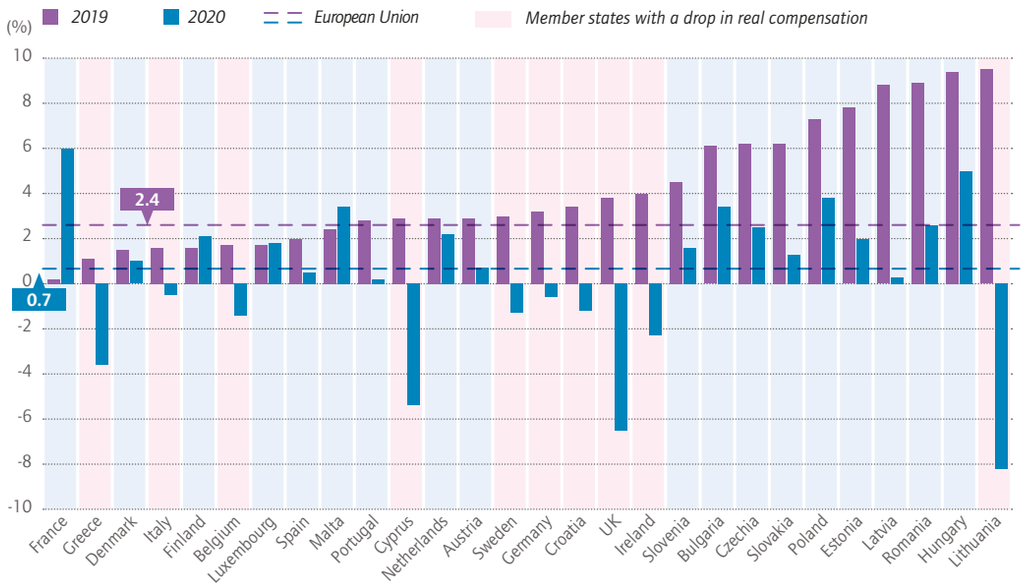
CSRs offer no support for fair minimum wages

In the absence of a clear definition proposed by the Commission, the country-specific recommendations (CSRs) could provide a first pointer as to how the Commission is approaching the issue of wages and collective bargaining. In the past, the CSRs for countries with high relative levels of minimum wages, such as France and Portugal, had repeatedly contained provisions designed to ensure that minimum wage developments do not harm competitiveness. Figure 4.1, which is based on Clauwaert (2011-2019) and Rainone (2020), provides a quantitative overview of the development of CSRs in the field of wages and collective bargaining from 2011 to 2020. In the analysis, a distinction is made between 'explicit CSRs', which are formal recommendations to be addressed by the respective Member State, and 'implicit CSRs', which are recommendations that only appear in the recitals. The relevance of the 'explicit CSRs' is higher because the Member States generally report the progress made in relation to those recommendations, but not necessarily to the implicit ones.

Figure 4.1 illustrates three key findings: first, in quantitative terms, the 2020 CSRs confirm last year's trend of a decrease in the number of CSRs addressing wages and collective bargaining. In 2020, there were only three CSRs in this particular area. Second, all three CSRs are 'implicit CSRs' in the recitals, which means that for the first time since 2011, there was no explicit CSR on wages and collective bargaining. Third, and perhaps more crucially as regards content, all three CSRs aim at wage increases to make jobs in so-called 'essential' sectors more attractive: in Austria in the health sector and in Hungary and Poland in the education sector (Rainone 2020). There are no longer any CSRs, implicit or explicit, demanding that minimum wage increases be moderate, or the decentralisation of collective bargaining. The absence of bad news, however, is not necessarily good news. Also entirely absent are any recommendations supporting the restoration of multi-employer bargaining where it was dismantled as a consequence of the management of the crisis in 2008/2009. There is also a noticeable absence of any recommendation of minimum wage increases to ensure fair minimum wages in those countries where they are particularly low. Against this background, with the 2020 CSRs, European policymakers missed

Figure 4.2 Development of nominal wages* in 2019 and 2020** (change in percentage compared to previous year)

Real compensation per employee in the total economy (private consumption deflator).



Source: AMECO database (autumn 2020).
** Nominal compensation per employee*
*** figures for 2020 are forecasts*

an opportunity to support the minimum wage initiative, one of the Commission's flagship social policy initiatives.

Solid nominal wage growth in 2019

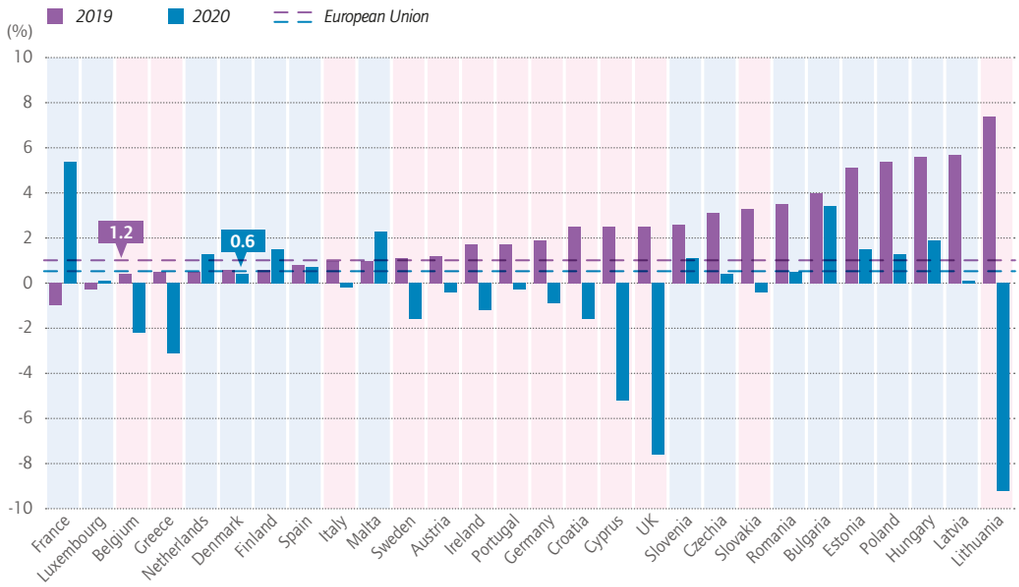
Figure 4.2, which shows the development of nominal wages in 2019 and 2020, illustrates the full impact of the Covid-19 pandemic and, with it, the importance of fair minimum wages in stabilising workers' wages as a driver of the economic recovery. In 2019, nominal wages continued to grow dynamically, particularly in the central and eastern (CEE) European countries. The group of nine countries with a nominal wage growth of 6% is exclusively comprised of CEE countries ranging from Bulgaria (6.1%) to Hungary (9.4%) and Lithuania (9.5%). This group is followed by another group of 11 countries in which nominal wages grew between 2% and 6%. This group ranges from Malta, with 2.4%, to Slovenia, with 4.5%. The third group, with a nominal wage growth of 2% or less, consists entirely of western European countries, and ranges from France, with 0.2%, to Spain, with 2%. It is important to bear in mind that in accordance with the AMECO database, nominal wages are measured as nominal compensation per employee, a figure which not only includes wages and salaries, but also employers' social contributions. Under normal circumstances, nominal compensation and wages develop largely in parallel. In case of changes in the national social security systems, however, the two may diverge. This effect explains the low nominal wage growth in France, for instance: employers' social security contributions were lowered considerably in 2019 (Lübker 2020: 272). The opposite effect can be observed in Spain, where employers' social security contributions slightly increased and therefore contributed to higher nominal wage growth (Lübker 2020 272).

A collapse in wage growth in 2020

The figures for 2020 need to be treated with caution because they are shaped by various insecurities resulting from the unforeseeable economic impact of the Covid-19 crisis. First, they are based on European Commission forecasts; these are highly uncertain, since it is of course impossible to foresee the development of the pandemic and the economic impact of measures that Member States may have taken to contain its spread, which will shape the development of wages. Second, in the context of the crisis, wage developments in 2020 are influenced by two opposing effects (Lübker 2020: 273): on the one hand, the wage losses linked to the frequent use of short-time work schemes led to a decrease in nominal wages per employee, but, on the other hand, composition effects suggest an increase in nominal wages per employee. Employees on fixed-term contracts face a particularly high risk of becoming unemployed, and since workers on such temporary contracts typically earn lower wages, their exit from the labour market can potentially lead to an anti-cyclical increase in nominal compensation per employee.

With these caveats in mind, Figure 4.2 illustrates that the Covid-19 pandemic reverses the positive wage development of 2019. According to the AMECO database, nominal wages in 2020 will have decreased to varying degrees in ten countries, ranging from -0.5% in Italy to a startling decrease of -8.2% in Lithuania. A further nine countries are faced with a very modest increase in nominal wages of 2% or less. This group of countries ranges from Portugal, with 0.2%, to Estonia, with 2%.

Figure 4.3 Development of real wages* in 2019 and 2020** (change in percentage compared to previous year)



Source: AMECO database (autumn 2020).
** Real compensation per employee, deflator private consumption: total economy*
*** figures for 2020 are forecasts*

42 million

applications for support for workers on short-term work schemes were submitted (by April 2020)

The need to stabilise wages to deal with the demand shock

The potential impact of the Covid-19 crisis is even more striking when comparing the development of real wages in 2019 and 2020 (Figure 4.3). According to AMECO data, the number of countries with a negative development in real wages increased from two in 2019 to thirteen in 2020 – with a particularly pronounced drop in Lithuania (-9.2%) and the UK (-7.6%). By the same token, the number of countries with an increase in real wages of 2% or more dropped from thirteen in 2019 to only three in 2020. Even with the uncertainties of the 2020 figures, this illustrates the dramatic extent of the demand shock, resulting from the drop in real wages, which reduces employees' ability and willingness to buy goods and services. Furthermore, since the large majority of EU economies follow a wage-led demand regime (Onaran and Obst 2015; Stockhammer and Wildauer 2015), this demonstrates the need to stabilise the income of households as an important element of the strategy to overcome the current Covid-19 crisis.

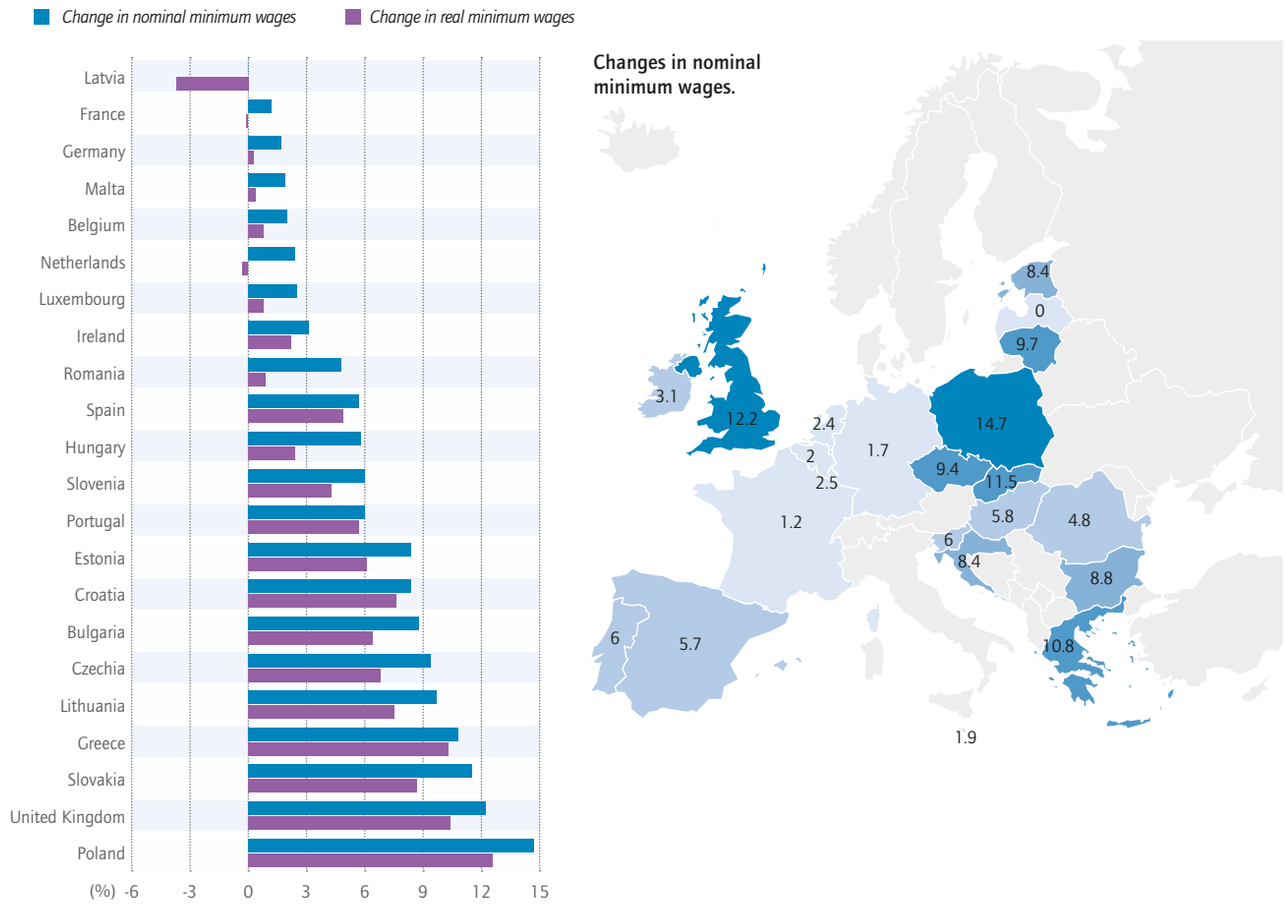
Extensive use of short-time work

One measure taken to stabilise income was the widespread use and expansion of national short-time work (STW) schemes, which aimed to avoid unemployment by supporting workers' wages while at the same time allowing companies to flexibly adapt working hours to a temporary drop in demand. At the peak of the economic impact of the first wave of the Covid-19 pandemic, towards the end of April 2020, there were more than 42 million applications for support for workers on STW (or similar) schemes, which amounts to more than one quarter of the whole workforce in the EU27. If one includes Switzerland and the UK, the number rises to more than 50 million (Müller and Schulten 2020a). Even if not all applications led to an actual STW arrangement, these numbers represent an all-time high. The significance of STW in preventing unemployment and in stabilising employees' income is even more evident when comparing these numbers with developments in the United States, where by the end of April, Covid-19-induced unemployment amounted to over 33 million people out of work.

The European Commission also recognised the importance of STW as a means to mitigate the negative impact of the Covid-19 crisis by proposing a 'European instrument for temporary support to mitigate unemployment risks in an emergency' (SURE), which was adopted by the Eurogroup finance ministers on 9 April 2020. The SURE programme provides €100 billion of loans to EU Member States in support of their national STW schemes 'that allow firms experiencing economic difficulties to temporarily reduce the hours worked while providing their employees with income support from the State for the hours not worked.' (European Commission 2020c: 2). In a nutshell, SURE can be seen as a European re-insurance scheme for the kind of national STW schemes which had already proved an effective tool to limit unemployment during the 2008/2009 economic and financial crisis. It operates on the basis that the EU would borrow up to €100 billion on the financial markets, using guarantees of up to €25 billion from the EU Member States. It would then lend the money raised to Member States to promote STW schemes and to close gaps where national STW systems reach their financial limits. The dramatic Europe-wide increase of STW during the current crisis underlines the relevance of the SURE programme, while at the same time raising doubts that its financial scope will be sufficient (Matthes 2020) – even more so in light of the second Covid-19 wave that emerged throughout Europe in October 2020. Furthermore, it is based on loans which will increase the public debt of countries using this scheme (Corti and Crespy 2020). Despite these caveats about the SURE programme, the use and support of STW both

at European and national level was an important tool to safeguard employment and wages, and thus also a recognition of the essential role of wages in the European recovery strategy.

Figure 4.4 Changes in nominal and real minimum wages (1 January 2019-May 2020)



Source: WSI Minimum Wage Database (WSI 2020).
Note: Calculation of changes based on minimum wages in Euros. Real development adjusted according to change in national consumer prices in 2019.

Minimum wage developments

Dynamic minimum wage growth as an economic stabiliser

Another way to stabilise the economy from the demand side is to increase minimum wages, since employees at the bottom of the wage structure are more likely to spend the additional money available than are employees further up the wage structure. Figure 4.4 illustrates that in 2019, statutory minimum wages continued to grow dynamically. In 17 of the 21 EU countries with a statutory minimum wage, changes were introduced, with effect from 1 January 2020. In 2019, Latvia was the only country in which the minimum wage was not increased at all; but discussions were held with a view to increasing the monthly minimum wage from €430 to €500 at the beginning of 2021 (Schulten and Lübker 2020: 9). The other exceptions were: Greece, where the minimum wage was increased by more than 10% in February 2019; Ireland, with a minimum wage increase of 3.1% in February 2020; Belgium, with an increase of 2% in March 2020; and the UK, where the minimum wage was increased by more than 12% in two stages, in April 2019 and April 2020. This comparatively strong increase in the UK is part of the government strategy to end low pay. In autumn 2019, the Conservative government announced that it would increase the adult minimum wage for employees aged 25 and over – the so-called National Living Wage – to £10.50 (or two thirds of the median wage) over the next five years until 2024. The caveat, however, was that this would only be implemented if the country's economic situation allowed such an increase (Low Pay Commission 2019).

With respect to changes in the nominal minimum wage, three broad groups can be distinguished. The first group of countries, with a very dynamic growth rate of 8% or more, comprises nine countries, ranging from Estonia and Croatia, with 8.4% each, to Poland, with an increase of 14.7%. With the exception of Greece and the UK, this group consists exclusively of CEE countries. The strong increase of nominal minimum wages in CEE countries means that developments in 2019 followed the pattern of previous years, with a further convergence of minimum wages in the EU. The second group, with increases of between 4.8% and 6%, comprises five countries: Romania (4.8%), Spain (5.7%), Hungary (5.8%), and Portugal and Slovenia with 6% each. The third group comprises countries with a comparatively modest growth rate of around 3% or less. With the exception of Latvia, this group is made up exclusively

Figure 4.5 Development of statutory minimum wages in the EU, 2000-2020* (in %, median change from previous year**)

Source: WSI Minimum Wage Database (WSI 2020)
*Note: * Median of the national change rates: 1 January vs 1 January of the previous year. On the basis of 22 EU countries with a statutory minimum wage (including the UK, as of 1 January 2020).*
*** Price-adjusted according to change in the national consumer prices from the previous year.*

of western European countries, ranging from France, with a nominal increase of 1.2%, to Ireland, with an increase of 3.1%. Taking into account the development of consumer prices, the modest nominal increases in this third group of countries mean that the growth of real minimum wages was below 1%. In the following three countries, minimum wage earners even suffered real wage losses for the second time in a row, having already experienced a decline in real minimum wages in 2018: France (-0,1%), the Netherlands (-0.3%), and Latvia (-3.7%).

In some countries, minimum wage increases for 2021 have already been decided. At the beginning of October 2020, the Irish government, for instance, approved an increase in the Irish National Minimum Wage to €10.20 per hour, effective from 1 January 2021 (Department of Employment Affairs and Social Protection 2020). In Germany, on 30 June 2020, the Minimum Wage Commission submitted its recommendation for a staged increase of the minimum wage over the next two years. According to the proposal, the minimum wage will increase to €9.50 on 1 January 2021, to €9.60 on 1 July 2021, to €9.82 on 1 January 2022 and finally to €10.45 on 1 July 2022 (Mindestlohnkommission 2020). Although the increase in 2021 and at the beginning of 2022 will be fairly modest because of the Covid-19 crisis, the overall increase over two years will amount to 11.8%; this increase is thus more dynamic than the increase of collectively agreed wages in the last two years, which is the orientation mark for the Minimum Wage Commission (Bispinck 2020). Although the biennial recommendations of the Minimum Wage Commission are not legally binding, the government usually follows the recommendations.

The dynamic minimum wage development in individual countries is reflected in the development of minimum wages in the EU, as measured by the median of the changes in 22 EU countries. As Figure 4.5 illustrates, in 2019 the median increase of nominal minimum wages in the EU was 6%. Over the last 20 years, a higher annual median increase (of 6.7%) was recorded only in 2005. Taking inflation into account, the median increase of real minimum wages in the EU was 4.4%, which is also the second-highest increase in the last 20 years.

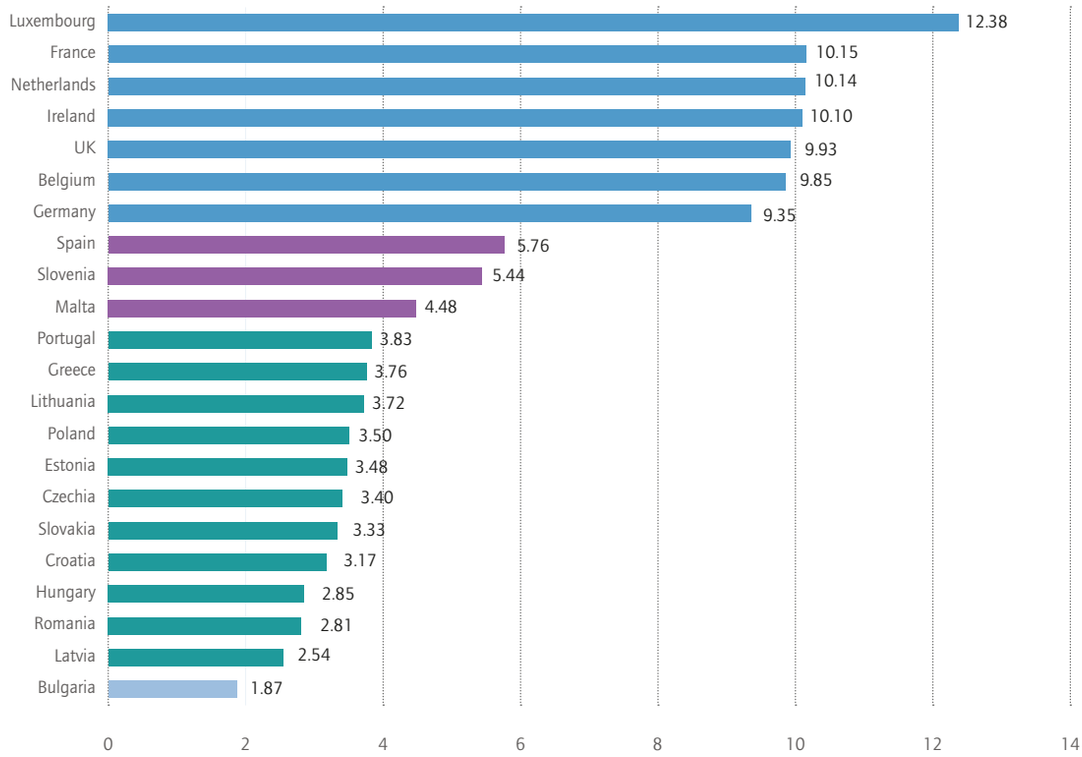
Dynamic minimum wage growth set to continue

There are three main factors that suggest that dynamic minimum wage development will continue in the future, despite the Covid-19 pandemic. First, in many countries, the substantial increase of statutory minimum wages is part of broader government strategies to fight low pay, in-work poverty and wage inequality. The example of the UK has already been mentioned. Further examples include Poland, where the government explicitly justified the minimum wage increase with the intention to transform Poland's business model from an extended workbench and a source of cheap labour for the West into an economy whose growth is based on innovation and modernisation (Schulten and Müller 2020). In October 2019, the government further announced that it intended to raise the minimum wage to 4,000 Polish złoty (approximately €930) over the next three years, until 2023 (Owczarek 2019). This would correspond to an increase of 90% from 2018. In Slovakia, in October 2019 the parliament adopted an amendment to the Minimum Wage Act, which stipulates that from 1 January 2021, in the event that trade unions and employers do not reach an agreement, the minimum wage will be set by the government to at least 60% of the average gross monthly wage of the two previous years (Schulten and Müller 2020). Similar measures have been taken by the new left-wing governments on the Iberian peninsula. In Spain, the government explicitly declared its intention to go beyond the recent minimum wage increases and to raise its level to 60% of the average wage by 2024. In a similar vein, the Portuguese government unveiled its plan to increase the national minimum wage to €750 per month by 2023. In the context of the current dynamic development of the minimum wage in Portugal this would mean a further increase of 18% (Schulten and Müller 2020).

The second factor that points to the continuation of the dynamic minimum wage development in the EU are the numerous trade union campaigns for substantial minimum wage increases in all parts of the EU (Schulten and Müller 2020). In western Europe, for example, the Federation of Dutch Trade Unions (FNV) in the Netherlands and the General Labour Federation of Belgium (ABVV/FGTB) are campaigning for a minimum wage of €14. This would mean an increase of 42% and 38%, respectively. In Germany, where the minimum wage was only introduced five years ago, the trade unions advocate a much faster increase and demand that the minimum wage be raised from the current €9.35 to €12, which would correspond to an increase of 28%. Even in Luxembourg, where the minimum wage is already by far the highest of all countries, trade unions are calling for an additional structural increase of 10%, which would bring the minimum wage close to €14. Concrete minimum wage initiatives also exist in other western European countries (France, the UK, and Ireland), in southern Europe (Malta, Portugal and Spain) and in central and eastern Europe (the Baltic states, Bulgaria, Croatia, Poland, Romania, Slovakia and the Czech Republic), where demands for a minimum wage increase vary between 10% and 30% (Schulten and Müller 2020). Furthermore, the example of Austria shows that trade union minimum wage campaigns need not be limited to countries with statutory minimum wages. The Austrian trade unions demand that no collectively agreed wage should be below €1,700 a month. What all these trade union campaigns have in common is the principal objective of raising the existing minimum wages to a level that ensures a decent standard of living, thus making them genuine living wages (Schulten and Müller 2019).

The push to substantially raise minimum wages is furthermore supported by the mounting empirical evidence that the dire predictions of many economists that higher minimum wages would have catastrophic effects on employment (see, for example, Neumark and Wascher 2007) did not materialise in practice. A

Figure 4.6 Statutory national minimum wage per hour, in euros (May 2020)



Source: WSI Minimum Wage Database (WSI 2020).
Note: Conversion of national currencies into euros based on average exchange rate in 2019.

recent comprehensive overview of the international evidence commissioned by the Conservative UK government found that even significant minimum wage increases have only very limited negative employment effects (Dube 2019). Against this background, for the UK, Dube (2019) sees enough scope to raise the minimum wage to at least two thirds of the national median wage.

Different worlds of minimum wages

Despite these minimum wage increases, in particular in CEE countries, there is still a substantial variation in the statutory minimum wage levels in the EU, ranging from €1.87 per hour in Bulgaria to €12.38 in Luxembourg. As Figure 4.6. illustrates, three major groups of countries can be identified: the first group comprises seven western European countries with minimum wages of around €10. After the frontrunner Luxembourg, the highest minimum wages currently exist in France (€10.15), the Netherlands (€10.14), and Ireland (€10.10). They are followed by minimum wages of just under €10 in the UK (€9.93) and Belgium (€9.85). Germany, with a minimum wage of €9.35, comes in last in this group. Since Figure 4.6 shows the absolute level of the national minimum wage for all countries in euros, it is important to bear in mind the impact of exchange rate developments. The figure for the UK, for instance, is heavily influenced by the devaluation of the British pound vis-à-vis the euro since the Brexit vote in June 2016. Based on the average exchange rate of the 2000s, the current UK minimum wage of £8.21 would be at €11.78, which in turn would be closer to the level of the frontrunner Luxembourg than to that of the other countries of this group (Schulten and Lübker 2020: 5).

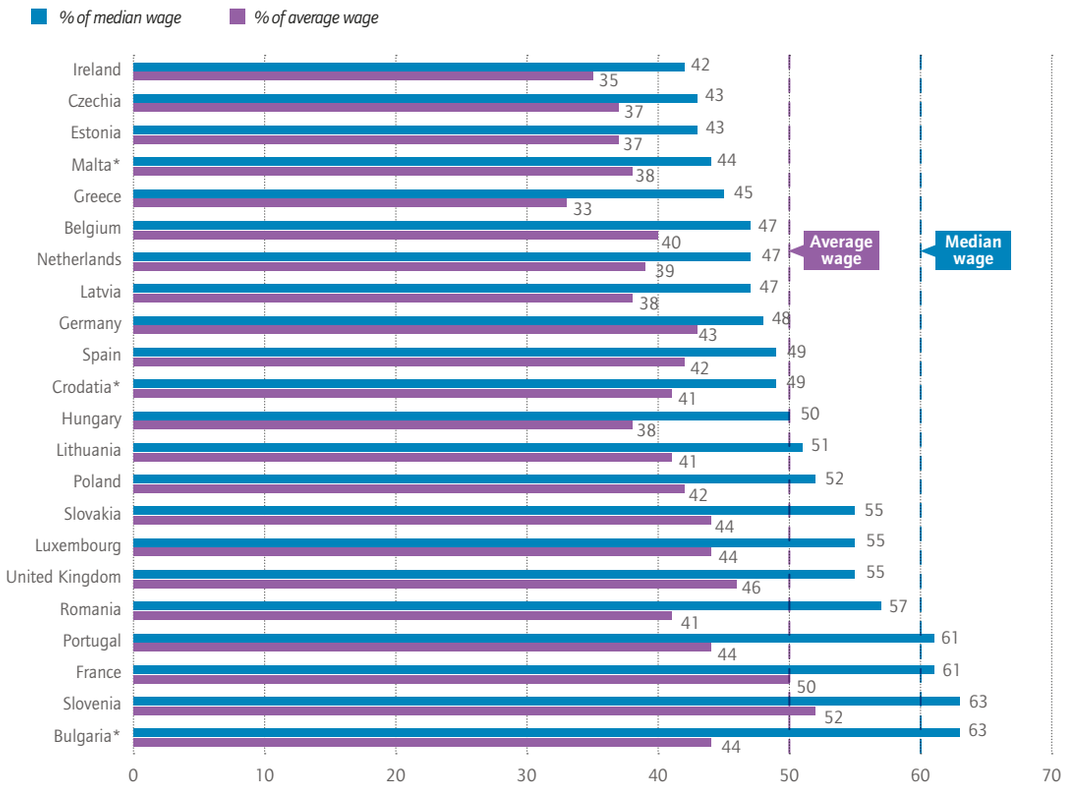
A second, relatively small group includes only three European countries with minimum wages between €4 and €6. This group includes Malta (€4.48), Slovenia (€5.44), and Spain (€5.76). The third group, by far the largest, consists of a dozen EU countries with minimum wages below the €4 mark. These include the southern European countries Portugal (€3.83) and Greece (€3.76) as well as ten central and eastern European EU Member States, where minimum wages range from €1.87 (Bulgaria) to €3.72 (Lithuania).

In the absence of national statutory minimum wages, the minimum wage level in countries where minimum wages are determined by (sectoral) collective agreements can only be determined by analysing the lowest collectively agreed wage groups. Against this background, in the northern European EU states Denmark, Finland and Sweden, the lowest collectively agreed wages in the classic low-wage sectors such as hairdressing, cleaning, and hospitality are generally between €10 and €12 per hour. In Austria, the collectively agreed minimum wage is just under €9, or just under €10.40 if the generally compulsory payment of 14 months of wages is taken into account. In Italy, the lowest collectively agreed wages are between €6 and €7, and in Cyprus the minimum wages for some occupational groups vary in the range of €4.50 to €5.50 (Schulten and Müller 2020).

What is a fair minimum wage?

The value of a minimum wage is not only determined by its nominal or real value, but also and most

Figure 4.7 Minimum wage as % of full-time median and average wages (2019)



Source: own calculations based on OECD Earnings Database (OECD 2020) and European Commission 2020d
** data for 2018*

importantly by its level in relation to the national wage structure. This relative level can be calculated using the 'Kaitz index', which measures the minimum wage as a percentage of the national average or the median wage. The latter is the wage that divides the overall wage structure into two equal segments, i.e. one half of all wage earners earns more and the other half earns less.

As an analogy to the relative income indicators widely used in poverty research, a minimum wage below 50% of the median wage can be described as a 'poverty wage" in relation to the individual employee, while a minimum wage at 50-60% can be described as a wage with a high risk of poverty (UNECE 2017). A minimum wage can therefore only be considered fair or appropriate if it is at least 60% of the median wage. A minimum wage of at least 60% of the median wage is the wage that should enable a single full-time worker to avoid a life in poverty, regardless of living and household circumstances, without relying on state transfers. Finally, a 'low wage' is a wage that is below two thirds (66.66%) of the median wage. In the international academic and political debate, 60% of the national median wage is, therefore, usually taken as the benchmark for adequate or fair minimum wages (Schulten et al. 2015).

As Figure 4.7 shows, in 2019 all national minimum wages in the EU were below the low wage threshold of two thirds of the median wage. Only four countries (Bulgaria, Slovenia, France and Portugal) had a minimum wage that was above 60% of the median wage. Of the 21 EU countries (plus the UK) who have a statutory minimum wage, the minimum wage in seven countries is at a level of 'high risk of poverty' (between 50% and 60% of the median wage), while in 11 other countries the minimum wage is below 50% of the median and can be described as a 'poverty wage'. The group in which minimum wages are well below the relative poverty threshold also includes countries such as Belgium, Germany, Ireland and the Netherlands, which in nominal terms have some of the highest minimum wages in the EU. Figure 4.7, therefore, demonstrates that in most EU Member States, statutory minimum wages are still far from guaranteeing a decent living standard.

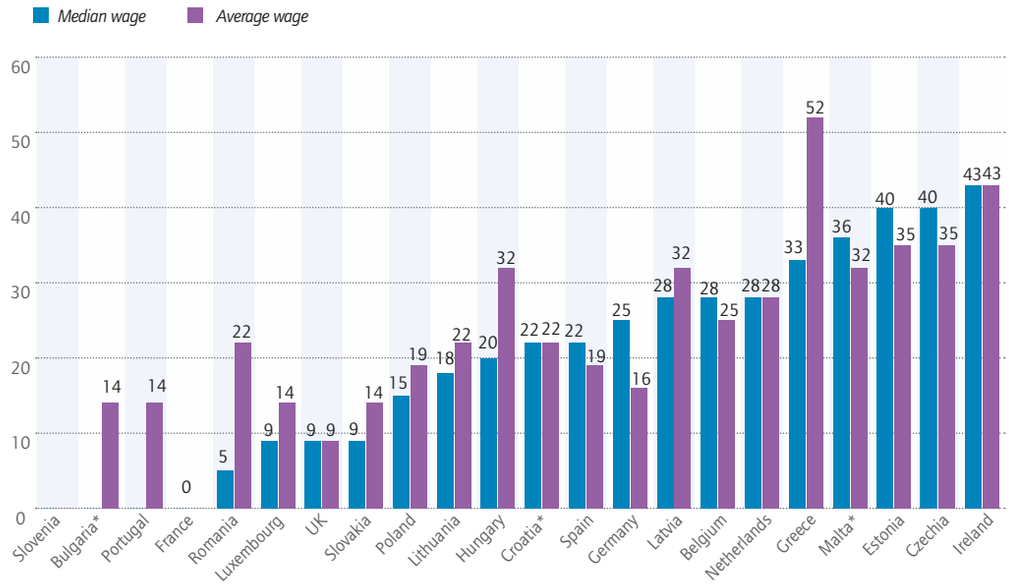
In the countries with collectively bargained minimum wages, the Kaitz index can in turn only be determined approximately by comparing the lowest collectively agreed wages with the national median wage. Accordingly, the highest minimum wages are found in Denmark and Sweden, where the lowest collectively agreed wages in the low-wage sectors account for between 60% and 70% of the median wage. In Finland and Italy, the lowest collectively agreed wages vary between 50% and 60% of the median wage, while in Austria and Cyprus they are generally below 50% (Schulten and Müller 2020).

The need for a 'double decency' threshold

The fact that a country meets the 60% median wage threshold, however, does not necessarily mean that its minimum wage provides an adequate standard of living. In Bulgaria, Portugal and Romania, for instance, the comparatively high Kaitz indices do not reflect the adequacy of minimum wages as much as they reflect poor wages overall. The relatively high Kaitz indices in these countries are primarily the result of a highly polarised wage structure with a

The key measure, however, to ensure that workers can make ends meet from a minimum wage that meets the double decency threshold is the strengthening of (cross-) sectoral collective bargaining."

Figure 4.8 increases (%) in the minimum wage needed to reach 60% of the median and 50% of the average (2019)

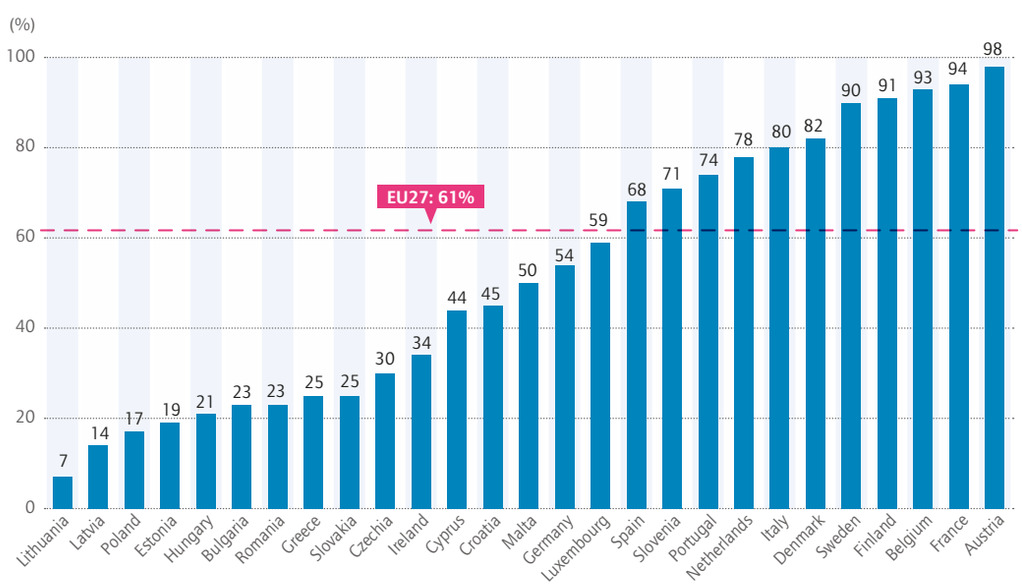


Sources: own calculations based on OECD Earnings Database (OECD 2020) and European Commission (2020d)
** data for 2018*

high concentration of employees at the lower end of the wage spectrum. The Kaitz index measured as a percentage of the median is therefore not enough for setting fair minimum wages.

Particularly in CEE countries, it is customary (including among trade union and political advocates) to use the average wage as the reference value for the relative minimum wage level. A European regulation which uses both the median and the average wage as benchmarks for fair minimum wages would therefore be much more in line with political realities in all EU countries, while integrating the various national initiatives for a substantial minimum-wage increase into an overall European strategy. The European standard for adequate minimum wages in the European Commission's proposed Directive should therefore be clearly defined in the legal provisions at 60% of the median and 50% of the average (Müller and Schulten 2020b). Figure 4.8 shows by how much the minimum wage in various countries would have to rise to reach the respective minimum floors. Application of the double 60/50% decency threshold would lead to a (sometimes considerable) minimum wage increase in all EU countries with a statutory minimum wage with the exception of Slovenia and France. In twelve countries the 60% of the median threshold, and in six countries the 50% of the average threshold, would have the greater impact; in four countries (the UK, Ireland, Croatia and the Netherlands) the outcome would be the same. The double decency threshold would thus take into account the large differences in national wage structures and contribute to a general upward convergence of minimum wages across Europe.

Figure 4.9 Collective bargaining coverage in the EU27 + UK (2016-2018*)



Source: ICTWSS Database Version 6.1, November 2019 (AIAS 2020).
Note: Percentage of workforce covered by a collective agreement.
** most recent data available*

It is not surprising that the countries with the highest decline in collective bargaining coverage over the past 20 years were affected by decentralisation of collective bargaining."

The need to strengthen collective bargaining

This, however, still leaves unresolved the fundamental problem that, overall, in countries with low wages – for instance, as a result of low collective bargaining coverage – even a minimum wage which meets the double decency threshold may not be sufficient to ensure a decent standard of living. Minimum wages calculated on the basis of the double decency threshold should thus be subjected to a 'real life' test, for instance by using a country-specific basket of goods and services, defined with the full involvement of trade unions and employers' organisations, as to whether they secure a decent standard of living. In order to ensure a level playing field across Europe, the overall categories of the elements to be included in the basket of goods and services should also be defined at European level.

The key measure, however, to ensure that workers can make ends meet from a minimum wage that meets the double decency threshold is the strengthening of (cross-)sectoral collective bargaining, which in turn ensures a higher collective bargaining coverage. According to calculations based on a sample of 48 OECD countries, the level of bargaining accounts for about three quarters of the cross-national variation in bargaining coverage (Visser et al. 2015). Thus, as illustrated in Figure 4.9, the countries with the highest bargaining coverage are all countries in which multi-employer bargaining at (cross-)sectoral level is still the dominant mode of determining the terms and conditions of the employment relationship. By the same token, bargaining coverage in all countries characterised by single-employer bargaining is below 50%.

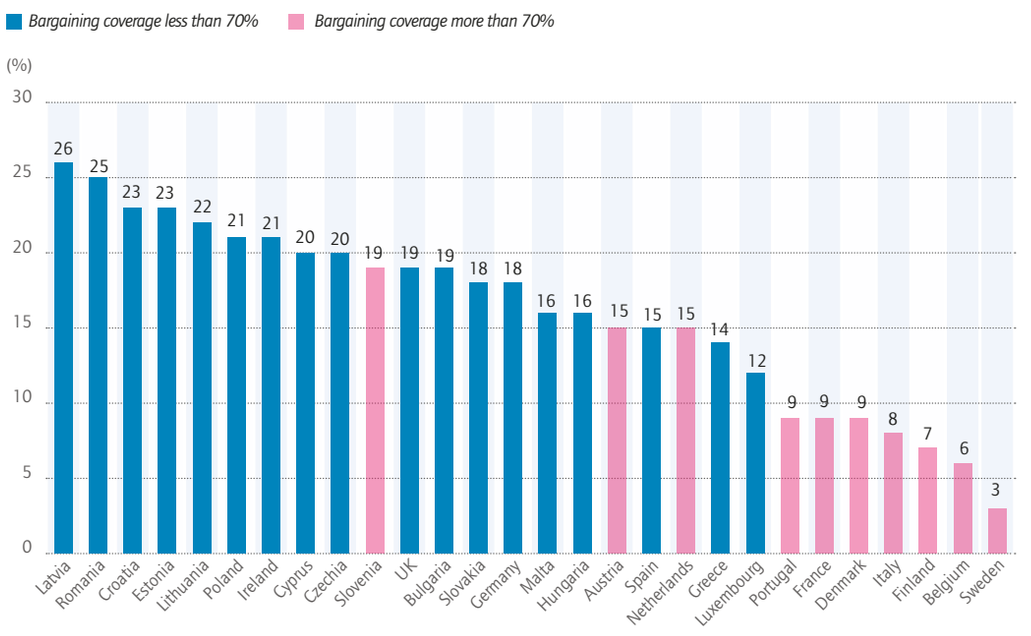
Every country with a bargaining coverage above the EU27 value of 61% shares at least one of the following three characteristics (Müller et al. 2019: 640): first, legal extension mechanisms, or functional equivalents, that ensure that sectoral agreements also apply to companies that did not sign the agreement or are not affiliated to the employers' association signatory to the agreement; second, erga omnes practices that extend agreements at company level to all workers of the respective company, regardless of whether or not they are unionised; and third, broad-based bargaining parties that are willing to participate in collective bargaining and hence ensure wide coverage of collective agreements. The latter applies to Denmark and Sweden, where no legal extension mechanism or erga omnes rules exist, but high bargaining coverage rests solely on the organisational strength of the two sides of industry. Against this background, it is not surprising that the countries with the highest decline in collective bargaining coverage over the past 20 years, particularly after the 2008/2009 economic crisis, were affected by measures that led to the decentralisation of bargaining and/or that suspended or curtailed legal extension mechanisms (Schulten and Müller 2015).

The consequence of the partly EU-induced dismantling of sectoral collective bargaining in the context of the handling of the 2008/2009 economic crisis was a drop in the overall bargaining coverage in the EU27 from 73% in 2000 to 61% in 2018. The proposed Directive takes account of this development. Article 4 explicitly requires Member States to take action to promote collective bargaining and to establish national action plans to increase bargaining coverage if less than 70% of workers are covered by a collective agreement (European Commission 2020b: 23). This is an important step to reach an overall wage level which is sufficient to ensure that minimum wages which meet the double decency threshold enable minimum wage earners to enjoy a decent living standard. However, in order to ensure effectiveness, the Directive should specify measures to be included in the action plans. These should be measures that in the past have proven to

73% to 61%

Drop in the overall bargaining coverage in the EU27 (2000 to 2018)

Figure 4.10 Low wage sector and collective bargaining coverage in the EU and the UK (in % of full-time employees with a wage below two-thirds of the national median wage, 2014-2018*)



Source: OECD Earnings Database, Eurostat, ICTWSS Database (AIAS 2020).
Note: Percentage of full-time employees with a wage below two thirds of the national median wage.
** most recent data available*

be effective in increasing bargaining coverage, such as less restrictive criteria for extension mechanisms, protection against victimisation of workers who exercise their right to collective bargaining and to join a union, and the right of access to the workplace for trade unions.

Sectoral bargaining to fight low pay

Figure 4.10, which illustrates the link between the number of low-wage earners and collective bargaining coverage, clearly demonstrates the significance of collective agreements in ensuring decent pay. Within the EU, there are large differences in the number of employees earning less than two thirds of the national median wage, ranging from 26% of the workforce in Latvia to just 3% in Sweden. However, of the 12 countries with the smallest proportion of low-wage earners, nine countries (marked in red in Figure 4.10) have a bargaining coverage of more than 70%; furthermore, these countries are all characterised by multi-employer bargaining at (cross-)sectoral level. It is, therefore, essentially the high level of collective bargaining coverage in these countries that limits the size of the low-wage sector.

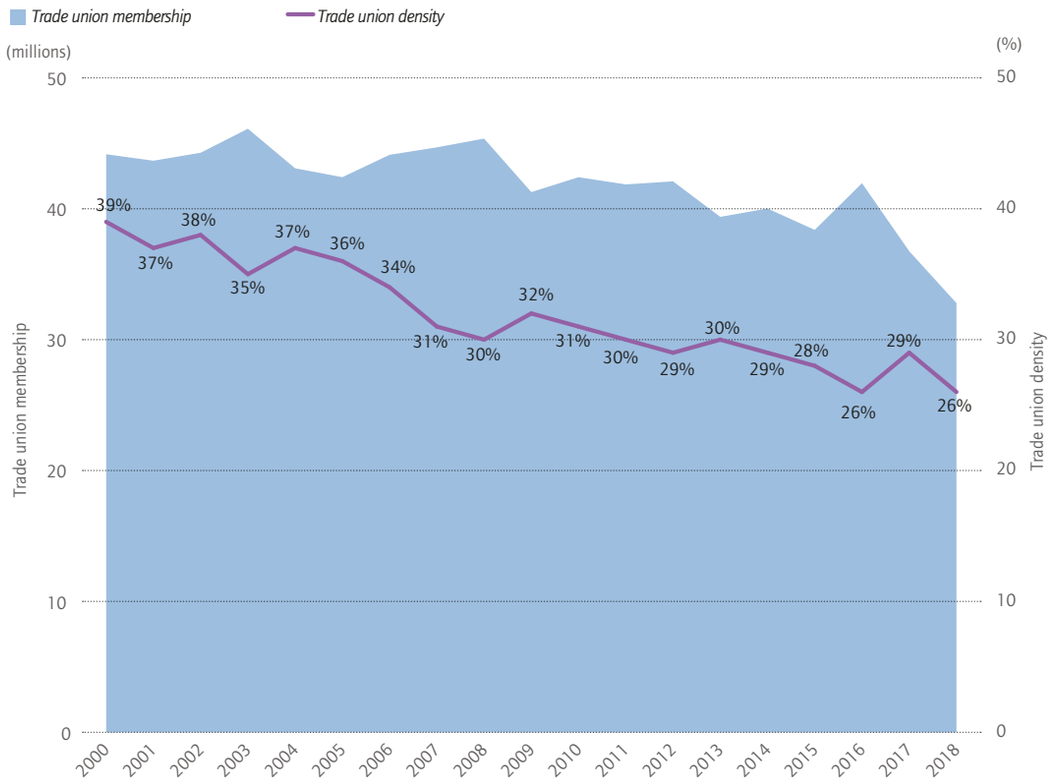
Ways to strengthen sectoral bargaining

There are different ways to strengthen collective bargaining. An all-encompassing strategy includes firstly, strengthening collective bargaining 'from below' by fostering the formation of more encompassing bargaining parties with a stronger membership base; and, secondly, strengthening collective bargaining 'from above' by mobilising political and societal support for collective bargaining (Müller et al. 2019). While strengthening collective bargaining from below is an important element in the overall approach, increasing unions' membership base and ensuring a union presence at the workplace is resource-intensive. In some countries and industries, trade unions are so weak that improving the regulatory capacity of collective bargaining will not be possible without the support of the state, i.e. strengthening collective bargaining from above. In this regard, the EU level can play an important supportive role: first, for instance, by including in the proposed Directive on adequate minimum wages the right for trade unions to gain access to the workplace (both physically and digitally) to organise workers without the fear of victimisation; second, by including in the public procurement rules the requirement to recognise the right to trade union organisation and collective bargaining as one of the conditions imposed on companies tendering for public contracts. This means that companies which refuse to bargain or implement collective agreements should be barred from state contracts, grants and other European financial support. Finally, European policymakers could use the country-specific recommendations to support and strengthen the development of multi-employer bargaining at (cross-)sectoral level. What works in one direction to decentralise and dismantle multi-employer bargaining could surely work in the other direction to reverse these processes. If European policymakers are serious about supporting strong collective bargaining institutions, then this should be reflected in the measures proposed in the country-specific recommendations. How the trade unions themselves are faring in terms of developing their membership base and in terms of their capacities to mobilise for collective action – and how these dimensions have been affected by the Covid-19 crisis – will be dealt with in the remainder of this chapter.

Trends in trade union density and strike activity

4.9%
is the total annual decrease of trade union membership in 2010-2016

Figure 4.11 Trade union membership (in millions) and density over time (2000-2018)



Source: OECD based upon administrative data and Visser (2016) for Bulgaria, Croatia, Cyprus, Malta and Romania.

A long-term decline in union membership...

The area graph in Figure 4.11 depicts the total trade union membership in the EU27 countries plus Norway, Switzerland, and the UK, from 2000 until 2018 (the latest year for which data are available for most countries). The years 2017 and 2018 are only illustrative here, as data are still lacking for several countries for those years. Continuous data are also not available for several countries, especially in central and eastern Europe, so that the pattern of the area graph is artificially uneven, that is to say it is determined by the availability of data. Nevertheless, what we can see is that total membership dropped from about 44 million members in 2000 to just under 42 million members in 2016. Taking into account only the countries for which continuous data are available from 2000 to 2016 (AT, BE, CH, CY, CZ, DE, DK, EE, ES, FR, IT, MT, NE, NO, SE, SI, SK, UK), then the 2000s are marked by a total annual decrease in membership of 4.6%. The total annual decrease stands at 4.9% in the period from 2010 to 2016.

...but some increases since the pandemic

It remains to be seen whether the outbreak of the coronavirus has stimulated positive attitudes towards unions among workers. Clearly, economic uncertainty caused by the Covid-19 pandemic, as well as growing concern over workplace health and safety issues, have, in certain industries, driven more workers into the arms of unions in at least some European countries. In Belgium, for example, a considerable growth in union membership has occurred since the pandemic (L'Echo, 23 March 2020). This can be explained by the involvement of the unions in the administration of unemployment benefits, known as the 'Ghent system'. For the same reasons, Swedish unions have seen a similar influx of new members (Bender and Kjellberg 2020). Membership increases also occurred in the Netherlands (Trouw, 8 May 2020). UNISON and Unite, the two largest unions in the UK, also report membership growth (Gall 2020). The same holds true for the UK's National Education Union. Whether this all means that there will be a 'next upsurge' (Clawson 2003) in union membership – historically associated with socio-economic turmoil and labour unrest – remains to be seen, however. And there are reasons to be cautious. The economic fallout of the pandemic is causing

mass layoffs and redundancies, which means unions should expect drops in membership as, in countries without a 'Ghent system' where union benefits and services are generally limited for them, unemployed workers leave to save on costs even if union dues are lowered for them. In countries where such a system is present, unions run the risk of becoming 'giants with feet of clay': large in numbers but weak in actual organisational power, especially if the relationship they build with those (unemployed) newcomers is mainly or solely based on 'instrumental motives' (Vandaele 2020).

Persistent country differences in union density

The line in Figure 4.11 shows a slow but almost inexorable decline in union density in Europe, for which the financialisation of the economy is just one explanation (Kollmeyer and Peters 2018). If we only take into account the countries for which data is available for the whole period, i.e. from 2000 to 2018 (AT, BE, CZ, DE, DK, EE, ES, FI, FR, IT, NE, NO, UK), the picture looks as follows: while on average, more than one worker out of three was unionised in the period from 2000 to 2009, this average declined to nearly 31% in the period from 2010 to 2018 – a drop of three percentage points. Furthermore, this is an aggregated figure which masks, for example, occupational and sectoral variation. The figure is in fact even lower, since the denominator, which is based on the number of wage and salary earners, does not consider all workers relevant for unions, such as solo self-employed workers and workers in the 'shadow economy'. Also, in reality, average union density for all European countries considered will be lower, and the drop will be more pronounced since the fall in density is particularly notable in central

Figure 4.12a Trade union density per country, 2000-2009 and 2010-2018

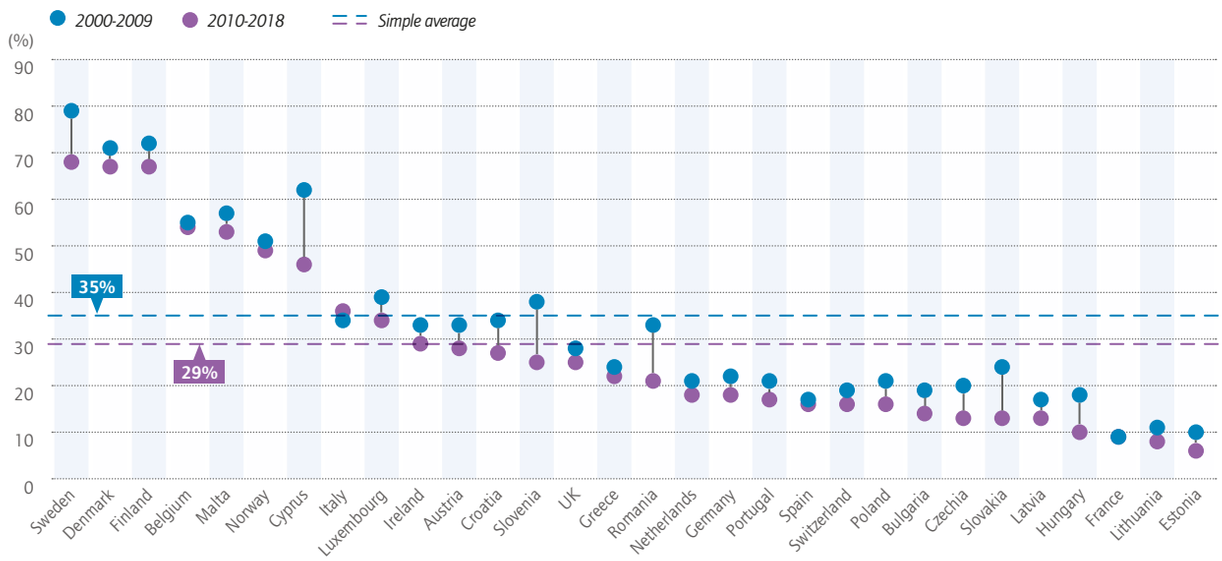
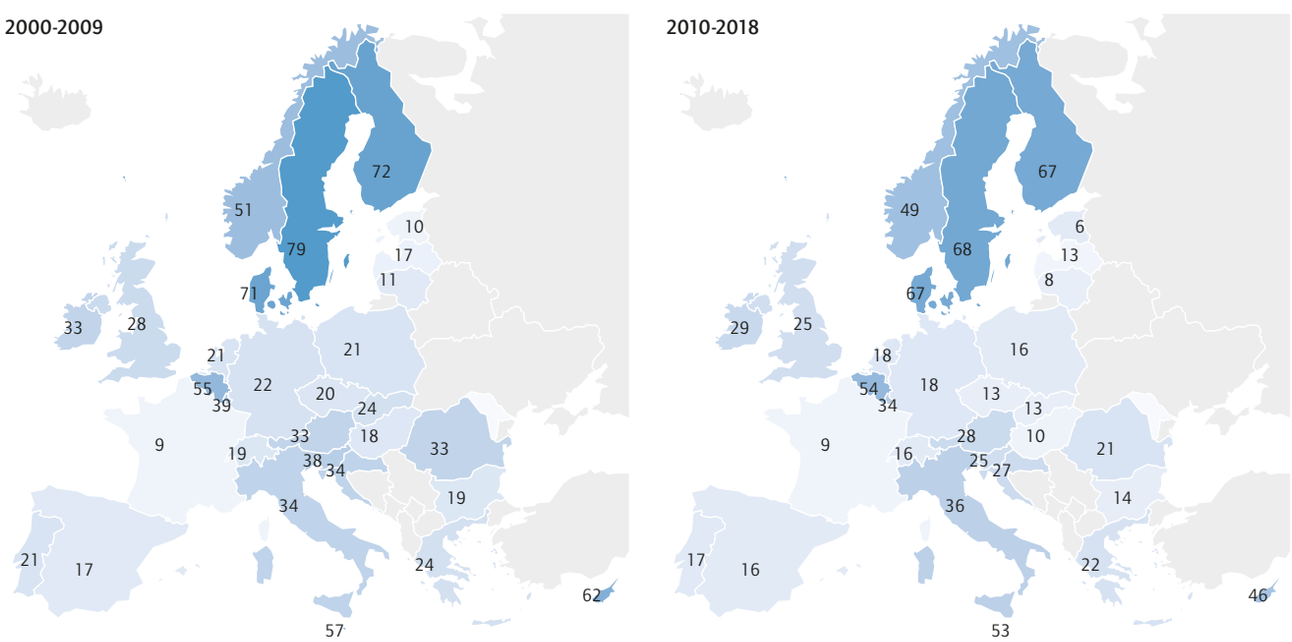


Figure 4.12b Trade union density per country, 2000-2009 and 2010-2018 (map)



Source: OECD based upon administrative data and Visser (2016) for Bulgaria, Croatia, Cyprus, Malta and Romania.

and eastern European countries (Vandaele 2019), for which consistent and robust data are mostly lacking.

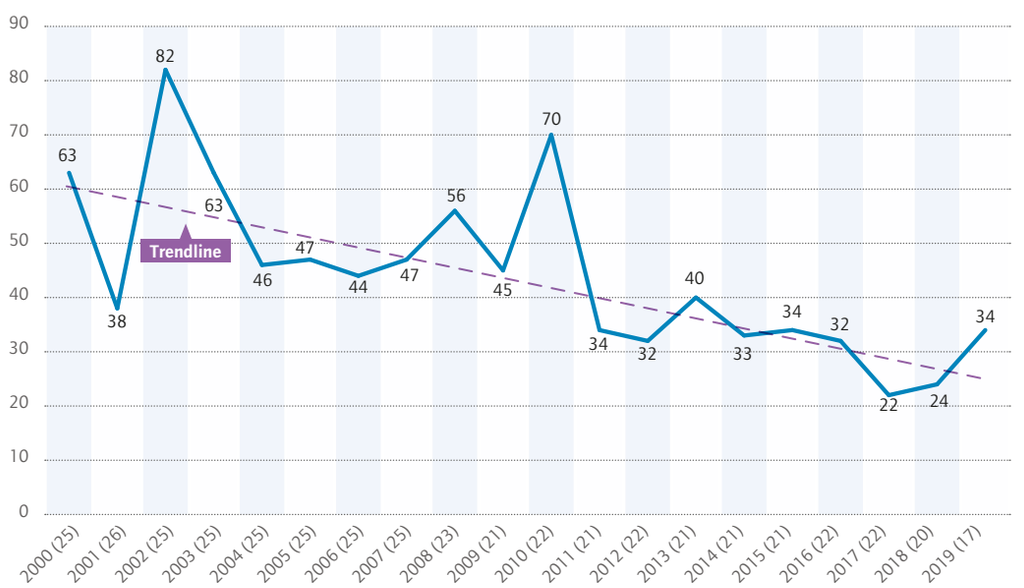
Figure 4.12 depicts a comparison between averages in trade union density in the 2000s and the period 2010-2018. These figures also demonstrate that union density in most countries has weakened in the two periods considered here, especially in the CEE countries. There are, however, a few exceptions. Italy has seen a slight increase in density, but this is largely due to a decrease in the number of wage and salary earners, while Spain and France have a rather stable union density. These two countries with low unionisation rates illustrate that union legitimacy can also be based on their mobilisation capacity (Sullivan 2010), as in France, or in union elections for workplace representatives and works council representatives in companies, as in Spain (Martínez Lucio 2017). All in all, considerable divergence in the level of unionisation remains, partly as a result of the variation in labour-friendly labour market institutions (Schnabel 2013), and partly due to how union membership is understood in society. The Nordic countries and Belgium are still at the top of the 'unionisation league' due to a relatively benevolent institutional setting. While the 'Ghent system', which guarantees unions' involvement in unemployment insurance schemes, is an important explanation for this in these countries (except for Norway) (Høgedahl and Kongshøj 2017), union access to the workplace is also key (Ebbinghaus et al. 2011; Ibsen et al. 2017). Furthermore, centralised collective bargaining is associated with a higher unionisation level, as management has relatively lower incentives to thwart unions at the workplace in such industrial relations systems (Rasmussen 2017). At the bottom of the league we find most CEE countries; Croatia, Slovenia and Romania have been exceptions in the past, but (rapid) decline has now set in in these countries too.

Strike activity

An overall long-term decline in the strike volume...

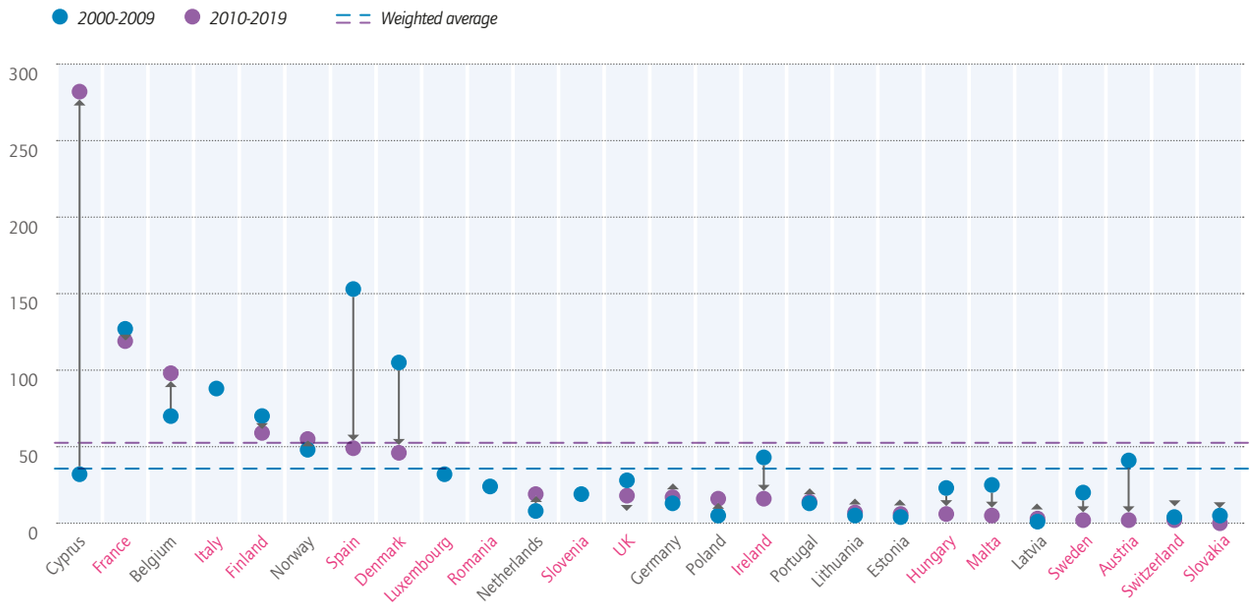
Strike activity informs us about the degree of collective discontent of workers either aimed at the employers at the company or industrial level or targeted at political authorities if regulations on strike action allow for this. Figure 4.13 depicts the weighted average of the days not worked due to industrial action (which includes lockouts) per 1,000 employees in most European countries, especially those in western Europe, from 2000 until 2018. It displays a declining trend, with relative peaks in the strike volume in 2002 and 2010 in the last two decades. The first peak has been attributed to the 'dot-com bubble' and the 9/11 recession (European Commission 2011: 46), whereas the second peak mainly results from 'national days of action' against pension reforms in France (Ancelovici 2011). Thereafter, the volume falls to a level equal to or below 40 days. Whereas data on industrial action are generally underestimated, this is certainly the case for post-2008 developments, as data for some strike-prone countries are lacking and the data ignore several general strikes linked to anti-austerity protests (Dribbusch and Vandaele 2016). In general, though, the long-term but uneven fall in the strike volume mirrors the shrinking weight of industrial trade unionism, and a shift from strike activity towards the private services sectors, especially within transport and logistics, where strikes tend to be shorter, and sometimes smaller, due to their more disruptive capacity (Bordogna and Cella 2002; Vandaele 2016). One can only speculate whether these trends will continue or be reversed during and especially after the Covid-19 pandemic. Although there have been press and media reports of strike actions in certain industries since the pandemic, often linked to health and safety issues, the actions have seemed to be of rather shorter duration, with issues quickly settled.

Figure 4.13 Days not worked due to industrial action in Europe per 1,000 employees (weighted average), 2000-2019



Source: Data on industrial action: ETUI based upon data from national statistical offices. For details about the availability and reliability of data, see Dribbusch and Vandaele (2016).
Employees in employment: Eurostat.

Figure 4.14 Days not worked due to industrial action per 1,000 employees (country comparison), 2000-2009 and 2010-2019



Source: Data on industrial action: ETUI based upon data from national statistical offices. For details about the availability and reliability of data, see Dribbusch and Vandaele (2016). Employees in employment: Eurostat.

Figure 4.14 makes a comparison between the average strike volume in the 2000s and the period 2010-2018 in each European country for which (sufficient) data are available. It largely confirms the secular trend in the strike volume, but it also provides a more nuanced picture at the country level. In several countries, on average, the volume declined in the most recent period. This is notably the case in Spain and Denmark – two countries previously marked by a certain proneness to industrial action in the past. In contrast, the open-ended conflict that erupted in the construction industry in 2013 explains the remarkable increase in Cyprus, which led the European 'strike league' in the 2010-2019 period. Remarkably, a low-strike country such as the Netherlands also saw a certain increase in the last period compared to the 2000s, in particular due to some large strikes in education and healthcare in 2019. In particular, political mass strikes, such as large-scale strikes in the public sector and general strikes, help to explain differences in the country's volume. Quintessential examples of this are an exceptional general strike against pension reforms in Austria in 2003 and a 24-hour national public sector strike in protest at the government's pay cuts in Ireland in 2009. Public sector, national and general strikes also took place in Belgium in the period 2012-2018, which explains why industrial action increased in the most recent period. The increase in Poland, meanwhile, can largely be explained by a nationwide strike action for higher wages in education in 2019. Poland is a relative exception, as strike activity in most other CEE countries stands at a very low level (Greskovits 2015). Above all, Figure 4.14 demonstrates the persistency of cross-country differences in the strike volume over time, with those differences tending to increase during upswings in industrial action (Brandl and Traxler 2010).

Conclusions and outlook

A European minimum wage would bring millions of low-wage workers in the EU significant pay increases and significant improvement in their life situation."

The outbreak of the Covid-19 pandemic changed the framework conditions for wages and collective bargaining. Decreasing nominal and real wages have led to a demand shock. Increasing unemployment makes it more difficult for trade unions to negotiate wage increases and, furthermore, changes the bargaining agenda by putting the safeguarding of employment centre stage of bargaining rounds. Whereas the 2008/2009 crisis hit the manufacturing sector particularly hard, the impact of the Covid-19 crisis is much broader and also severely affects the service sector. The hotel and restaurant sector as well as retail have been particularly affected by the lockdowns and the subsequent regulations put in place to contain the spread of the pandemic.

As regards the management of the crisis, it is important not to repeat the mistakes of 2008/2009, when austerity, internal devaluation and the freezing or even cutting of minimum wages unduly prolonged the crisis with sometimes dramatic social consequences. It seems that this time European and national policymakers are pursuing a different approach, which aims to mitigate the negative effects of the demand shock by supporting employees' wages through, for instance, short-time working schemes. In the long run, however, this will not be enough. Only fair minimum wages and strong collective bargaining structures can stabilise employees' income as part of a demand-led and socially acceptable recovery strategy. Against this background, the European Commission's proposal for a Directive on adequate minimum wages in Europe can play a key role – but only if it does not act as a straitjacket stifling the development of fair minimum wages, but instead functions as a ladder which supports the gradual increase of minimum wages in Europe to a level sufficient for employees to make ends meet from what they earn. In this sense, the proposed Directive can support the shift from a 'low road' economic model based on exploitatively low wages and social dumping towards a 'high road' model based on quality, innovation and fair wages. This is, however, only possible if the following amendments are included in the proposed Directive to ensure that it goes beyond mere political symbolism and really ensures short-term improvements for minimum wage workers.

'Double decency' threshold

Since wage-setting is a national competence, the EU does not have the power under its Treaties to set an absolute EU-wide minimum wage level; however, it can legally oblige Member States to ensure decent pay. To ensure fair minimum wages, the proposed Directive should, therefore, include in the legislative provisions a double decency threshold of 60% of the median wage and 50% of the national average wage. This double decency threshold would not set a specific wage but would instead define a minimum threshold under which no national minimum wage should be set. In order to ensure that the double decency threshold is not undermined and eroded, the proposed Directive should also end the possibility to exclude certain categories of workers from minimum wage protection. It should furthermore prevent the practice of deductions for other costs, such as uniforms or breakages. And, finally, the calculation of minimum wages should not include bonuses and tips which should be paid on top. According to the Commission's own calculation, a European minimum wage target according to which all national minimum wages would increase to at least 60% of the national median wage and 50% of the national average wage would bring around 25 million low-wage workers in the EU substantial pay increases and a significant improvement in their life situation (European Commission 2020d: 54)).

Support for (cross-)sectoral bargaining

In many countries, the relatively high minimum wage level is more an expression of low wages overall than of high absolute minimum wage levels. Thus, the proposed Directive's obligation on Member States to promote collective bargaining by establishing an action plan if bargaining coverage is below 70% can help to ensure that minimum wages that meet the double decency threshold really are fair minimum wages that ensure a decent living standard. To ensure that the action plans really fulfil their purpose of gradually increasing collective bargaining coverage to at least 70%, the proposed Directive should, however, specify supportive measures to be taken into account by Member States when establishing their action plans. These measures should at least include the following: guaranteeing that all categories of workers (including non-standard workers) in both the private and public sector enjoy the right to bargain collectively; providing for or strengthening extension mechanisms for (cross-) sectoral collective agreements; preventing acts of anti-union victimisation, such as employers' reprisal against workers who organise for fair wages or exercise their right to unionisation; and ensuring that public procurement procedures support the respect of the right to bargain collectively. In addition to ensuring that the content of the action plans serves to achieve the objective of 70% collective bargaining coverage, the proposed Directive should also provide the action plans with 'procedural teeth'. One could, for instance, imagine that in the case of repeated failure of an action plan to bring about progress towards 70% coverage, the Commission would open infringement procedures in accordance with the Treaty of the Functioning of the European Union.

Protection of national bargaining systems

The Commission has made an effort to protect national systems in which minimum wages are set

by collective agreements. This includes, in particular, the guarantee that no Member State can be forced to introduce a statutory minimum wage. However, in order to protect well-functioning bargaining systems such that the freedom of collective bargaining cannot be undermined by court rulings, the proposed Directive should include a 'social progress' clause. Such a clause would prevent court rulings that effectively prioritise economic freedoms over social rights. This was the stark logic of the 2007 Laval case, in which the European Court of Justice ruled in favour of the freedoms of movement and establishment to restrict the right of Swedish trade unions to take industrial action. Incorporating a social progress clause would guarantee trade union prerogatives and protect collective bargaining and the autonomy of the two sides of industry against damaging court rulings.

Fair minimum wages that are good for the economy

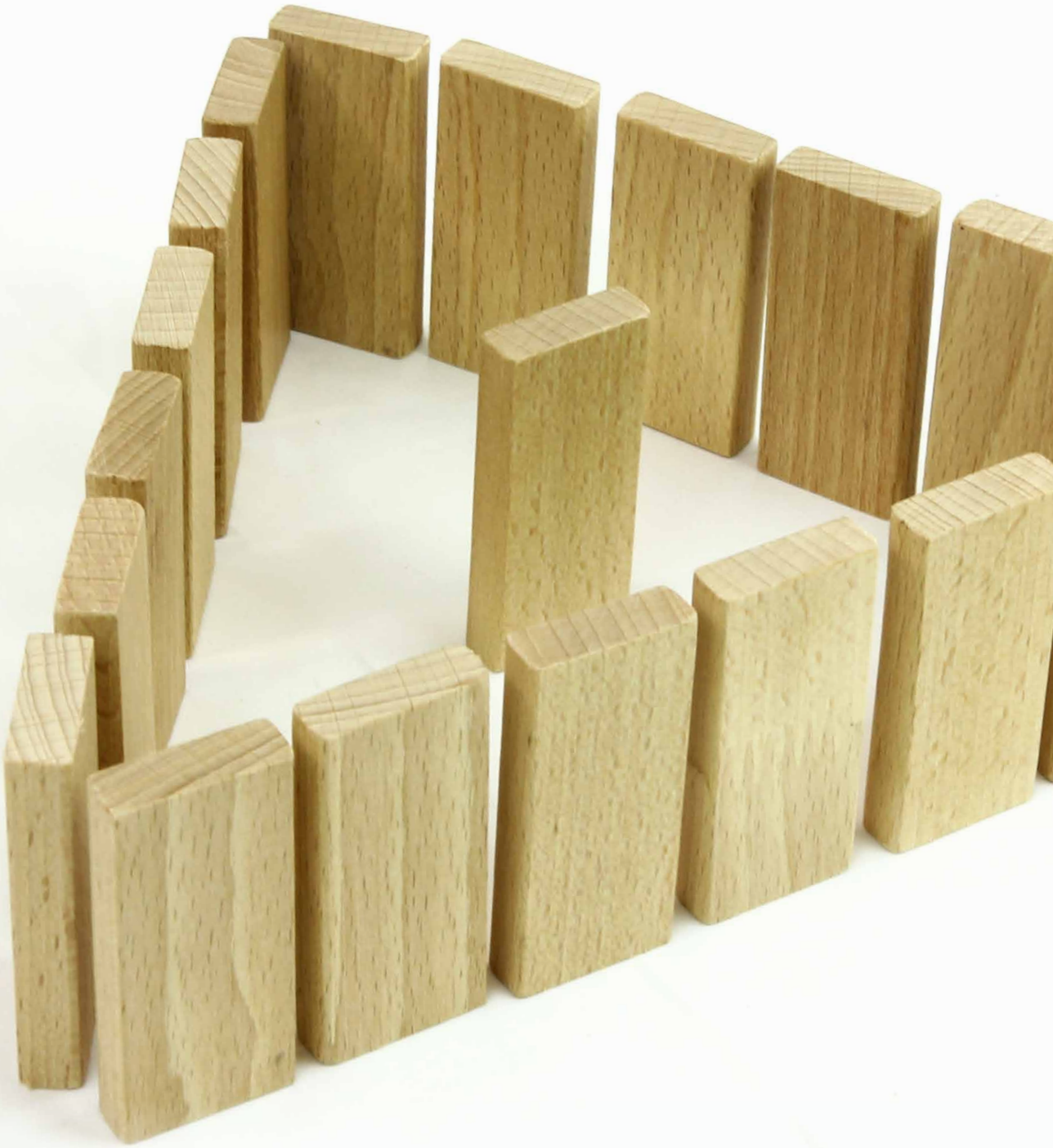
At the heart of the matter is the recognition that fair minimum wages and collective bargaining are good for the economy. At the outbreak of the pandemic, opponents of the Commission's minimum wage initiative often argued that the introduction of fair minimum wages at a level of 60% of the median and 50% of the average wage would be too expensive, lead to negative employment effects, and harm international competitiveness.

Research on the employment and economic effects of minimum wage increases has shown no significant adverse effects because companies coped with the increases in labour costs in many different ways. These include: first, increasing the price of the goods and services offered; second, compressing the wage structure, which means that the increase of wages for low-wage earners at the bottom of the wage structure was (partly) absorbed by suspending or postponing wage increases and the payment of bonuses to workers higher up the pay scale (Hirsch et al., 2011); third, reducing the profit margin (Draca et al. 2011); and fourth, increasing productivity, which was mainly done by a reduction in labour turnover and more investment in training to upgrade the skills level of the workforce. A reduction in staff turnover helps companies to save costs for the recruitment, selection and induction of new workers, and it also helps to simplify management processes (Dube et al. 2007, 2010).

Nor would the implementation of fair minimum wages harm competitiveness and economic growth. The opposite is actually the case. Since including the double decency threshold in the main body of the legal provisions would ensure the compulsory implementation of fair minimum wages in a coordinated manner across the whole of the EU in relation to national wages at 60% of the median wage and 50% of the average wage, it would create a level playing field without adverse effects for the relative concept of international competitiveness. Furthermore, most of the employees affected by the introduction of fair minimum wages work in service sectors such as hairdressing, cleaning, retail, hospitality, and the health and care sector that are not exposed to international competition and whose services are performed within local markets.

Since the EU economy is demand- and wage-led, fair minimum wages would boost internal demand because of the low-wage workers' greater propensity to spend additional income. Minimum wages would boost internal demand, and thus economic growth, not only by directly increasing the wages of millions of low-wage workers: through so-called 'ripple effects' (Grimshaw and Rubery 2013), fair minimum wages would also influence general wage developments, reinforcing their positive impact on internal demand and economic growth.

Finally, the current crisis highlighted the importance of fair minimum wages for social and political stability in Europe. Due to the far-reaching social impact of the crisis, especially in the countries of southern Europe most affected by the crisis, the feeling of being let down by other EU Member States and the European institutions is increasing. Against this background, it is essential to improve the social situation of many people in Europe with an amended European Directive on adequate minimum wages. From a social, political and also economic point of view, the timely implementation of such a Directive would be an important component of a comprehensive Covid-19 recovery strategy.



5. Covid-19: a 'stress test' for workers' safety and health

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"EU OSH legislation is an essential prerequisite, but not enough to guarantee healthy and safe working conditions for all workers. Critical scrutiny and continuous updating of the legislation, and proper implementation and application of the rules, are essential for it to correspond to the lived reality of workers."

Marian Schaapman, ETUI

Introduction

The Covid-19 pandemic has provided a 'stress test' for occupational safety and health in the EU, unfortunately revealing several structural deficiencies in the regulatory system.

In 2020, many workers found themselves exposed to the SARS-CoV-2 virus and its related psychosocial risks. This collective experience has been powerful testimony to significant failures in the implementation of preventive occupational health and safety (OSH) measures across the board. If the Covid-19 crisis has made one thing clear, it is the importance of OSH as a central issue in the world of work.

OSH is one of the fields of law with a strong European basis. The 1989 'Framework Directive on the introduction of measures to encourage improvements in the safety and health of workers at work' (89/391/EEC) lays down the key principles that underpin EU occupational health and safety regulation. Vogel (2015) refers to the Directive as 'the benchmark law' in his historical, legal and institutional overview 'The machinery of occupational safety and health policy in the European Union'.

The 1989 Framework Directive places preventive measures at the heart of occupational health and safety regulation, and emphasises collective measures over individual ones. It requires all workers to be protected equally by health and safety law, regardless of their status. It lays down the legal responsibility of employers to provide healthy and safe workplaces, and the right of workers to be consulted on their working conditions.

A total of 22 so-called 'daughter directives', issued under the Framework Directive, cover different risk factors and different categories of workers, and provide more specific rules based on the principles enshrined in Directive 89/391. One of these directives is Directive 2000/54/EC, the Biological Agents Directive. This is the first instrument against which we benchmark what this chapter identifies as a fundamental failure on the part of the EU in dealing with the pandemic: the (mis-)classification of SARS-CoV-2 as a relatively lower-risk (group 3) biological agent. According to a proper application of the Directive's classification rules, it would have been appropriate for the virus to be included in the higher-risk group 4.

The first section of this chapter identifies the long-existing poor classification practices that have led the Commission to undervalue the risk level of the virus that has caused the Covid-19 pandemic. Moreover, it identifies some deficiencies in the Directive itself, most notably the absence of a notion of a pandemic situation. The following section explores the impact of the pandemic on the healthcare sector, and argues that much of the strain experienced by the sector and by its workforce is the consequence of chronic underfunding and deteriorating working conditions in hospitals and care homes, and of resulting staff shortages. The third section offers a nuanced assessment of the contribution that digitally mediated work has made with regard to gig workers during the pandemic. It notes that, far from emerging as the panacea that would have allowed everyone to earn an income while socially distancing, gig work has shown the limits arising from inadequate coverage by the regulatory framework, thereby exposing millions of vulnerable workers – the so-called 'bogus self-employed' – to a heightened level of hazards, both old and new. The fourth and fifth sections of this chapter highlight the adverse impact that the pandemic has had on the safety and health of particular groups, such as women and ethnic minority workers, that tend to be overrepresented in a number of frontline services and occupations. These latter sections identify the exponential growth of psychosocial risks for these workers, and for low-income workers at large, as a key area of concern; this analysis is partly based on research recently carried out on behalf of the ETUI by a group of Vrije Universiteit Brussel (VUB) researchers.

Misclassification of the Covid-19 virus

In June 2020, following the Covid-19 outbreak caused by the coronavirus strain SARS-CoV-2, the EU Commission urgently revised the Biological Agents Directive (BAD) (Directive 2000/54/EC; Directive (EU) 2020/739) to include this new virus in the list of biological agents known to infect humans and for which preventive and protective work-related measures must be put in place. The Commission eventually concluded that the virus ought to be classified as a group 3 agent. It did so in spite of the ETUC and ETUI alerting it to the perils arising from the misclassification of the virus as anything less than a group 4 agent (ETUI 2020). Our analysis of the process that led to this conclusion shows that the Commission did not correctly apply the rules for classifying new agents as laid down in the BAD. Moreover, this analysis brings to light some deficiencies in the Directive itself.

The classification system in the Biological Agents Directive

The BAD lays down minimum requirements to protect workers against risks that arise or are likely to arise from exposure to biological agents at work. The provisions of the BAD apply to all workers and all workplaces in the EU Member States. The BAD legal text provides that the biological agents must be classified into four risk groups according to the criteria shown in Figure 5.1. The higher the risk group, the more stringent the preventive and protective measures to be implemented at the workplace.

Article 18(3) of the BAD reads as follows: 'If the biological agent to be assessed cannot be classified clearly in one of the groups defined in the second paragraph of Article 2, it must be classified in the highest risk group among the alternatives.'

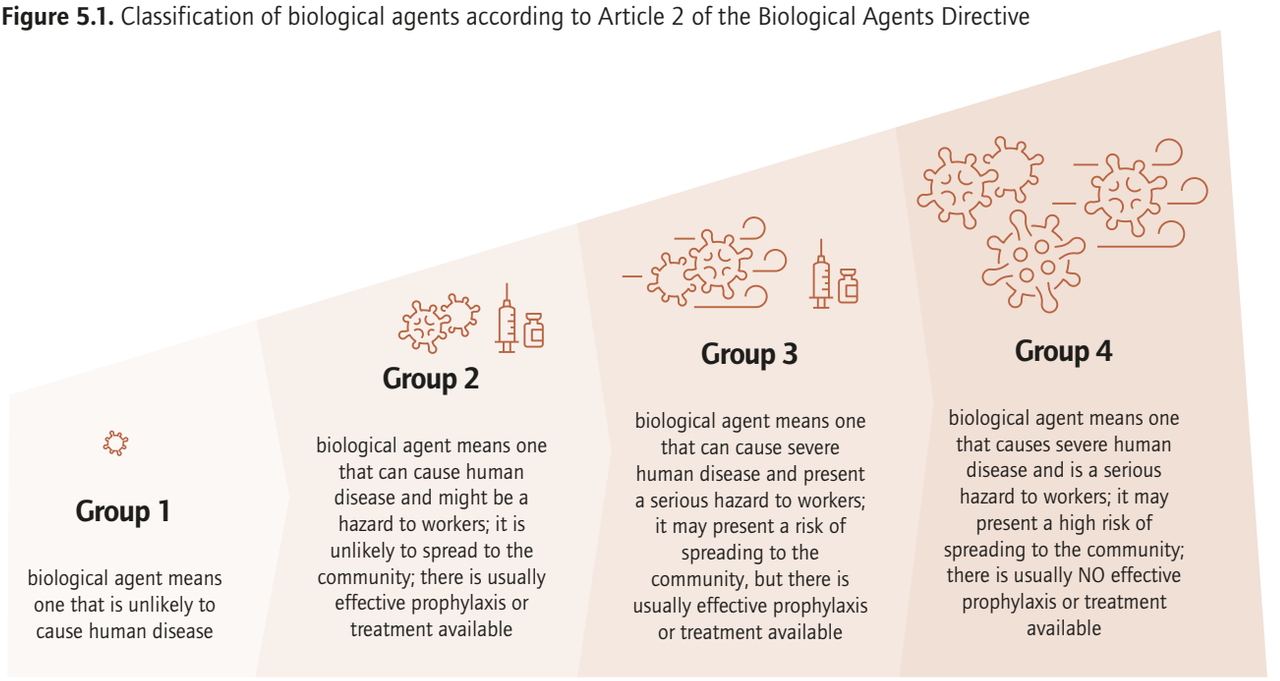
The classification of SARS-CoV-2 by the EU Commission

In its revision of the Directive, the EU Commission eventually classified SARS-CoV-2 in risk group 3, based on the unanimous opinion of experts from Member States and international health organisations. However, looking at the characteristics of this virus in relation to the definitions in the Directive, this conclusion is hard to understand. The SARS-CoV-2-virus:

- can cause severe human disease (group 3) (the virus does not always cause serious disease, but can cause one);
- is a serious hazard to workers (group 4) (work is a key vector in the spreading of the virus)
- may present a high risk of spreading to the community (group 4);
- and there is no effective prophylaxis or treatment available (group 4).

Therefore, a correct application of Article 18 of the Directive would clearly lead to including SARS-CoV-2 in group 4. This was why a nurses' union in Spain brought a case to the European Court of Justice asking for the annulment of this revision of the Directive (Case T-484/20).

Figure 5.1. Classification of biological agents according to Article 2 of the Biological Agents Directive



SARS-CoV-2 in the same category as SARS and MERS

By locating SARS-CoV-2 in group 3, the Commission ended up classifying the virus in the same category as SARS and MERS, whereas a comparison of the current pandemic with the 2003 SARS and the 2012 MERS outbreaks shows that, although having a lower mortality rate than SARS, the SARS-CoV-2 virus has proved much more pervasive, and thereby effectively caused many more deaths at work, let alone in the community. Unger (2020) points out the importance of taking into account the 'occupational concentration' of the virus, which is a major factor for the healthcare and elderly care sectors and for frontline workers. Moreover, he rightly emphasises the contextual and geographical relevance of 'the occurrence of the disease in Europe'. While no SARS nor MERS outbreaks occurred in Europe, there has been a heavy toll in EU/EEA countries due to Covid-19, with more than 5,905,285 cases and over 208,627 deaths reported by 25 October 2020. As argued by Unger, it is almost self-evident that these factors ought to have been considered when deliberating the classification of SARS-CoV-2, and would have led a reasonable decision-maker to concede the necessity of including this virus in risk group 4.

Experts developed their own classification system

On closer scrutiny, the process leading to the inclusion of the Sars-CoV-2 virus in what, according to the authors of this chapter, is an inappropriate risk category, reveals a number of poor practices in the BAD classification decision-making processes that have existed for a long time, and can no longer be deemed as acceptable. As already pointed out in a 2012 report by the Dutch National Institute for Public Health and the Environment (RIVM), it would appear that the experts advising the Commission on the classification of new biological agents do not necessarily apply the BAD classification system, but have developed their own classification practice, and one that is visibly not in line with the definitions of the four groups. Moreover, it seems that they base the classification of the virus on public health statistics rather than on knowledge about working conditions in occupations and sectors, arguably defeating the entire purpose of the BAD. Research by Klein (2012) shows that the first element of the definition, 'virulence/pathogenicity', is decisive in the experts' classification, but that hardly any (if any) weight is given to 'transmissibility' and 'treatment'. We would add to this that neither is the fourth element of the definition (the extent to which the virus causes a hazard to workers) properly taken into account, or at least given the weight it deserves, in the classification exercise (see also Klein 2012).

A more adequate classification system

We venture to suggest that a more stringent application of the BAD's own classification system would have resulted in a more accurate categorisation of SARS-CoV-2 as a class 4 agent. But it is also clear to us that the failures evidenced by this revision exercise reveal the need for a deeper revision of the classification system envisaged by the Directive, in order to place additional emphasis on how an agent such as this virus can constitute 'a serious hazard for workers'. This would also do more to highlight the importance of OSH knowledge, instead of exclusively relying on public health statistics. Moreover, to acknowledge the importance of context-based decision-making, the classification system should also take into consideration the occurrence of a pandemic situation.

The system failed in the pandemic, revealing a number of intrinsic inadequacies. The good news is that the European Commission, pushed by the ETUC and the EP, 'will without delay assess the need to amend the Biological Agents Directive, following the lessons learnt by the current pandemic' (European Commission 2020a).

Staff shortages jeopardize OSH

Gender segregation

78%

of those employed in human health activities in the EU are women. In nursing, the figure is 89% in the WHO European Region.

28.5%

in 2050

Estimated share of 65+ people in the total EU population

Staffing shortages, especially of nurses, have been identified as one of the major factors constraining hospitals' ability to deal with infection outbreaks (Stone et al. 2004). As early as 2012, the European Commission estimated that the gap in human resources in healthcare in the EU would be approximately 1,000,000 health professionals by 2020, among which 590,000 would be nurses (European Commission 2012). In spite of these early warnings, little progress has been made in addressing these anticipated deficiencies. On 7 April 2020 – World Health Day, dedicated this year to nurses and midwives – the European Centre for Disease Prevention and Control (ECDC) reported a continuing strain on health and social care systems and healthcare workers, highlighting staff shortages due to increased demand and high rates of staff infection with Covid-19. On the same day, a team of European doctors and nurses from Romania and Norway, deployed through the EU Civil Protection Mechanism, was dispatched to Milan and Bergamo to help Italian medical staff battling the coronavirus. A swift emergency response and an uplifting gesture of solidarity, certainly, but not a sustainable long-term strategy, especially as what health systems are really in need of are staff to provide the care that was postponed during the first wave of the pandemic. On 20 May 2020, the EC adopted proposals for country-specific recommendations that highlighted issues with both working conditions for doctors and nurses and shortages of health workers. All countries were recommended to 'strengthen the resilience of their health systems'; for 20 Member States there is a direct reference to the health workforce (European Commission 2020b).

The shortage of nurses and care personnel in the EU is structurally linked to imbalances between the growing demand for healthcare services and the declining or inadequate workforce supply. Factors responsible for increased demand include a stable rise in chronic diseases and an aging population; at the start of 2018 almost one fifth (19.7 %) of the total population was 65 years or older. Over the next three decades, the number of older people in the EU is projected to follow an upward path towards a relative share of the total population of 28.5% by 2050 (Eurostat 2019a). Factors responsible for decreased workforce supply include an aging workforce, staff turnover, work-related sick leave, and students dropping out of training. Covid-19 has only exacerbated these pre-existing issues.

The number of practising nursing professionals relative to population size fell in nine EU Member States between 2012 and 2017 (Eurostat 2020); see Figure 5.2. The number of nurses per 100,000 inhabitants in 2018 was over 1,000 in Germany, Denmark, the Netherlands, and Slovenia. The lowest numbers (fewer than 500 nurses per 100,000 inhabitants) were observed in Bulgaria, Greece, Spain, Italy, Cyprus, and Latvia. In the UK, where there are just under 778 nurses per 100,000 inhabitants, nurses are placed in the 'shortage occupation' list, as a role 'experiencing significant shortages' (Nuffield Trust 2020). In Finland, the Ministry of Labour's Occupational Barometer of 18 September 2020 highlights that the shortages of skilled labour in the healthcare and social work professions is now higher than ever (TEM 2020). In Italy and Spain, where nursing shortages had already been flagged up, the Covid-19 pandemic hit the health systems hard. Chronically low levels of public spending have greatly contributed to inadequate numbers of healthcare personnel, especially nurses, and it is estimated that Italy would need between 53,000 and 54,000 more nurses to reach the European average. In Spain, meanwhile. the shortfall is estimated to be between 88,000 and 125,000 (European Data Journalism Network 2020).

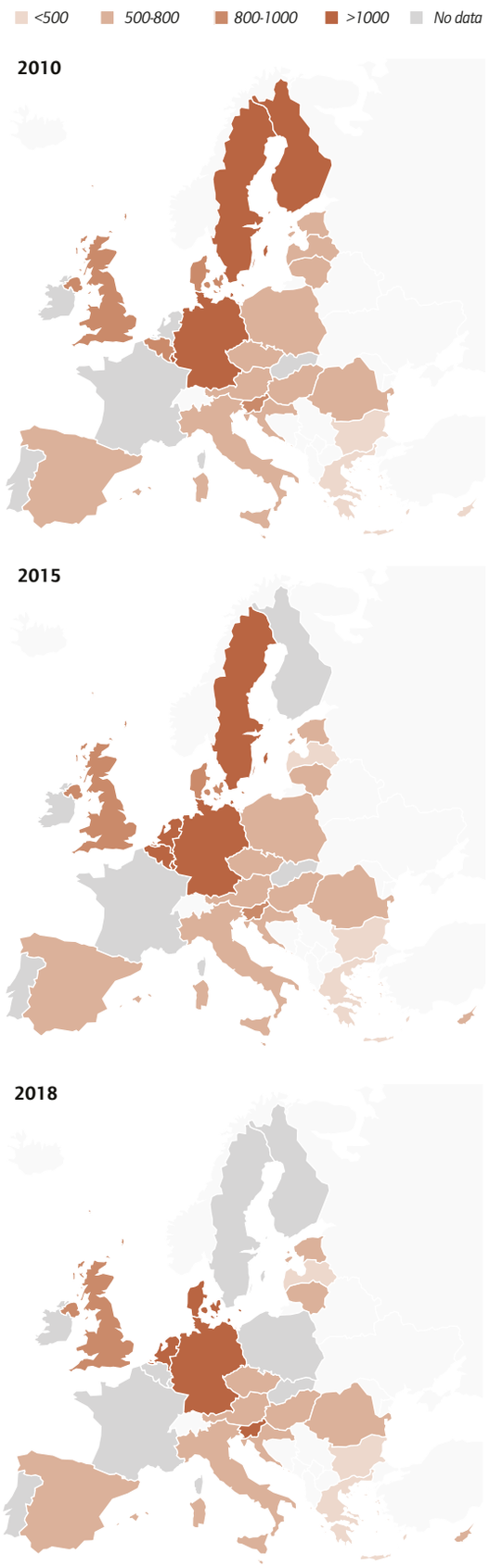
Filling such shortages requires targeted measures in the years to come, partly to overcome what in many ways appears to be a fully fledged vocational crisis for certain occupations in the sector. A 2013 cross-sectional survey of 33,659 hospital nurses (medical and surgical) in 12 European countries (Belgium, England, Finland, Germany, Greece, Ireland, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland) reported that 19-49% of nurses intended to leave their jobs that year (Aiken et al. 2013). It is anticipated that the Covid-19 pandemic will only reinforce these sentiments.

Staffing shortages create immediate occupational safety and health risks for health workers, and result in long-lasting negative consequences for health systems. Conversely, and from a preventative OSH perspective, adequate nurse-to-patient staffing reduces occupational injury and illness rates (Van den Heede et al. 2019). The current growing shortage of personnel, and the limited resources available in healthcare systems, are resulting in an inability to meet local demands for healthcare, which in turn increases the risk of violence and harassment against workers from third parties (such as patients and their relatives). Furthermore, disproportionate ratios of patients to healthcare professionals lead to extended shifts, but with insufficient time to provide adequate care, and the ergonomic risks increase due to a high number of manual patient-handling operations. All this has become evident during the Covid-19 crisis. Often, in order to mitigate the risk of the virus spreading, health workers have been asked to maintain physical distancing measures from family members for protracted periods of time, adding to the already unsatisfactory balance between work and personal and family life. Such working conditions increase psychosocial risks exponentially and can lead to fatigue and stress.

Due to a lack of adequate personal protective equipment (PPE), workers have been exposed to

1M
Estimated gap in health professionals in EU by 2020

Figure 5.2. Nurses per 100 000 inhabitants in the EU Member States in 2010, 2015 and 2018



Source: Eurostat, 'Healthcare personnel statistics - nursing and caring professionals'

high levels of biological risk during the pandemic. Infection among nurses and other healthcare staff is a serious concern in and of itself, but it also has negative spill-over effects on healthcare systems, as workers who are infected or have been exposed to infection must stay away from work, thus further depleting the human resources and capacities of the system. Owing to the shortage of health workers, in many countries retired health workers and medical students have sometimes been called to duty or asked to volunteer their services.

It is worth stressing that staff shortages are not accidental and typically reflect policy choices. Many recently graduated nurses work outside the health sector due to the more competitive pay packages available to them, as well as the better working conditions and career opportunities. Furthermore, a reduction in public healthcare spending, precarious working conditions, migration (mainly from eastern and southern to western European countries) and early retirement have all adversely contributed to the health workforce shortages within the EU.

The pandemic has underscored the fact that the performance of a healthcare system and the safety and health of its workforce are interrelated. 'Flattening the curve' as a public health strategy aimed to slow down the spread of the virus as a means of easing the pressure on healthcare institutions. It was a crisis response measure, and in many ways a necessary one. But in order to foster an overall systemic resilience in the sector, OSH issues that hinder the recruitment and retention of health workers must also be addressed. Improved work environments can help to reduce stress, while decent working conditions and salaries, and investment in relevant education and skills, can support workforce retention.

In parallel with workforce shortages, statistics show that the numbers of people choosing health and welfare careers are declining. In 2017, 13.8 % of all graduates in the EU received a degree in this field of study, but that same year only 13.6 % of all students were enrolled in one of these subjects. This means that the number of students in this field decreased by 0.2% from the previous year: a worrying trend, since the number of students should increase to match the real need for health and welfare workers. There were, moreover, 2.8 times as many female graduates in this field compared to male graduates (Eurostat 2019b).

OSH and the 'gig economy'

Platform work: short-term panacea or long-standing illusion?

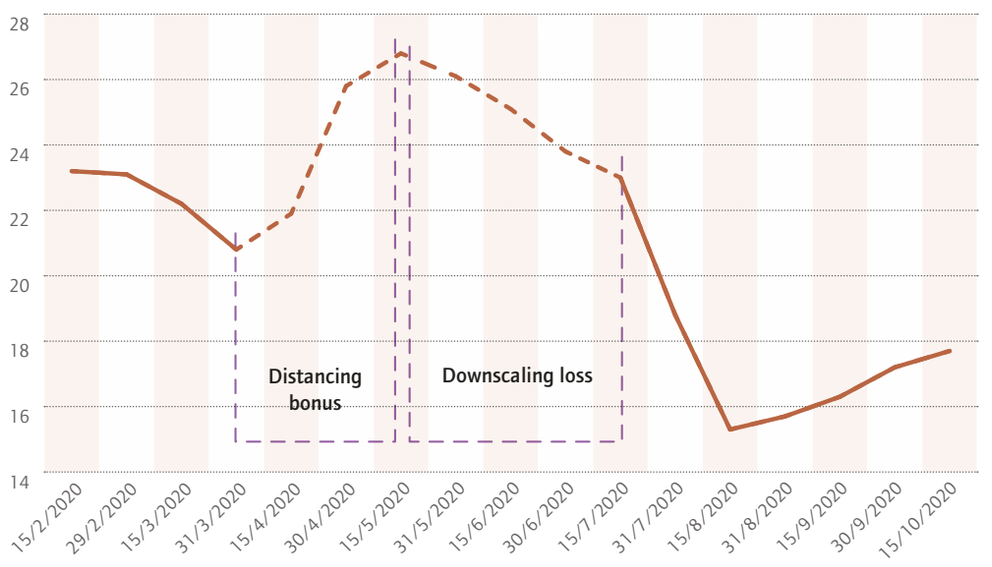
As Europe was being hit by the first wave of Covid-19 social distancing and lockdown measures, with millions of workers retreating from their habitual workplaces and into their homes, many may have expected digitally mediated work to emerge as the panacea that would provide the solution to all of the continent's labour market plights (see also Chapter 2 in this volume). In reality, the pandemic only revealed the many limitations of platform work, in terms of both its interdependence with the physical world of work and the weaknesses of the regulatory framework shaping it.

At the best of times, quantifying the scale of the gig economy is a fundamentally arduous task. Part of the challenge arises from the fact that gig workers have an unclear and often transient employment status that does not quite fit into the typical definitions of 'employed' or 'self-employed'. The closest one can get to closely monitoring developments in the gig economy is through the Online Labour Index (OLI), developed by the Oxford Internet Institute. This economic indicator measures the supply and demand of online gig labour by tracking the number of assignments posted on major digital platforms (Stephany et al. 2020). The coverage of the OLI is estimated to account for at least 60% of all traffic to English-language online labour platforms, and therefore provides an acceptable estimate of the size of the gig economy, excluding platforms for local services such as Uber.

Figure 5.3 shows the longitudinal follow-up of the OLI since the Covid-19 outbreak, from early January to late October 2020 for the EU27. Findings show a significant drop in demand in the early stages of the pandemic (approximately 10%), followed by a significant rise in April/May (approximately 29%) and an even more massive slump from June to September (approximately 43%). These figures clearly confirm that platform workers have not been spared by the Covid-19 pandemic as it had a significant impact on the amount of available platform work. Even more striking is the peculiar pattern of the trend, which some have interpreted as the result of a two-step process (Stephany et al. 2020). First, switching to remote operations might have triggered an increase in the demand for specific types of online labour, especially IT services. This demand-increasing phenomenon is referred to as the 'distancing bonus'. Subsequently, companies facing declining revenues may have reduced non-essential spending, including external online contractors. This has been termed the 'downscaling loss' mechanism.

From an OSH perspective, this two-step process demonstrates the inherent precariousness of platform work, as well as the lack of predictability and control regarding future professional prospects. As self-employed individuals, platform workers are solely responsible for their own economic upkeep in the face of the devastating economic impact of the pandemic. Unlike regular workers who are covered by relevant employment laws, they have no guaranteed hours or sick pay and entirely assume the costs of inactivity periods or lack of demand (Fabrellas 2019). Recent data from an interview study confirms that gig jobs are increasingly scarce, just as more people are creating profiles and seeking online work (Stephany et al. 2020). This, in turn, suggests that long-tenured platform workers are more likely to see a tighter market and larger variations in their income during the crisis. Although most of them work in the gig economy on top of a traditional job (Lepanjuuri et al. 2018; McDonald et al. 2019), platform work nonetheless represents a significant source of income for them. It has been demonstrated that platform work constitutes more than half the income for around a third of crowdworkers in Italy, Sweden and

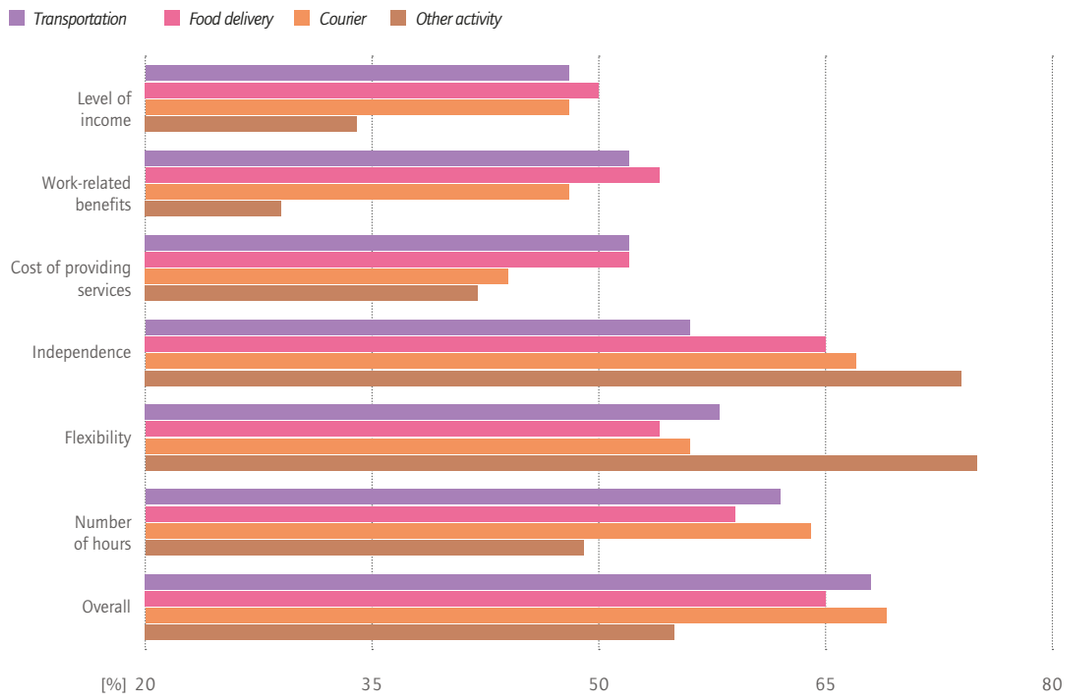
Figure 5.3. Online labour demand on major digital platforms from late February to mid-September 2020



Source: http://ilabour.oii.ox.ac.uk/online-labour-index.
Note: The index is normalized so that 100 index points on the y-axis represents the daily average number of new gigs in May 2016 worldwide.

Platform workers have not been spared by the Covid-19 pandemic."

Figure 5.4. Proportion of platform workers satisfied with different aspects of their work, sorted by type of activity



Source: YouGov Omnibus Survey (Lepanjuuri et al. 2018).
Note: 'Don't know' responses are excluded from the proportions.

In sum, the Covid-19 pandemic has accentuated the precarious situation of platform workers."

the UK (31%, 36% and 34% respectively), 24% in Switzerland, Germany and the Netherlands, and 15% in Austria (Huws et al. 2017). Moreover, there is a small minority for whom platform work provides the only source of income (ranging from 3% in Austria and Germany to 12% in Switzerland). For these workers, the Covid-19 pandemic likely resulted in a much more precarious situation than ever before.

The aforementioned changes in demand have not only impacted gig workers' income but also their working conditions. Indeed, several platforms reacted to the pandemic by readapting their business models and work organisation. For instance, HOPIN, a platform mediating transportation services, has temporarily turned its drivers into express city couriers delivering food, medicine, and parcels. Moreover, platforms workers providing local services are particularly exposed to the virus while working. In a recent survey, the OECD highlighted that only 35% of platform workers reported that their platform had taken measures to assist them during the pandemic while many asked for a better treatment from platforms (OECD 2020). At the time of writing, we are still lacking data on the implications of such arrangements and, more generally, on the detrimental effect of the pandemic on platform workers' OSH. However, currently available evidence can inform us about the challenges platform workers are facing and provide insights on potential developments. As in many sectors, it is likely that these challenges have been compounded by the pandemic.

Covid-19 is exacerbating an already fragile situation for platform workers

Even before the lockdown period, evidence already suggested that a significant proportion of platform workers were not satisfied with their experience of providing services on online labour platforms (Figure 5.4). Overall, the highest rate of satisfied platforms workers was found in courier services (69%), followed by transportation (68%), food delivery (65%) and other activities (55%). As a comparison, in 2015, 86% of European workers reported being satisfied or very satisfied with working conditions in their main paid job (Eurofound 2016).

The aspects of work recording the lowest satisfaction rates for platform workers are work-related benefits, the level of income and the cost of providing services. The number of hours worked and the flexibility to determine where or when to work come, respectively, fourth and fifth place, while the ability to decide what type of work to accomplish have the highest satisfaction rate.

Satisfaction with different aspects of work varies noticeably by the type of activity platform workers are involved in. Platform workers performing 'other activities' are more likely to be satisfied with flexibility (75%) than those involved in 'transportation' (58%), 'courier services' (56%) and 'food delivery' (54%). A similar, but less clear, pattern is found for independence, with the highest satisfaction rate for other activities (74%), moderate rates for courier services (67%) and food delivery (65%), and the lowest satisfaction rate for transportation (56%). Platform workers providing transport and food delivery services are slightly more satisfied with the cost of providing services (52%) than those involved in courier services (44%) or other activities (42%). Finally, platforms workers performing other activities record the lowest rates of satisfaction for work-related benefits (29%), level of income (34%), and the number of hours worked (49%). There are no noteworthy differences between the three remaining categories of platform workers regarding these aspects of work.

This low level of satisfaction is inherently linked to a broad range of regulatory deficiencies whose effects are only likely to have been magnified by the ongoing pandemic. Workers engaged in location-based platforms such as those providing delivery or taxi services have been particularly at risk due to the nature of their work, as they cannot always ensure social distancing. Many workers depend entirely on task-based work for their earnings, without paid sick leave, and they cannot afford to self-quarantine even if Covid-19 symptoms were to appear, posing risks to both themselves and others. At the same time, with the lack of health insurance coverage for platform workers in many countries, even getting tested for Covid-19 may be challenging. This could lead to a scenario wherein not only is the platform worker engaged in work while being sick, but (s)he also risks spreading the virus to the customers or businesses involved. The lack of labour and social protections are thus exposing workers to additional risks in the context of the Covid-19 pandemic: workers are also often not provided with personal protective equipment, sick pay or hazard pay for performing tasks. Some digital app-based companies have set up emergency funds and other forms of sick pay to assist workers infected with the virus or who have been medically ordered to self-isolate (Uber 2020). However, these sick pay schemes are considered to be insufficient to cover the loss of income and even far below minimum wage levels in various countries (Fairwork 2020).

In sum, the Covid-19 pandemic has accentuated the precarious situation of platform workers. The contingent nature of their work coupled with the lack of social protection they currently enjoy make them extremely exposed to the economic implications of the crisis. Data currently available is insufficient for a comprehensive and accurate assessment of the size of the gig economy, and thus of the severity of this issue. It is nevertheless safe to conclude that platform work merits much more attention since it presently forms, in all likelihood, a small but significant part of overall employment. The lack of adequate social and labour protection for gig workers poses a genuine risk to their health and safety, but in times of a global pandemic it also poses a risk to public health.

Intensified psychosocial risks in feminised frontline occupations

Harassment and violence

2

= Number of countries that have ratified the ILO Convention 190 'Eliminating Violence and Harassment in the World of Work', 2019.

The Covid-19 pandemic has intensified emotional demands on frontline workers and increased psychosocial risks at work. A striking majority of these workers are women.

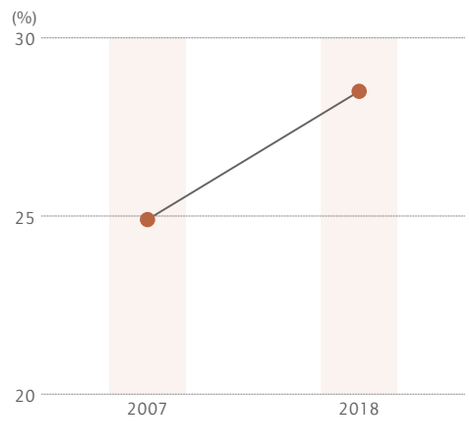
The pandemic has strengthened the shared societal understanding of what constitutes an essential service – 'essential' in the sense of enabling our communities, cities, and nations to function properly at a time of national emergency. Many of the frontline occupations without which our societies would not have been able to continue functioning during the pandemic are located within the service sector and include professional profiles as varied and diverse as those of cleaners, childcare workers, teachers and supermarket cashiers, as well as, of course, healthcare workers. In the EU28, women make up 78% of the health workforce, 93% of childcare workers and teacher assistants, 86% of personal care workers in health services, and 95% of domestic cleaners and helpers. Some 83% of the workers providing home-based professional care to older people and people with disabilities are women. And women make up 82% of all cashiers in the EU (EIGE 2020).

These are all frontline workers who face a high exposure to the SARS-CoV-2 virus that causes Covid-19, and are consequently to be classified as working in 'unsafe jobs' in a pandemic context (Basso 2020). In addition, these occupations face a high degree of psychosocial risks. According to the European Working Conditions (EWC) survey of 2015, women-dominated occupations have the highest exposure to emotional demands; these demands include handling angry clients, customers, patients, or pupils, as well as hiding one's feelings and being in situations that are emotionally disturbing (Eurofound 2020). Figure 5.5 shows that the percentage of women workers reporting exposure to occupational risk factors that can adversely affect mental health increased from 2007 to 2013. For education, human health, and social work activities, all measured psychosocial risk (PSR) factors increased from 2014 to 2019, according to the EU-OSHA European Survey of Enterprises on New and Emerging Risks (ESENER). Workers reporting:

- 'pressure due to time constraints' went up from 49.72% to 53.84%;
- 'poor communication or cooperation' went up from 20.55% to 24.34%;
- 'difficult customers, patients, pupils' went up from 74.90% to 79.90%;
- 'long or irregular working hours' went up from 23.64% to 26.24%.

> *All measured psychosocial risk (PSR) factors increased from 2014 to 2019."*
>
> (ESENER Survey 2019)

Figure 5.5. Women reporting exposure to risk factors at work that can adversely affect mental wellbeing, all sectors (%)



The unequal gender distribution of work-related PSR between women and men is partly a consequence of the horizontal segregation of labour markets, which concentrates women in occupations and economic activities (such as care and services) with higher exposure to these hazards. Moreover, vertical segregation, which places women in the lowest positions of the pay and decision-making scales, reinforces this effect. Research findings suggest that these inequalities put women at a higher risk of physical and mental disorders, sickness absence, disability, and mortality from work-related PSR (Campos-Serna et al. 2013).

While detailed data on the extent of the impact of the pandemic on workers' health is being collected and analysed, it is evident that some of the sectors that have been affected adversely by the Covid-19 crisis are sectors where the female working population tends to be overrepresented. For instance, there has been an increase in long and irregular working hours in the health sector due to increased demand for care services, with staff shortages creating further pinch points and generating additional time constraints. Violence and harassment by third parties against health and service workers have been reported widely (European Medical Organisations 2020; Nursing Times 2020). The health risks posed by SARS-CoV-2 has created stress and anxiety, aggravated by the lack of (or by inadequate) PPE for most frontline workers. A large UK study comparing frontline workers with the rest of the population on prevalence estimates of depression, anxiety, and post-traumatic stress disorder (PTSD) during the first week of 'lockdown' and again one month later found that estimates were significantly higher for frontline workers (Murphy et al. 2020).

Women make

86%

of personal care workers in health services

The 1989 Framework Directive (89/391/EEC) obliges employers to address PSR in the health and safety strategies of their respective enterprises or organisations. In addition, the European social partners have recognised the importance of PSR by signing the Framework Agreements on Work-Related Stress (2004) and on Harassment and Violence at Work (2007). However, data and policy monitoring shows that there are large differences between European countries in respect of the importance given to PSR. This results in substantial discrepancies across the EU in terms of worker protection and exposure to psychosocial risks (EU-OSHA 2014).

Inequalities in the world of work exacerbate the spread of Covid-19

By Damini Purkayastha, Christophe Vanroelen and Tuba Bircan (Vrije Universiteit Brussels, Belgium)

> *Studies indicate that low-income workers are bearing the brunt of the pandemic."*

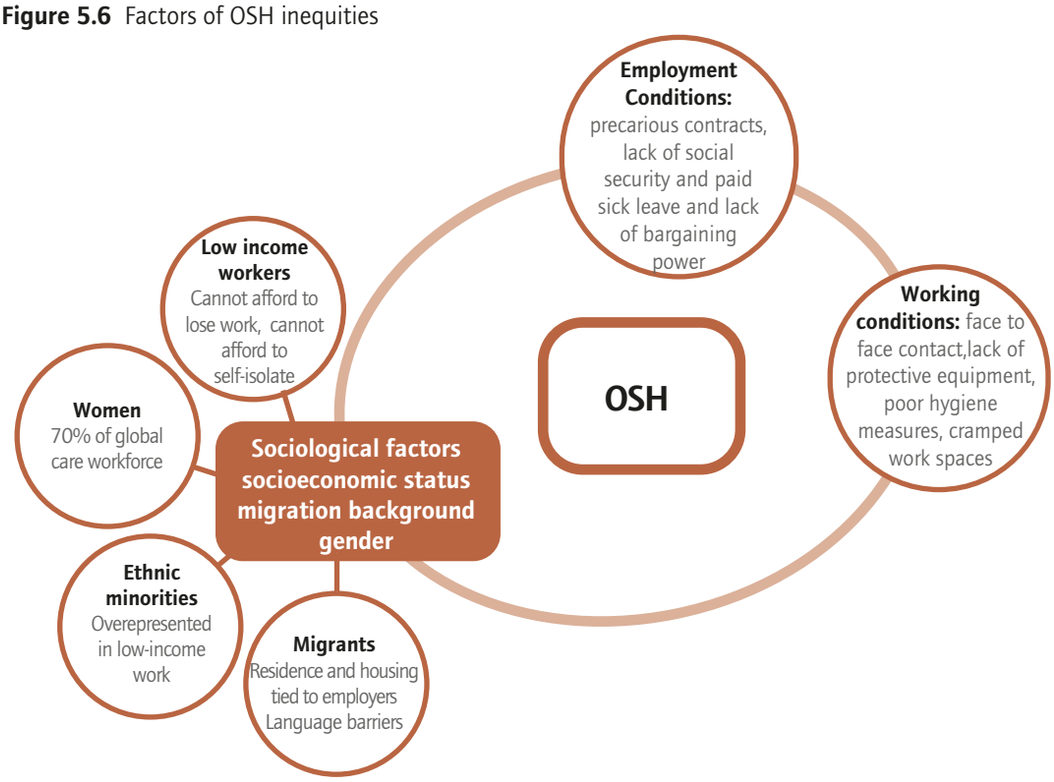
A growing number of studies on the spread and impact of the Covid-19 virus on the world of work reveal, yet again, that occupational safety and health policies need to widen their scope beyond the physical setting of work in order to be effective. Workers face increased exposure to the disease not only at work but also because of the type of work they perform and the conditions under which they are employed. Undoubtedly, physical working conditions and the availability of 'physical' safety measures are key factors in determining and shaping safe workplaces. However, entrenched inequalities in employment conditions and complex sociological factors also determine who faces a greater risk of infection and who can access or even afford healthcare and safety measures (Van Bavel et al. 2020; Khalatbari-Soltani et al. 2020).

Studies indicate that low-income workers are bearing the brunt of the pandemic, with low-skill and low-income levels linked with higher Covid-19 positivity rates (Flores and Padilla 2020) and higher mortality rates (Wise 2020; Windsor-Shellard and Kaur 2020). This is not a coincidence. There is a clear pattern to this 'coronavirus class divide' (Williams 2020). One critical factor is that occupations that require the physical presence of workers and in-person interaction with other people are often low-income jobs (Lu 2020). A number of these occupations were declared 'essential' during the pandemic, and workers employed in these sectors were asked to be physically present at work.

Apart from the 'physical characteristics of their work', low-wage workers find themselves in a particularly vulnerable situation for a complex variety of reasons. First of all, many of them cannot afford to stay at home when they are sick. Regardless of the physical settings and safety measures, such workers are unlikely to report their employers or call in sick as they fear losing their jobs and income (Foley and Piper, 2020; Haley et al. 2020). They are often employed on precarious contracts, or on an hourly/daily basis. Irregular employment conditions, insecure, temporary or zero-hour contracts, subcontracting, and even undocumented or illegal work offer little job security (Counil and Khlat 2020).

Secondly, low-wage and precarious workers often lack adequate social protection. According to an analysis of policies in over 190 countries, 27% of countries do not guarantee paid sick leave (Heyman et al. 2020). Workers without paid sick leave are 1.5 times more likely to go to work even when sick (Smith and Kim. 2010). 'When workers lack paid sick leave, they often need to make untenable choices between going to work sick and being able to afford the basic

Figure 5.6 Factors of OSH inequities



Source: own compilation.

27%
of over 190 countries do not guarantee paid sick leave

necessities' (ibid 2020: 925). Making matters worse, several sectors even offered extra pay or bonuses to workers who continued to show up to work during the pandemic (Dyal et al. 2020).

A precarious/low socioeconomic position and lack of job protection make workers more vulnerable (Counil and Khlat 2020) as they find it difficult to demand better working conditions. This lack of bargaining power is closely related to persistent inequalities in contractual conditions, working conditions and job security (Quinlan et al. 2001). Representation by unions has also proven to be critical for maximising health and safety precautions during the Covid-19 pandemic. A study among nursing homes in the US found that unionised homes had a 30% relative decrease in Covid-19 mortality rates and greater access to protective equipment (Dean et al. 2020). Similar findings were reported in other sectors.

There is also a distinct intersectional dimension to the impact of Covid-19. Occupations linked with higher rates of exposure and fatalities are also those with a higher representation of black, Asian and minority ethnic communities, women and/or migrants (Windsor-Shellard and Butt 2020; Foley and Piper 2020; Neef 2020; Hattenstone 2020) An estimated 13% of workers in the EU are immigrants (Fasani and Mazza 2020). Approximately one million seasonal workers are hired in the EU every year, especially in the agri-food sector. There are also large numbers of irregular workers in agriculture, food processing and construction, as well as in hotels, cleaning, domestic services and restaurants. These workers, often hired through agencies, find themselves in 'grey zones' between formal and informal work arrangements (Munck et al. 2012). Undocumented workers in these sectors are even more vulnerable. Such workers do not have the 'privilege' of working from home (Yancy 2020).

Migrant labourers brought in to work on farms or factories are often housed by employers and there are few guidelines or little enforcement regarding housing standards. Even during the pandemic, workers were forced to live in crowded conditions (such as communal camps or repurposed shipping containers) without proper sanitation measures (Neef 2020). These workers are also dependent on employers for their legal residence rights and face the threat of detention or deportation if they report them. Finally, lack of information in multiple languages is another key factor, preventing them from learning about their rights and safety measures (Liem et al. 2020).

"Having OSH rules in place at EU level is an essential prerequisite, but not enough to guarantee healthy and safe working conditions for all workers."

Conclusions

This chapter examined five examples of OSH failures pertaining to the Covid-19 pandemic, through the lens of OSH regulation. Each of them illustrates the negative consequences of a narrow understanding of OSH regulation that overlooks the reality of working conditions for many people.

We began by highlighting how the application of a key OSH Directive, the Biological Agents Directive, failed to grasp the severity of the virus triggering Covid-19. The analysis carried out in that section revealed a very peculiar phenomenon: the non-application of the Directive's own principles (the four classification levels) in the classification of the virus. While the definitions of the different categories clearly point to group 4 being the most appropriate one for the SARS-CoV-2 virus, it ended up being classified in group 3. Moreover, the failures evidenced by this revision exercise indicate the need for a deeper revision of the Directive, in order to place an additional emphasis on how an agent such as this virus can constitute 'a serious hazard for workers', and how the classification of viruses should take into account the occurrence of a pandemic situation.

The section on staffing shortages in the healthcare sector, and on the impact that these shortages had on the health and safety of healthcare workers during the pandemic, reveals one of the most obvious misalignments between OSH theory and its practice: treating OSH as a bolt-on topic instead of an integral part of workplace policy planning. OSH is not something that can be retrofitted, especially once the organisation of work has already been structured in ways that essentially frustrate safe working practices. OSH principles need to be part and parcel of work planning and of the subsequent development of sectors and workplaces, as also demanded by Article 6 of the 1989 Framework Directive. The notion of 'organisation of work' refers to the choices made within the corporation or workplace in respect of issues such as how certain tasks are to be performed and structured and how they are allocated to workers. Staffing levels and skills obviously influence the way work can be organised. If the consequences of staffing reductions are not adequately thought through and their consequences for work organisation are systematically ignored or downplayed (for example, by redistributing or re-organising tasks or ultimately even eliminating some tasks) the health and safety of workers will inevitably be affected. One can only reduce staff so much until these choices will lead to a plethora of psychosocial risks such as work overload, overtime, time pressure, and an insufficient number and duration of breaks and time off. Moreover, less time will be available for the proper training of staff, in itself an additional risk factor. These psychosocial risks also amplify other risks, such as the risks for accidents and, in the case of the current pandemic, the risk of infection by the virus.

The consultation and participation of workers in the organisation of work are also of paramount importance for addressing these issues. Both the OSH Framework Directive and its 22 'daughter directives' adopt the information, consultation and participation of workers in OSH policies as a basic principle, considering workers to be the main specialists when it comes to their own working conditions, as opposed to a top-down technical approach where rules devised by supposed experts prescribe what is healthy and safe for workers. However, while consultation and participation rights are codified in specific directives for other areas of OSH, such a directive on psychosocial risks is lacking.

The third section explored some of the limits of gig economy work and its regulatory framework which became evident at a time when social distancing rules and lockdown policies created the ideal circumstances for digitally mediated work to become the norm, rather than a niche of the labour market. The section revealed that after an initial noticeable rise in the number of workers engaged in online gigs, the figures soon started to dwindle. Meanwhile, the pandemic exposed the consequences of an inadequate application of an OSH regulatory framework conceived for the analogue world, and the visible struggles of adapting such a framework to the hazards (including the psychosocial hazards) faced by workers in the digital world.

The fourth section highlighted that differences in working conditions between groups of workers are often sector-related, and feminised occupations have high levels of psychosocial risk. While this is a known fact, measures to eliminate psychosocial risks in the world of work have been irregular. While social partner initiatives have contributed to the implementation of psychosocial risk prevention in many workplaces, these developments are not evident in all countries due to the different traditions of social dialogue (EU-OSHA 2014).

The fifth and final section pointed out that working conditions (for example, the ability to telework, or concerning work in 'frontline occupations') as well as employment conditions (precarious, atypical and low-paid jobs) are key in determining the level of risk workers are exposed to in relation to the virus. Occupational health and safety risks are gendered as a consequence of sex segregation in the labour market; that is to say, occupational segregation results in women and men being exposed to different types of OSH risks. Ethnicity and migrant status also often intersect with working conditions and employment factors, amplifying structural inequalities in the world of work. Many sectors with bad working and employment conditions are mainly dominated by women and/or migrants, as are many lower occupational positions (vertical segregation).

It is apposite to conclude that having OSH rules in place at EU level is an essential prerequisite, but not enough to guarantee healthy and safe working conditions for all workers. Proper implementation and application of the rules is not self-evident and is being hindered by issues outside the scope of OSH

It is clear that the Covid-19 crisis has increased inequalities in employment and working conditions."

regulation, most notably the unequal power relations that shape employment and working conditions.

It is clear that the Covid-19 crisis has increased inequalities in employment and working conditions. It is therefore vitally important to collect and use reliable data on Covid-19 infections, morbidity and mortality, disaggregated by sex, age, ethnicity, migration status, and socioeconomic status (e.g. occupation, employment status, income, education). Women face a much higher exposure to the virus, and gender-disaggregated data is needed to study the sex-specific factors that impact Covid-19 outcomes (Womersley et al. 2020). Khalatbari-Soltani et al. (2020) argue that socioeconomic factors must be considered as clinical factors that determine the outcome of the disease. Occupation- and ethnicity-related data collected in the US and the UK shows that certain sectors, communities and occupations are overrepresented among Covid-19 victims. UK public health services have called for the development of 'culturally competent occupational risk assessment tools' to reduce risks, especially for key workers (cited in Iacobucci 2020). These tools would take into account the broad range of cultural and ethnic backgrounds in the labour force and be designed to cater to them. An essential element in creating more equal relations and improving conditions is the guarantee and safeguarding of workers' involvement at all levels (national, sectoral and workplace). EU OSH regulation is exemplary in this respect and should be utilised to a far greater extent.

Finally, critical scrutiny and continuous updating of the regulation itself remains essential so that it corresponds to the lived reality of workers. The Biological Agents Directive and the relevance of its classification system in relation to the Covid-19 pandemic is one example of the need for revision. Another one is the coverage of OSH legislation. The Framework Directive and most of its 'daughter directives' remain relevant as regards their content: they prescribe a useful system of preventive and protective measures, with balanced responsibilities and rights. However, in the face of the growing phenomenon of self-employed workers that are actually dependent workers, the issue of coverage cannot be avoided any longer. The question is whether this should be solved within the context of OSH regulation – for example, by broadening its scope to include self-employed workers and/or drafting new definitions of workers and employers – or whether the issue goes beyond OSH and should be solved in the broader scope of labour law.

6. Democracy at work in a pandemic

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"Democracy at work is key to mapping out an inclusive and sustainable way forward. (...) Workers' participation in all its forms must be recognised as a rich resource for shaping and adapting the workplaces of today and the future, especially in times of crisis."

Aline Hoffmann, ETUI

Introduction

The Covid-19 pandemic has upended many established ways of working and living. This chapter focuses on developments concerning institutions of workers' voice, and assesses their readiness to cope with the current crisis and the wave of Covid-induced restructuring which has already begun.

To set the stage, we look at the current developments in democracy at work by tracking the decline in workers' voice and exploring the democratising effect of trade union membership and activism. We delve into the many ways in which workers' participation and collective bargaining work together to address the complex impact of the far-reaching measures taken by companies to mitigate the disruptive effects of the pandemic. In particular, the Covid-19 pandemic has shone a harsh spotlight on workers' health and safety. While the issue of health and safety at work during the pandemic was explored in greater detail in Chapter 5, in this chapter we look at the role of health and safety representation as a form of democracy at work.

In European multinational companies, European Works Councils (EWCs) and SE-Works Councils (SE-WCs) have a pivotal role to play in protecting and representing the interests of the European workforce, not only in the immediate crisis but also in the wave of company restructuring that has already begun to sweep across the continent as a result. Drawing on the results of a 2018 survey of EWC and SE-WC members, we identify some of the deficits in EWCs' and SE-WCs' ability to address the impact of restructuring. Managerial attitudes towards social dialogue, and particularly the use of confidentiality requirements to hobble transnational employee interest representation, are key hindrances addressed here. Board-level employee representation also has a key role to play in addressing the impact of the pandemic: we chart recent developments in the gender representation gaps in boards across Europe.

Since the Covid-19 pandemic has significantly affected company performance and value, we also take a critical look at who is getting a slice of the pie in companies, and how big it is. We consider the connections between workers' voice and the wage share. In an analysis of the excesses of the shareholder model, we find that excessive payouts to shareholders have greatly depleted companies' financial resources over the past decade, thereby weakening their ability to weather the coming crisis.

To round out the analysis we assess the role assumed by the social partners in finding solutions to the current crisis. The last section of this chapter thus explores the contribution made by the social partners, at national and at EU level, in managing the consequences of the pandemic and the policy responses to it. We note the steep rise in newly signed joint texts, and elaborate on some of the implications of this emerging trend.

We conclude by suggesting that, by and large, workers' voice has continued to weaken in Europe. Governments did reach out to social partners in the moment of need, that is to say as soon as the ruinous consequences of the pandemic began to manifest in the world of work. However, the use made of various institutions of worker participation by the EU continues to fall short of the standards of democratic involvement expected of a mature, European social model. These developments are clearly not in line with the ambition of the Annual Sustainable Growth Strategy to 'to restart our economies on a new, more sustainable basis', in the words of the Commissioner for the Economy Paolo Gentiloni. On the contrary, in the glaring absence of measures to protect workers' rights in the Recovery and Resilience Facility, we seem quite far away from the understanding that social sustainability is a cornerstone of sustainability in general, as outlined in the apparently forgotten Europe 2020 strategy (see, for example, ETUC and ETUI 2010).

Democracy at work

The continuing decline of workers' voice threatens democracy at work."

Workers' voice continues to weaken in Europe

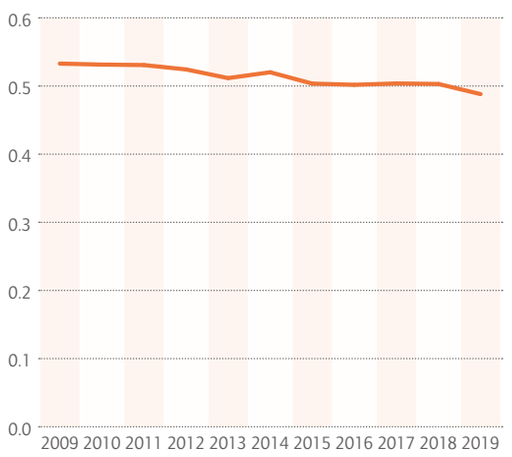
The 2019 update of the European Participation Index (EPI), a measure of the strength of workers' voice in companies, shows that the overall trend continues to be downward. The ability of workers to voice their opinions and interests collectively vis-à-vis management is a critical element needed for the functioning of democracy at work. A key pillar of the European social model is thus being weakened at a time when it is most needed.

The EPI is a multi-dimensional measure of collective worker representation at a number of levels: at the workplace, through trade union membership and collective bargaining, and in company boards. It is designed to measure the strength of workers' voice through these various channels in different European countries:

- The workplace representation component measures the percentage of workers who have a representative at the establishment level.
- The collective bargaining component measures the percentage of workers who are members of trade unions and who are represented by trade unions in collective bargaining.
- The board-level employee representation (BLER) component measures the strength of workers' rights to be represented on company boards.

A key pillar of the European social model is being weakened at a time when it is most needed."

Figure 6.1 European Participation Index for the EU-28, 2009-2019



Source: Author's own calculations.

As Figure 6.1 above shows, the overall EU-wide EPI has continued to decline in the past few years, to below 0.5 in 2019 for the first time since the EPI has been calculated. The overall trend in the EPI has been downward since 2009. The only exception in this trend was 2014, as a result of France considerably strengthening the right of worker representation in company boards.

This decline is particularly disturbing given that the EU is supposed to guarantee workers' rights to collective representation, and that democracy at work has considerable benefits for workers, companies and society as a whole. As documented in earlier Benchmarking Working Europe reports (ETUC and ETUI 2011, 2017, 2018, 2019) and at various points in this chapter, a high EPI is on average associated with a wide range of positive outcomes, including a greater share of national income for workers (wage share), higher employment levels and productivity, stronger political democracy, and higher expenditure on research and development.

The continued decline in the EPI comes at a time when democracy at work is sorely needed to help companies and societies deal with the key challenges of our time: digitalisation, the transition to a low-carbon economy (see Chapter 3), the Covid-19 crisis, and threats to democracy. In the interests of better coping with these challenges, trade unions and policy-makers should act to strengthen workers' voice at all levels.

The European Participation Index

The EPI is calculated from data from a number of sources. Since the early 2000s, the ETUI has been monitoring workers' rights to board-level employee representation (BLER) and codes countries each year based on the strength of these rights. The percentage of workers belonging to trade unions (trade union density) and the percentage of workers represented by trade unions (collective bargaining coverage) is calculated by the Amsterdam Institute for Advanced Labour Studies (AIAS)(ICTWSS Database version 6.0). The percentage of workers with formal collective representation at the workplace level is derived from large-scale company surveys done by Eurofound (the European Company Survey) and EU-OSHA (the ESENER survey), the latest wave for each survey having been carried out in 2019. For a visualisation of the EPI and its relationship with a number of outcomes.

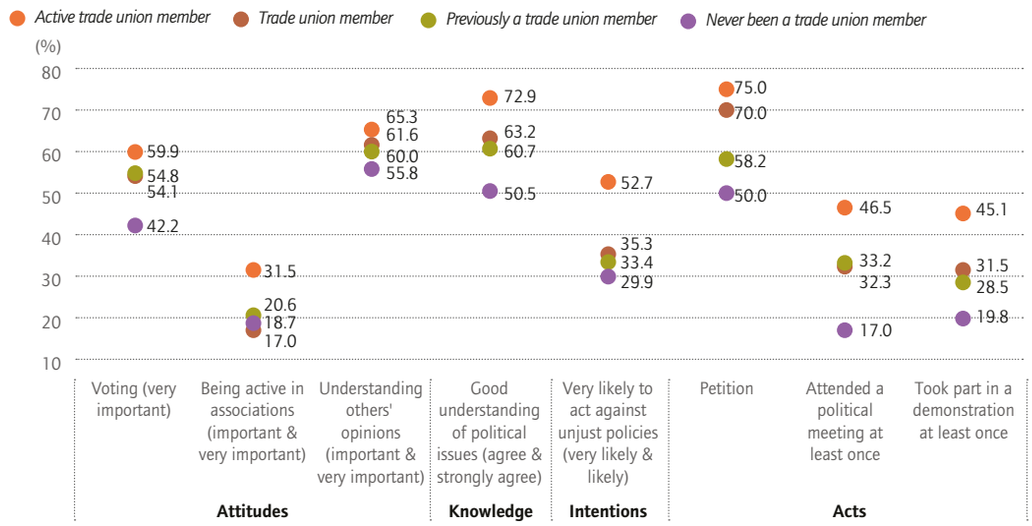
See www.europeanparticipationindex.eu.

Trade unions, the schools of democracy

The challenge of getting through and beyond the health, social and economic crises caused by the Covid-19 pandemic will continue to require policymakers to develop measures and solutions that are equitable and inclusive. Measures such as the obligation to wear masks or to shutter businesses have been met with protests and have given rise to important conversations about the balance between public health, personal liberty and entrepreneurial freedom.

Trade union members are more involved in political democracy."

Figure 6.2 Active unions, vibrant democracies : Union membership is associated with democratic attitudes, knowledge, intentions and activities



Data source: ISSP 2014 (only EU countries selected plus Norway and Switzerland), unweighted data

Citizens will need to continue to engage with other social actors and governments, and it is here that trade unions and the exercise of democracy at work actually serve to foster the exercise of civic democracy. Political organisations, according to De Tocqueville (2000 [1835-1840], 493) are 'great schools, free of charge' and essential for democratic societies. Through organisations such as trade unions, citizens learn about the importance and practice of democratic decision-making, compromising, and respecting different opinions, but also of the importance of standing up for one's own opinion and view.

Democracy is about more than just voting in the occasional election. Robust democracies are also characterised by critical citizens, active civil societies and public debate about political issues. Unfortunately, recent events show that in some countries, the definition of democracy is being narrowed down to the regular ritual of 'free elections' without the necessary freedom of speech, free press, open debate and freedom of association.

Trade unions are arguably perfect examples of 'great schools' for genuinely democratic societies, as they go hand-in-hand with pro-democracy attitudes, knowledge about political issues, intentions to take political action, and action itself. These associations are illustrated above, using data from the International Social Survey Programme (ISSP), and more specifically its 2014 wave on citizenship. This survey is conducted in 34 countries, of which 19 were selected for the figure above (Austria, Belgium, Switzerland, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Hungary, Lithuania, the Netherlands, Norway, Poland, Sweden, Slovenia, Slovakia and the United Kingdom). The data was also limited to respondents who were employees.

In this survey, the respondents were not only asked whether they were members of a trade union, but also whether they were active members. In total, 6.3% said they were active members, 21.7% that they were members, 25.1% that they used to be members, and 47% that they had never been a member of a trade union.

Focusing first on the attitudes, the survey asked to which degree the respondents found the following issues important: voting in the elections, being active in social or political associations, and understanding the reasoning of people with other opinions. Comparing trade union members and non-members, it appears that active trade union members attach a higher importance to these three issues than do ordinary members, previous members, and, lastly, non-members. These figures are in line with a range of previous studies which showed that trade union members are more likely to vote and have more pro-democracy attitudes (Hadziabdic and Baccaro, 2020).

Regarding knowledge about political issues, trade unions inform their members (and mostly their active members) directly through their publications and communications, but also indirectly through workplace discussion on political issues (Macdonald 2019). The ISSP data show that active trade union members are more likely to agree that they have a good understanding of political issues compared to ordinary members, previous members and, lastly, non-members.

Having pro-democratic attitudes and a level of knowledge about politics is already something, but the question is also whether citizens are willing to engage in activities to defend their interests and views. In the survey, it was asked whether the respondents were likely to act if their country would pass legislation that was, in their perception, harmful or unjust. Over half of the active union members expressed such an intention to take action. Compared to this, only just over a third of the ordinary union members or previous members had the same intention and even fewer of the non-members did.

Lastly, actual citizen action was surveyed by asking if the respondents ever signed petitions, attended political meetings or joined demonstrations. Again, a clear difference can be observed, with active trade

Active trade union members are more likely to agree that they have a good understanding of political issues compared to ordinary members."

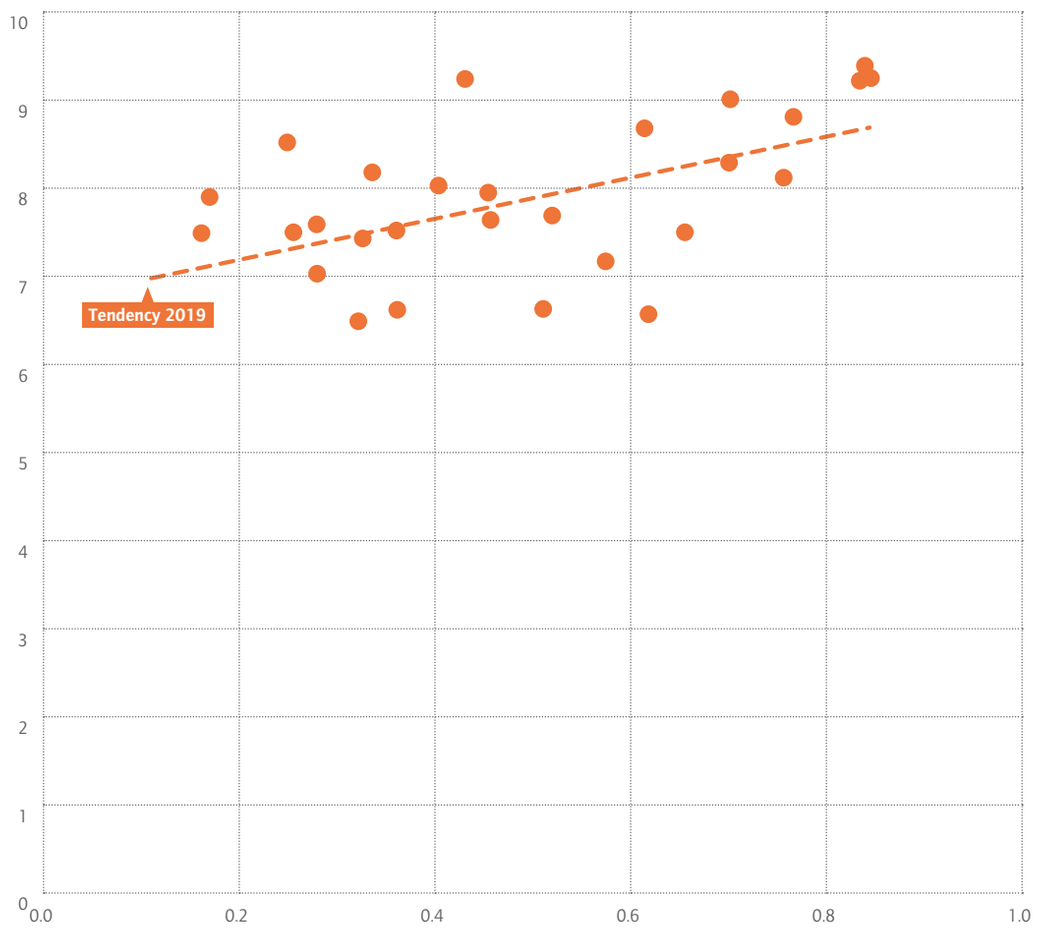
union members being much more likely to have participated in political activities than were ordinary members, previous members and lastly, again, non-members.

Obviously, the key question is whether trade unions really breed pro-democracy attitudes and actions, or rather they attract people that already have such attitudes. With this data, one cannot establish whether the effect is due to selection only, but other studies have modelled this and concluded that both effects are present, and that trade unions even shape attitudes before people join them (Hadziabdic and Baccaro 2020).

Not only on the individual level is there a relation between trade unionism and political democracy, but also on the national level. On page 140 (Fig 6.1), the European Participation Index (EPI) was introduced as an index reflecting the degree of voice employees have in companies. Figure 6.3 shows that those countries in which employees have a high degree of voice in companies also score high on the democracy index developed by the periodical *The Economist*. This democracy index reflects the degree to which a country has a majority-based government and free and fair elections, and guarantees protection of minority rights and respect of human rights, among other related indicators.

The observations of De Tocqueville from the 1800s thus continue to have relevance in this context. In those countries where participation is part of the workplace experience, be it through trade unions, collective bargaining, workplace representation or board-level representation, democracies are more robust. Citizens engaged in these organisations also display more pro-democratic attitudes and actions. The gradual decrease in trade union density in Europe (Vandaele 2019 ; see also Chapter 4)) should therefore not only be an economic or societal concern, but also a democratic one.

Figure 6.3 More participation, better democracies



Data source: x-axis: European Participation Index (0-1), y-axis: The Economist Democracy Index (0-10). 2019. Only European countries selected.

"In restructuring, also pandemic induced, employee representatives have the right to know all about the restructuring plans, the steps, health and safety measures and their potential consequences, especially concerning working conditions."

Covid-19 and company restructuring

Workers' rights remain sacrosanct in a lockdown

From the very beginning of the pandemic, every multinational was confronted with a need to address the potential and/or actual impact of the disease and to implement distancing measures across all their sites around the globe. The measures introduced to contain the spread of Covid-19 impacted all areas of economic activity: retail, manufacturing, public services, transport, energy and utilities, construction, agriculture, and culture, to name just a few. Accordingly, employee representatives at all levels of the company also needed to address the measures proposed to mitigate these impacts: local employee representatives and trade unions, health and safety representatives, board-level employee representatives, and collective bargaining actors. In European-scale companies, European Works Councils and SE-Works Councils also had key roles to play in addressing the cross-border implications of measures enacted to try to stem the spread of Covid-19. This section will explore the ways in which the kinds of measures enacted by companies in response to the pandemic were (or should have been) subject to information, consultation and negotiation requirements. Not one of these processes is complete by itself: different institutions of employee representation address different aspects, and in multinational companies, the European Works Council has the responsibility and competence to address the transnational dimensions of these policies and responses.

The pandemic changed everything at once

Figure 6.4 depicts some of the many interrelated issues that were thrown up by the pandemic and companies' responses to it. In the initial phase of the pandemic, sites started to be locked down in an effort to mitigate the spread of Covid-19. As a result of the closely interlocked supply chains within and across companies, in the manufacturing sector in particular, there were knock-on effects which were not immediately related to health measures: some sites had to halt their activities simply because their suppliers had been forced to close down. Essential services such as utilities and transport, both in the public and in the private sectors, had to find a way to continue to function despite the pandemic. Working from home surged in those sectors whose activities made it possible. In other sectors, such as healthcare and logistics, workloads increased exponentially (for more details on the impact of Covid-19 on working conditions in the health sector, see Chapter 5). Protecting the health of these essential workers throughout the lockdown was an overriding concern, particularly in the health and public transport sectors. Once the economies started reopening, it then became a priority to ensure the safety of workers in other sectors, such as hospitality and retail. Companies, employee representatives and unions needed to manage a sudden surge in working from home, and to engage with the different national regimes of short-time work or technical unemployment schemes. As economic activity tentatively resumed, companies then had to address the labour law and health and safety concerns of bringing their employees back to work, which in many cases also raised issues of whether such returns to work were voluntary or obligatory (ETUC 2020). Finally, companies began to try to manage their recovery, by initiating new restructuring plans or by accelerating plans that had already been in development prior to the pandemic (Kirton-Darling and Barthès 2020) (Eurofound 2020b).

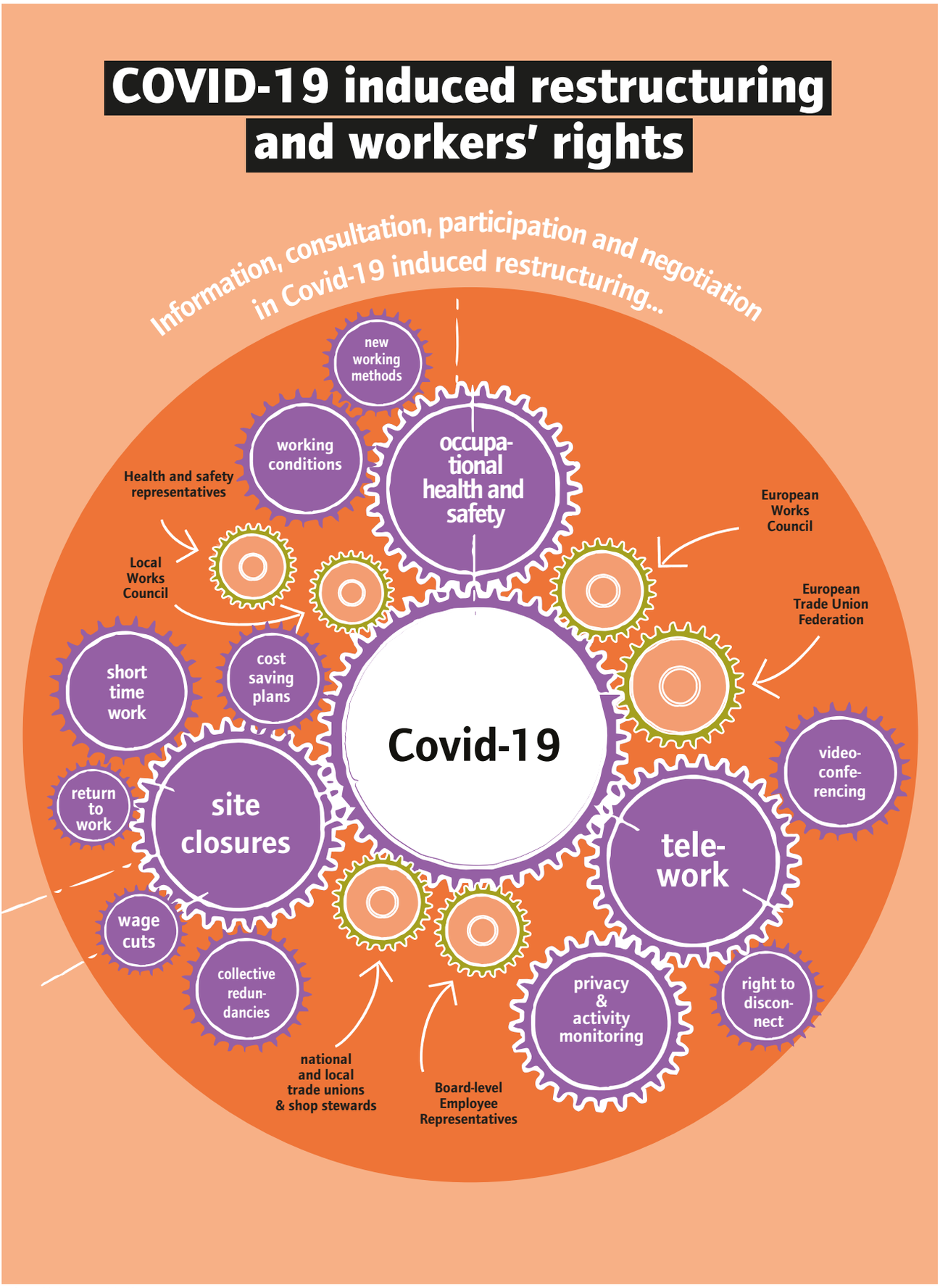
Where these measures had to be taken across different national sites of European multinationals, the need to accommodate sometimes significant differences in national labour law and social security regimes added additional layers and challenges to an already complex process. The task of addressing these comprehensively and coherently fell not only to management, but also to employee representatives and their unions.

Every piece of the complex machinery of multi-level workers' participation has its place

As illustrated in Figure 6.4, company-level responses to the Covid-19 crisis engage all levels of workers' participation institutions. Workplace health and safety representatives are particularly front and centre in addressing the challenges and risks to workers created by the pandemic (see also the next page). At the local or workplace level, it is the local employee representation bodies, such as works councils or trade unions, which are to be informed and consulted by employers and which engage in negotiations about the ways in which the company's Covid-19 measures are to be implemented. Board-level employee representatives, where these exist, also have a key role to play in ensuring that the needs and interests of the workforce are taken into account at the top echelons of the company's decision-making structures when company-wide strategic decisions regarding the response to the pandemic are made.

Within European-scale companies, all these adaptations made to mitigate the growing crisis must take place simultaneously at all levels, increasing the need to coordinate across them. This is where the transnational level of interest representation within

Figure 6.4 Workers' rights in Covid-19 pandemic



Infographic by R. Jagodziński, ETUI, 2020.

Covid-19 cannot mean a quarantine of workers' rights to information, consultation and participation."

European Works Councils, SE-Works Councils, and in many cases at the board level have a crucial role to play. This transnational level must essentially function as a bridge between national employee representations, so that the information and consultation about company responses to the Covid-19 crisis can take place across borders and at national level, depending on where decisions are being made and where they are being implemented. The European Trade Union Federations (ETUFs), which are the relevant European sectoral organisations, were able to draw upon a long history of support to their members active at the transnational level in EWCs and SE-WCs. Working together, the ETUFs compiled information briefings and advice to European Works Councils on how to address the challenges of the pandemic. The ETUC and the ETUFs wrote to Commissioner Schmitt, insisting that the pandemic meant that workers' involvement rights needed to be strengthened and enforced more urgently than ever (ETUC et al 2020). Collective bargaining, conducted primarily at the local, regional or national levels, rounds out the picture by securing collectively agreed frameworks and solutions. The modalities of short-time work (see Chapter 2), for example, were laid down in collective agreements in many countries. (For an overview of the European legal framework for workers' rights to information, consultation and board-level participation, see ETUI and ETUC 2017: 55.)

In sum, the response to the effects of Covid-19 in the world of work did not take place in a vacuum, but through an interactive multi-level system which seeks to get all the right people around the table to play their respective roles in social dialogue, information and consultation, negotiation and collective bargaining. Data on EWCs and SE-WCs also clearly shows that where trade union support is present, employee representation works more efficiently (De Spiegelaere and Jagodziński 2019). It is too soon to tell how well this worked in practice. Initial evidence suggests a wide variety of responses: local and national-level employee representatives, health and safety representatives and trade unions seem to have played the roles clearly ascribed to them in the national context. At the European level, however, things were less predictable: some EWCs were closely informed and even consulted about company-wide measures adopted, while others played no role whatsoever.

The role of democracy at work in a pandemic

Fighting a pandemic requires democracy at work.

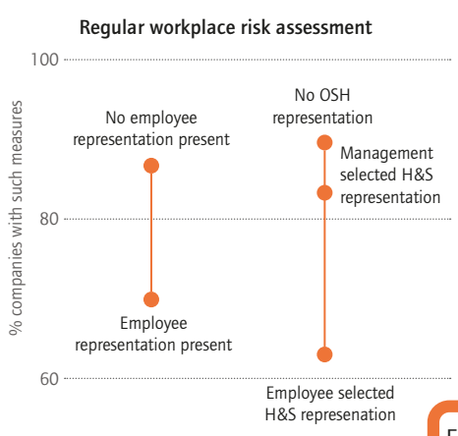
Figure 6.5 Workplace representation and health and safety policies: there are better health and safety policies where a employee representation is present and/or a health and safety representative selected by the employees.

The pandemic has put health and safety protection in the spotlight

'I don't mind working, but I do mind dying'. This slogan comes from the League of Revolutionary Black Workers, which protested, among other things, the dangers of working on the assembly line in the American automobile industry in the late 1960s (Georgakas and Surkin 2012).

The line illustrates perfectly how important health and safety policies are for workers and unions. For many, the role played by employee representatives in fostering healthy and safe workplaces may have previously been largely invisible. Covid-19 has changed that: coping with the pandemic has put the protection of workers' health and safety at the centre of public attention. For essential workers who continued to work while the coronavirus swept across the world, and for those workers returning to work under heightened protection measures, health and safety representatives, works councils and trade unions have played a pivotal role in working to create and maintain healthy workplaces.

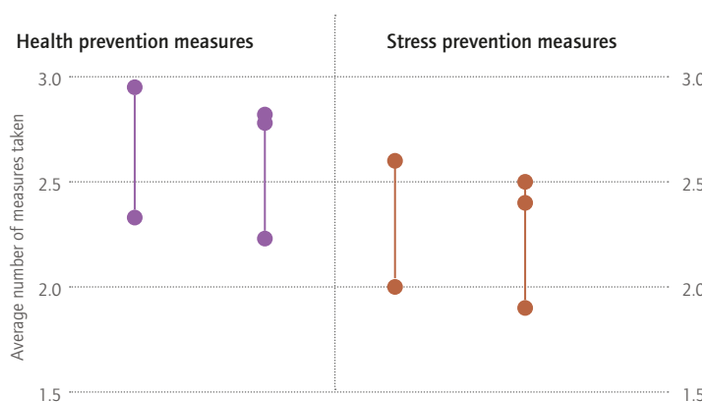
Figure 6.5 Workplace representation and occupational safety and health policies, 2019



Source: ESENER 2019 survey (weighted data).

Employee participation on the company level is related to the overall level of democracy in a country

Figure 6.6 Workplace representation and occupational safety and health policies



Source: ESENER 2019 survey (weighted data).

It has long been recognised that workers' participation must play a key role in the development and implementation of health and safety policies."

The importance of workers' participation in occupational health and safety policies

Employees and their representatives have more direct knowledge about the daily risks at work than does management. Their tacit knowledge of what the 'real work' involves can contribute to sounder decision-making when it comes to protecting workers from hazards. Involving employees also means they will better understand and support the measures taken. The policies will enjoy a larger backing throughout the company which will support their implementation. Workers' representatives ensure that the adherence to rules and procedures can be better monitored and management held accountable for their responsibilities towards the workforce.

For all these reasons, (European) legislation requires employee involvement in almost all aspects related to occupational health and safety. It has long been recognised that workers' participation must play a key role in the development and implementation of health and safety policies. Since the 1970s, workers in the EU have held wide-ranging rights to information and consultation on health and safety issues. The 1989 Framework Directive on health and safety at work requires all Member States to ensure that employees and their representatives are informed and consulted about occupational health and safety (OSH) matters at the workplace.

Strong participatory rights for employee representatives are laid out in European and national legislation. Health and safety representatives have strong information and consultation rights about minimum requirements for the use of work equipment and personal protective equipment and all measures substantially affecting health and safety. They must be consulted in good time, they must be able to make proposals, they have the right to ask employers to draw up and implement plans for mitigating or removing hazards at work, and they are involved when authorities carry out inspections. Health and safety representatives should have access to all the information they need, including risk assessments, preventive measures and reports from inspection and health and safety agencies. They must know the steps that need to be taken to reduce or eliminate these risks, so that they can check that safety procedures are being applied, particularly when changes occur at the workplace.

85% of the companies with a representative structure carry out regular risk assessment

Vs.
75% without workers' representation

An ETUC study (Agostini and van Criekingen 2014) identified a widespread presence of health and safety representation across the EU. The 2014 company-level survey conducted by the European Agency for Safety and Health at Work already showed that in companies with works councils, with workers' representation or with democracy at work, health and safety policies tend to be more robust and systematic (EU-OSHA 2016). This bodes well for those companies' capacity to address the challenges of operation during the pandemic. Clearly, the input of health and safety representatives in all sectors and industries was greatly needed as the Covid-19 pandemic spread and understanding about how to mitigate the risks of transmission grew. For many health and safety representatives and employers, the need to protect employees from these unprecedented risks will have been an entirely new and unfamiliar challenge.

The positive impact of workers participation, employee involvement or democracy at work through better health and safety policies is further reflected in data of the ESENER 3 survey managed by the European Agency for Safety and Health at Work (2020). This company-level survey included questions regarding the presence of a works council (or equivalent), trade union representation, and a health and safety (OSH) committee. These answers were taken together as a binary variable to see whether some form of worker's representation was present or not. Second, the survey asked whether a health and safety representative or officer was present in the company and whether or not that person was selected by the employees. These questions were taken together in a single variable with three categories: (0) no OSH representative present; (1) a OSH representative chosen by the employer present; and (2) a OSH representative chosen by the employees present.

Better health and safety policies with workers' representation

In Figures 6.5 and 6.6, the importance of democracy at work to occupational safety and health (OSH) is illustrated in terms of risk assessment and prevention policies.

First of all, those companies that have a form of employee representation and those companies that have an OSH representative (and moreover one who is selected by the employees) are more likely to have regular risk assessments done in their workplace. This can be seen in Figure 6.5. According to the ESENER 2019 survey, about 70% of the companies without employee representation carry out regular risk assessments, compared to over 85% of the companies with a representative structure. The same pattern is visible for the presence of an OSH representative. Of those companies that have no such representative, about 63% conduct regular risk assessments. Where there is a management-selected OSH representative, the proportion is 83% and where there is an employee-selected representative it is almost 90%.

It is clear that there is a positive relation between having employee representation (and specifically employee participation in OSH issues) and having more regular assessments of the risks present in the workplace. Not only is the assessment of risks better in companies with employee representation and/or employee-elected health and safety representatives, but prevention policies are also better developed. Regarding health risks, the ESENER 2019 survey asked the respondents whether or not the following measures were taken: provision of equipment to help with moving heavy loads, rotating tasks to reduce repetitive work, encouraging breaks, provision of ergonomic equipment, and reduction of working time for people with health problems. As can be seen

Not only is the assessment of risks better in companies with employee representation and/or employee-elected health and safety representatives, but prevention policies are also better developed."

There is indeed a positive relation between democracy at work and having effective health and safety policies in workplaces."

in Figure 6.6, on average, companies with employee representation take more of these preventive measures than do companies without such structures (about 3 measures versus fewer than 2.5). The same pattern is visible with regards to the presence of a health and safety representative who is elected by the workforce.

With respect to psycho-social risks, the survey also asked whether or not the following preventive measures were taken: reorganisation of work to reduce job demands, provision of confidential counselling for employees, provision of training on conflict resolution, intervention where there are excessively long or irregular working hours, and more autonomy given to employees to make decisions about their own jobs.

As can be seen in the figure, companies with an employee representation structure tend to introduce more of such preventive measures (about 2.5) compared to those without employee representation (about 2). Similarly, companies with no OSH representative tend to introduce fewer than 2 of such preventive measures compared to just under 2.5 on average for companies with employee- or management-selected OSH representatives.

Figures 6.5 and 6.6 compare companies with and without representation structures. Obviously, part of the difference could be related to other factors such as company size. Larger companies might be more likely to have a representation structure and also better-developed health and safety policies. However, even in multivariate logit models controlled for other variables such as country of origin, company size and sector of the company, the differences remain significant.

We can thus conclude that the survey data show that there is indeed a positive relation between democracy at work and having effective health and safety policies in workplaces and companies that both identify and prevent or mitigate risks. In a pandemic, such infrastructure would prove to be highly conducive to keeping workplaces safe. There is a clear relation between occupational health and safety and the involvement of workers in companies. This also indicates the way forward: democracy at work contributes to more pandemic-resilient workplaces. The Covid-19 pandemic evidently posed new risks to workers' health, on top of the risks already known and addressed. It is to be expected that the presence of employee representation structures will have helped in the elaboration and implementation of the health and safety measures introduced to protect employees from infection with the coronavirus.

Some research on democracy at work and health and safety at work

- Li et al. (2020) studied the impact of unions gaining a presence in manufacturing companies in the US and focused on the relation between their 'entry' and the rate of accidents, as well as the likelihood of having a workplace inspection. They found that after a union election, the number of accidents decreased rapidly, mostly because employees complained more. This study indicates that representation serves as an important organ of collective voice.
- Robinson and Smallman (2013) analysed UK data on the relation between employee voice and workplace injuries and found that more 'intensive' types of voice have greater impact: where there is employee voice, there are less accidents and injuries.
- Wels (2020) carried out a longitudinal study on the effects of trade union presence in UK companies and found that union presence was positively related with better psychological and (albeit to a lesser degree) physical health.

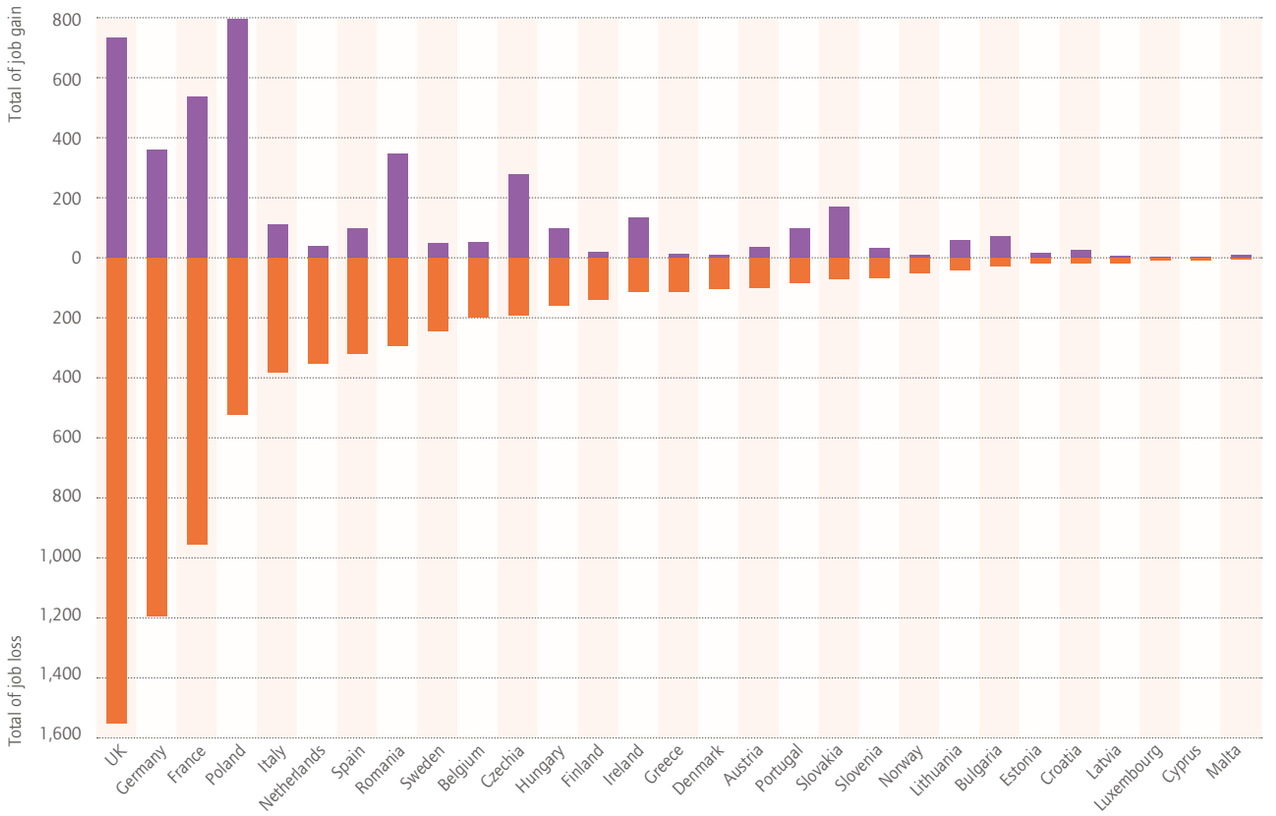
Covid-19 restructuring: we've been here before

Workers' rights are part of the EU solution

The pandemic has induced a period of sometimes massive restructuring of companies across Europe. Firstly, the sheer force and suddenness of the economic impact of the crisis is widely expected to have directly sparked restructuring measures in companies, the extent of which is difficult to measure due to a current lack of available data (Eurofound 2020b). Secondly, Covid-19 is accelerating the pace of planned restructuring in many sectors (Kirton-Darling and Barthès 2020).

Companies in Europe have faced crises and waves of restructuring before, of course. What is particularly challenging today, however, is that this significant sectoral and company-level restructuring across our economies is happening simultaneously, and in a context in which all the usual means of information, consultation and negotiation are hampered by the communications and travel restrictions imposed to try to stem the spread of the pandemic – not to mention the effects of persistent uncertainty about when the pandemic itself might be over.

Figure 6.7 Jobs lost and gained as a result of restructuring, 2002-2020



Source: European Monitoring Centre for Change (consulted 05/10/2020), Eurofund. https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-statistics. Own compilation.

Restructuring is another 'new normal'

It is important to bear in mind that restructuring induced by Covid-19 is not exceptional – quite the contrary, it is an ordinary occurrence in 21st century companies. Figures compiled by the European Monitoring Centre on Change (Eurofound 2020a), based on media reports, show (Figure 6.7) that between 2002 and 2020 more jobs were lost than gained in the course of restructuring processes (7.34 million vs 4.19 million). Data charting the aggregated outcomes of all Covid-19-induced restructuring is not available yet, although it may be safely predicted that more jobs will be lost than gained at company level.

As demonstrated in the chapter 'Democracy at work' in *Benchmarking Working Europe 2019* (ETUC and ETUI 2019), a wide range of EU directives provide a legal framework for workers' rights to information, consultation and participation (ETUC and ETUI 2017: 55).

There are few consequences of restructuring, if any, more important for workers than changes to their employment. According to the European *acquis* on workers' rights there are a number of directives that can be invoked as grounds for consultation with workers' representatives in Covid-19-induced restructuring processes, ranging from directives on transnational information and consultation (EWC, SE, SCE), to those dealing with specific circumstances and employment law, such as part-time work or collective redundancies. To address the workplace health and safety issues brought to the fore by the pandemic, workers' rights to information and consultation have been embedded in the specific health and safety protection directives adopted in the context of the Framework Directive for Health and Safety, such as the Directives on Personal Protective Equipment and Biological Agents, to name just two clearly related to Covid-19 (see Chapter 5) and ETUI and ETUC 2017: 55).

In addition to this legal framework, over the past decade alone, there have been a range of targeted attempts by the EU institutions and social partners to develop sustainable and fair responses to the challenges of restructuring in European multinational companies in particular. Since the 2003 cross-sectoral social partners agreement, various documents by the European Commission, including its Communication on handling restructuring and enhancing the role of EWCs (European Commission 2005), the Explanatory Memorandum of the Proposal of the Recast Directive (European Commission, 2008), and a Green Paper on restructuring (European Commission 2012a), to name just a few, identified which EU policies and instruments are concerned with major restructuring events and outlined ways of utilising them to mitigate and manage consequences of restructuring. The European Parliament also addressed restructuring, for example with its resolution on restructuring and employment (European Parliament 2006) and a resolution endorsing the so-called Cercas Report (European Parliament 2012).

The resolution urged the Commission to submit, as soon as possible, in consultation with social partners, a proposal for a legal act on the information and consultation of employees, and the anticipation and management of restructuring. In 14 recommendations for such a legal act, the EP confirmed the crucial role of social dialogue based on mutual trust and shared responsibility as the best instrument with

Restructuring is hardly an exceptional phenomenon in the life cycle of a company."

91%
of survey respondents reported that their company had engaged in some form of restructuring within the three years prior to the survey

which to manage restructuring in a sustainable way. Commissioner Andor welcomed the initiative and promised that 'This debate in Parliament and the report (...) make a useful contribution to the issue and the Commission will take it into account in its future work.' (Eurofound 2013)

Are EWCs ready to deal with Covid-induced restructuring?

Covid-19-induced restructuring: a stress test for workers' participation

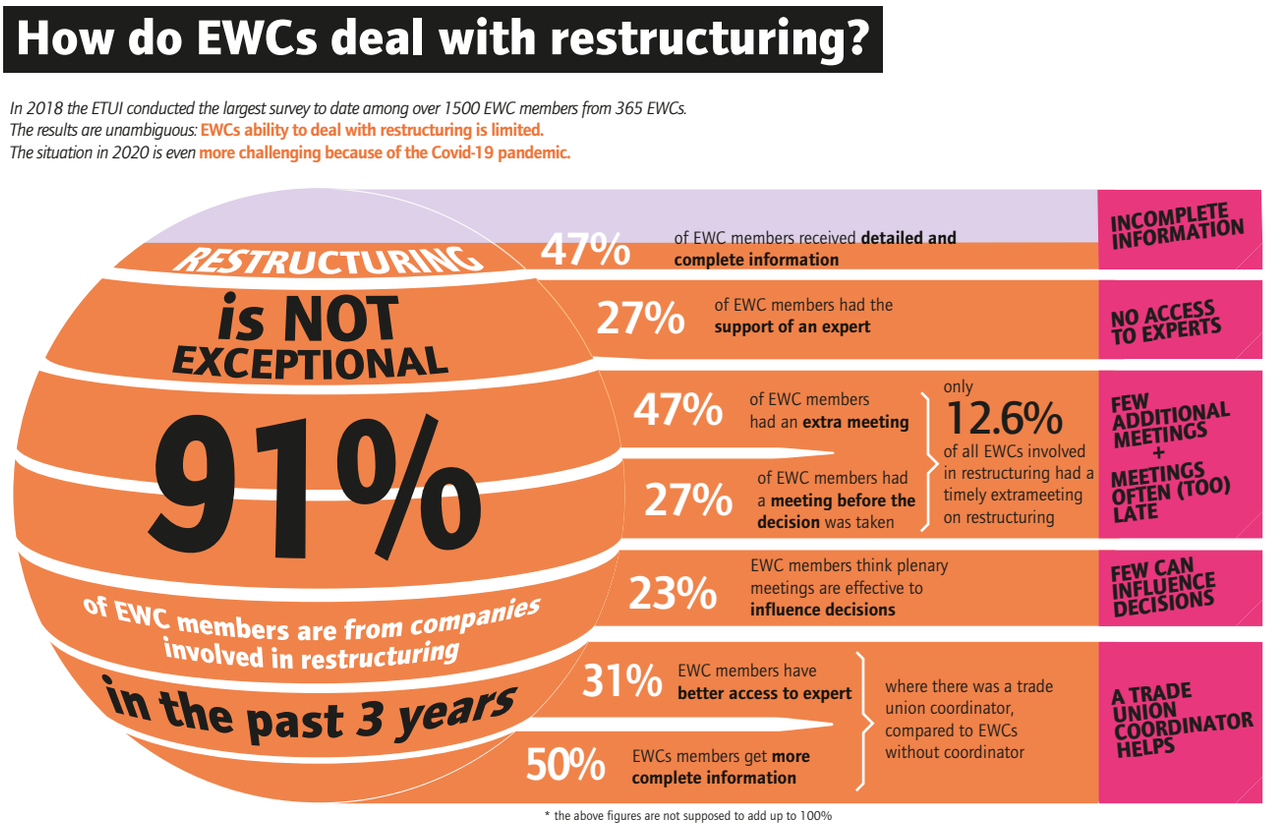
What role can we expect workers' representatives to play in tackling Covid-19-induced restructuring processes? Lacking available data on 2020 restructuring, we can refer to extrapolations based on previous evidence of restructuring and workers' participation. In the ETUI's 2018 large-scale survey among EWC members (De Spiegelaere and Jagodziński 2019), one of the key areas of enquiry was the occurrence of restructuring and the role EWC members report to have played in their capacity as elected workers' representatives.

First and foremost, we found that restructuring is hardly an exceptional phenomenon in the life cycle of a company. On the contrary, complex multinational companies seem to be in a near-permanent state or reorganisation and restructuring. A total of 91% of survey respondents reported that their company had engaged in some form of restructuring within the three years prior to the survey (Figures 6.8 and 6.9). Such frequent restructuring makes it an almost universal experience for all workers' representatives and a good basis for drawing general conclusions about their involvement, as well as the persistent deficiencies relating to it.

EWC Recast Directive: a robust framework for information and consultation in restructuring?

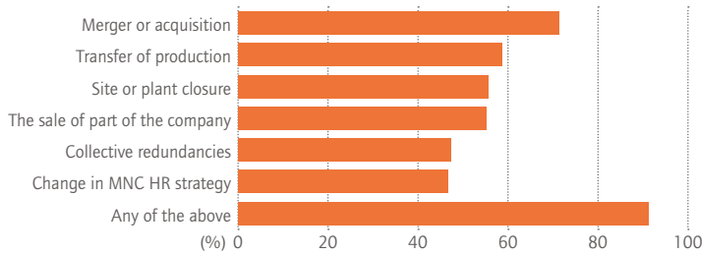
When taking decisions about company restructuring, on top of regular communication with the EWC, management is legally obliged to inform and consult EWCs about such measures which involve transfers of activities between Member States or of which 'the scope of [...] potential effects' is of relevance for the workforce (Recital 16, Directive 2009/38/EC). The EWC is collectively entitled to undertake an in-depth assessment of the possible impact and, where appropriate, prepare for consultations and express an opinion on the basis of the information provided about the proposed measures (Art. 2, Directive 2009/38/EC). Such an opinion does not limit the managerial responsibilities. In the case of such 'exceptional circumstances' (the Directive 2009/38/EC clearly ignores the regularity of restructuring) or of decisions affecting the employees' interests to a considerable extent – particularly in the event of relocations, the closure of establishments or undertakings, or collective redundancies – the EWC shall be informed and shall have the right to meet, at its request, the central management. It may also procure the help of experts.

Figure 6.8 European Works Councils and company restructuring



Source: infographic by R.Jagodziński based on De Spiegelaere and Jagodziński (2019)

Figure 6.9 Types of restructuring in which EWCs were involved during the past three years



Source: De Spiegelaere and Jagodzinski (2019).

Restructuring is often an obstacle course for EWCs

How have these provisions and tools at the disposal of EWCs been operationalised and used so far in practice? As regards the very basic right to information as an indispensable foundation for any form of social dialogue, the situation in EWCs is dire: less than half of EWC members report to have received complete and detailed information concerning restructuring. In other words, a majority of EWC members needed to try to represent workers' interests without having received from management basic facts about the planned measures or their extent, scope or nature. It is comparable to flying a plane in the dark without any instrument readings.

22.5%
Only one in five of workers' representatives think they can influence managerial decisions

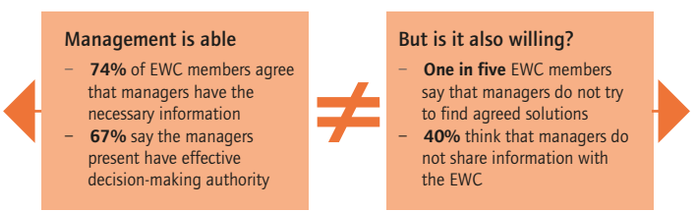
Secondly, most EWC members (72.9%), when confronted with company restructuring, can count only on their own levels of expertise in economics, finance, human resources, law and other areas for which the management has ample support from specialised staff and consultants to help make their decisions. In other words, without access to their own expert support, EWC members are expected to express an opinion about the impact of managerial decisions on workers' interests solely on the basis of their own analysis of highly complex information.

Thirdly, less than half of EWC members (46.8%) have had the opportunity to meet with management in such 'exceptional circumstances'. Furthermore, only 27% of them report that this meeting took place within the legally prescribed time before a decision was taken by management. All in all, only 12.6% of respondents have had an additional, timely meeting to discuss restructuring.

Finally, given their overall experience with information and consultation in EWCs, only one in five (22.5%) of workers' representatives think they can influence managerial decisions. The survey data proves that EWCs are still at best recipients of information, and are vastly excluded from any meaningful consultation. This is true for regular information and consultation processes but, as data on (timely) meetings show, even more so in restructuring cases. There are no grounds to suppose that any restructuring induced by Covid-19 will be any different from previous cases; in fact, given the magnitude of the challenge and currently strictly circumscribed travel restrictions, it looks as though upcoming restructuring will be even less subject to information and consultation than before the pandemic.

If we contrast the reality revealed by the EWC survey data with the EU's sombre declarations of its commitment to social sustainability, or the actual impact of the EU social *acquis*, we have little grounds to expect that this crisis will be addressed, or any future solutions designed, in a fair or sustainable way without a major paradigm shift.

Figure 6.10 Managerial ability and willingness to share information with EWCs



Source: De Spiegelaere and Jagodziński (2019).

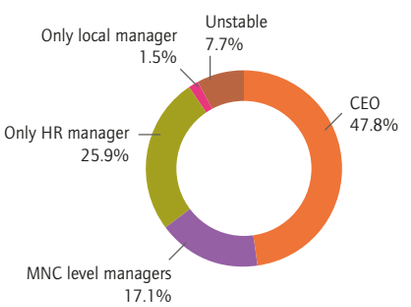
Managerial attitudes to EWCs and restructuring

Managerial prerequisites for consultation: ability and willingness

As demonstrated above, information and consultation processes in EWCs suffer from serious deficits under normal circumstances (see also De Spiegelaere and Jagodziński 2019). They are even more difficult to implement in the context of restructuring. There are two key questions that frame any information flow from management to workers' representatives. Firstly, do the managers engaging in social dialogue possess the relevant information and do they have the authority to take decisions or change them as a consequence of consultation with workers? And, secondly, are they even willing to engage in social dialogue?

Informed managers?

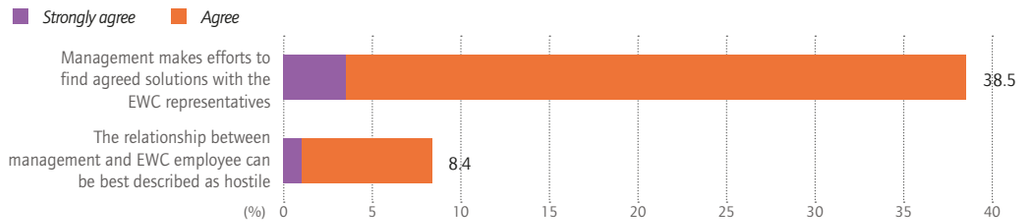
Figure 6.11 Who represents management towards EWCs?



Source: De Spiegelaere and Jagodziński (2019)

As the ETUI's latest large-scale survey among EWC members shows, the common perception of managers' capacities in and approach to company-level dialogue with EWCs could be characterised as 'able, but not willing' (Figure 6.10). Three in four EWC members find their managerial counterparts to be in possession of the information relevant for sharing

Figure 6.12 Managerial attitudes towards information and consultation in EWCs



Source: De Spiegelaere and Jagodziński (2019)

with workers' representatives, and almost seven in ten respondents perceive them to be equipped with the necessary decision-making authority. While these results still show ample room for improvement, they are also evidence that most EWCs sit at the table with the right level of management. Which categories of management are associated with full information and decision-making capacity is the subject of a forthcoming study (De Spiegelaere, Jagodziński and Waddington 2021), but Figure 6.11 suggests some initial insight into this question.

Willing managers?

The other indispensable component of successful social dialogue is the parties' willingness to conduct it in the first place, and furthermore, to conduct it in a spirit of cooperation. With regard to EWCs, the picture is mixed. One in five EWC members finds a cooperative approach and spirit missing on the part of management, while fewer than four in ten managers make efforts to find agreed solutions with the EWC (Figure 6.12). On the positive side, it can be noted that outright hostility characterises the relationship between management and EWC in the eyes of only 8% of respondents.

Confidentiality requirements: a safe space for consultation or a black hole?

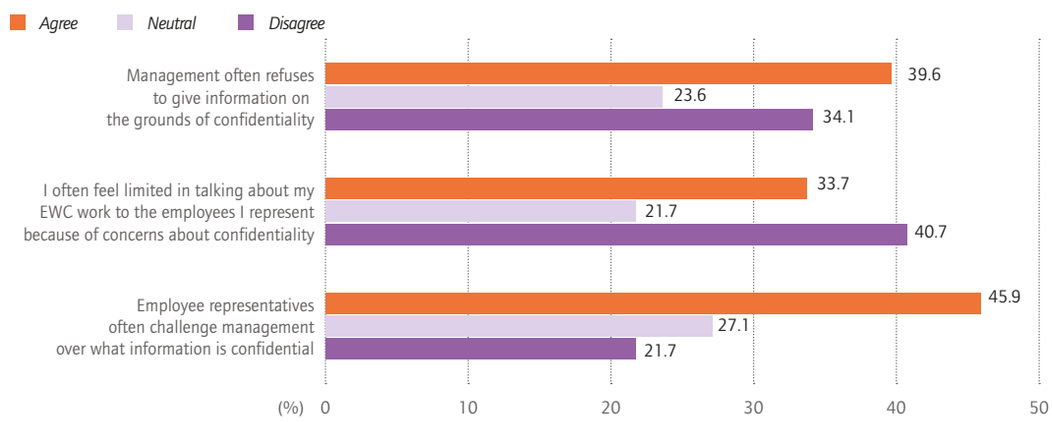
Management that is unwilling to engage in dialogue has several means at its disposal to avoid it. One of the most readily available tactics for management to block or limit information flows is the right to label information confidential or secret and withhold it altogether.

According to the results of the EWC survey, almost four in ten EWC members report that management often refuses to share information on the grounds of confidentiality (Figure 6.13). In such cases, information-sharing (and consultation) is brought to a complete halt. Management can also opt to share information with the EWC, but limit its capacity to process it by preventing consultation with, for example, local workers' representatives or trade unions advising the EWC. The impact of confidentiality use on the EWC's ability to perform its duties is complex, but one important consequence is that it limits their most fundamental function: to inform employees about the results and outcomes of EWC work (Art. 10 of the Recast Directive 2009/38/EC). More than three in ten respondents report feeling limited by confidentiality when reporting to their constituents. At the same time, a comparable number of EWC members (33%) disagree with this statement. Nevertheless, these results offer a different picture than that seen from the point of view of managers, who generally perceive confidentiality as problematic to a much smaller extent (Pulignano and Turk 2016: 32).

The result is that almost half of EWC members challenge management over the use of confidentiality (Figure 6.13), showing that it is a contentious matter possibly requiring not only clearer rules but also a change in managerial attitudes, a much more challenging task.

As the pandemic continues and eventually subsides, company restructuring will also continue, perhaps at an even more accelerated pace (Kirton-Darling and Barthès 2020). Furthermore, companies will

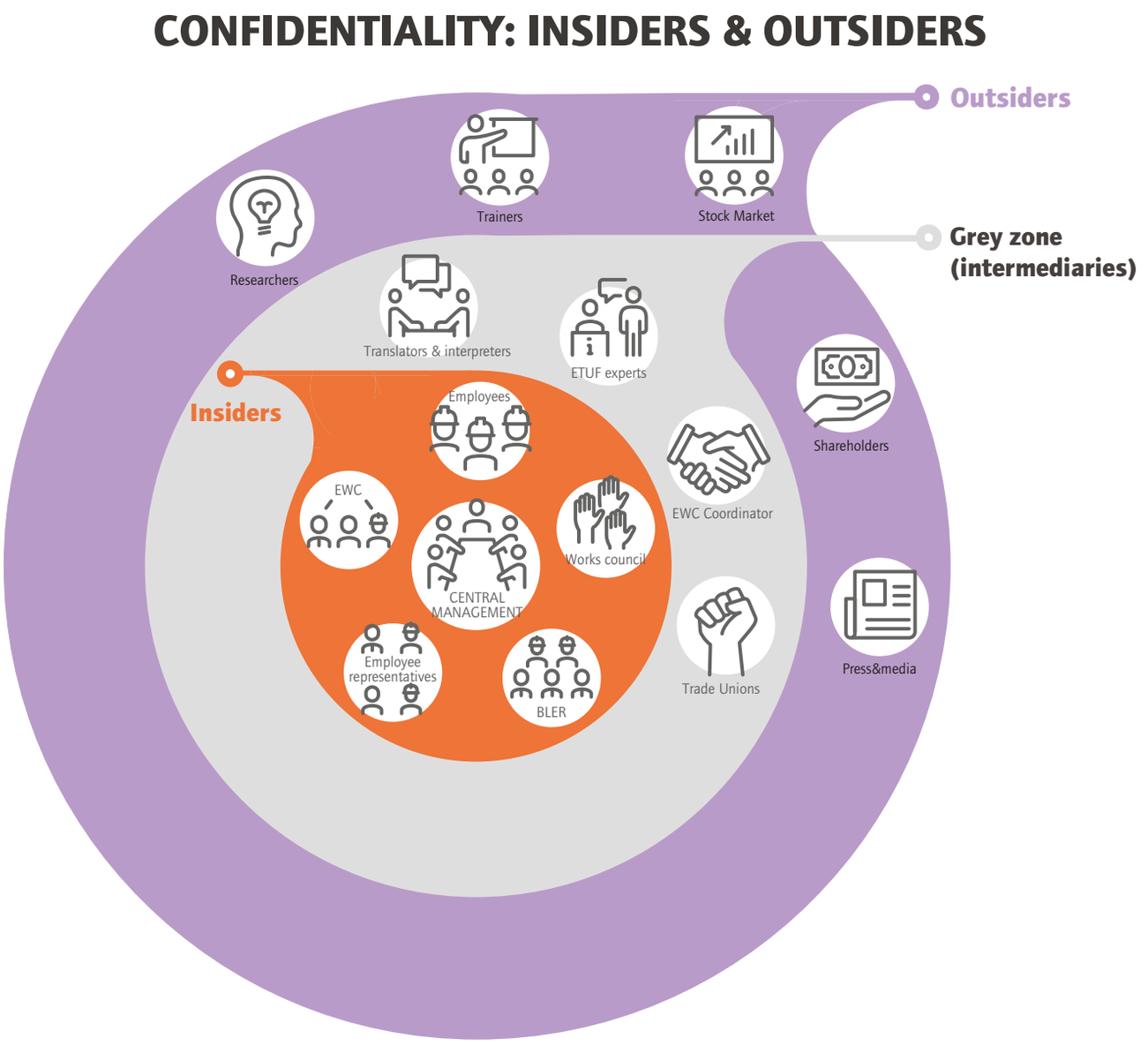
Figure 6.13 Confidentiality in EWCs: practice and consequences



Source: De Spiegelaere S. and Jagodzinski R. (2019).

compete with one another in terms of how they get through and out of the pandemic. We have seen that restructuring processes exacerbate the challenges of managing confidentiality requirements. Time and cost pressures bear down upon the often time-consuming and complex process of information and consultation, and companies tend to stress the need for quick solutions and progress, as well as the need to protect the confidentiality of their strategic decisions. In employing such strategies they often treat EWCs (and other workers' representation structures) as outsiders or parties external to the decision-making processes. While widespread among managers, such views are obviously fallacious in the light of the EWC Recast Directive clearly identifying EWCs as insiders who are supposed to be an essential part of the corporate decision-making (Figure 6.14). All of this works against decision-making processes being transparent and participative. Furthermore, the complexity of often unaligned national health and safety provisions and labour market support schemes will lend further support to management's arguments that these topics do not fall under the competence of the EWC in the first place. In summary, there is a risk that the pressure to act quickly, decisively and strategically in the face of persistent uncertainty during the pandemic and in the post-Covid-19 world will increase the tendency of many companies to seek to sideline their employee representatives.

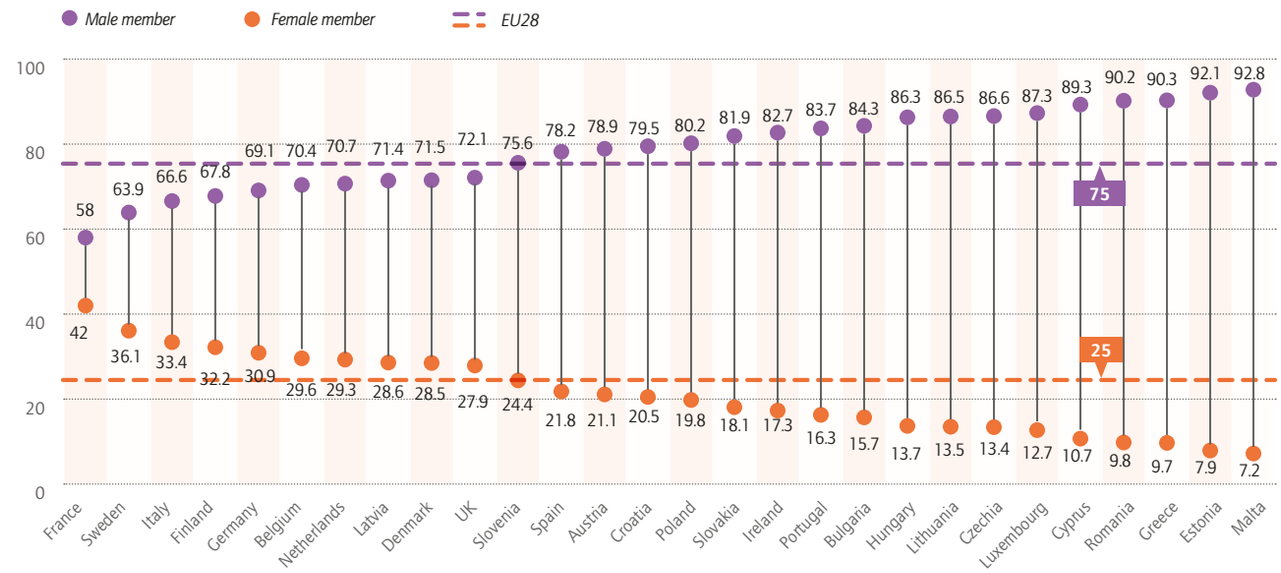
Fig 6.14 Confidentiality of information and consultation: insiders and outsiders



Infographic by R. Jagodzinski in Jagodzinski R. and Stoop S. (2020 forthcoming) European Works Councils Manual No. 4 'How to deal with confidentiality', ETUI, Brussels.

Source: Jagodziński and Stoop (2020)

Figure 6.15 Share of members of boards in largest quoted companies, supervisory board or board of directors and gap, by sex and country



Source: EIGE 2020, Gender Equality Index, index_pwr_econ_board, data for 22017.

Board-level employee representation

Sex equality in corporate boards: a missing link in the recovery strategy

Women (and mostly racialised women) have been at the frontline in the fight against Covid-19. Not only are they overrepresented in the care occupations most exposed to the virus, but governmental measures to control the pandemic have also deepened pre-existing gender divides in unemployment, domestic work and financial insecurity (Mascherini and Bisello, 2020; Kaya-Sabanci, 2020). Meanwhile, with corporations under great pressure to reorganise work, taking critical decisions with profound implications for gender relations, work-life balance, and the public/private divide, the pandemic has actually led to a reinforcement of the decision-making power of company boards, at times altering their rules of functioning (Paine, 2020). Yet while women have been disproportionately exposed to the effects of management decisions during Covid-19, they have continued to be strikingly underrepresented on these increasingly powerful boards. A gender gap already existed in corporate positions of power, but the pandemic context has emphasised it and made its gendered effects all the more visible.

European Institute for Gender Equality (EIGE) data from 2017 reveal a persistent gender gap in boards of the largest listed companies (EIGE, 2020). In the EU28 countries, women are still broadly underrepresented in comparison to men (25% against 75% on average, representing a gap of 50%, as shown in Figure 6.15). Malta ranks worst, with a gap of 85.6%, while France is not only the country with the smallest gap (16%) but also the most successful in decreasing it, by 14.4 points since 2015. As shown in Figure 6.15, no Member State reaches parity, and only five countries achieve the 40% objective set by the European Commission: France, Sweden, Italy, Finland and Germany.

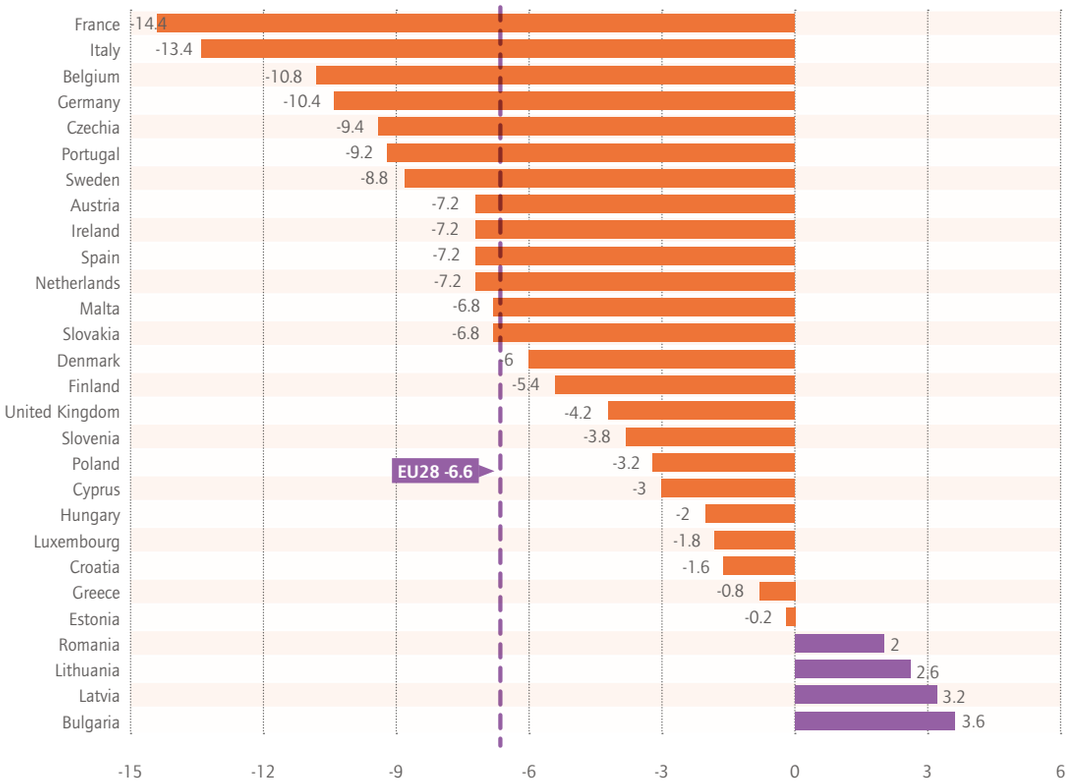
Except in Bulgaria, Latvia, Lithuania and Romania (Figure 6.16), the gap generally decreased between 2015 and 2017, probably thanks to binding legislation or even (if to a lesser extent) soft law taking effect (Hoffmann et al, 2018:78). But this slightly positive trend hides pervasive discrimination regarding access to positions of power. Empirical evidence shows that family connections are a key driver for women's access to board representation (Bianco et al., 2015). Furthermore, there is a tendency for a few women to accumulate multiple directorships – the so-called 'golden skirts' phenomenon (Seierstad and Opsahl, 2011). Finally, female directors are more likely to sit in less relevant committees (Bilimoria and Piderit 1994; Peterson and Philpot, 2007). Such findings suggest that regulations on quota may be necessary but insufficient to fully remediate gender inequality and female underrepresentation in corporate positions of power (Joecks, 2020:238).

The NGO University Women of Europe lodged a set of complaints against 15 countries before the European Committee of Social Rights (ECSR) of the Council of Europe, alleging violations of the rights to equal pay and equal opportunities in the workplace granted by the European Social Charter. In its June 2020 decision, the ECSR found all the countries except Sweden in breach of at least one of these rights. Surprisingly, only Bulgaria, Croatia, Cyprus, Czechia, Greece and Ireland were considered in breach for lacking measures to ensure a balanced representation of women in decision-making positions in private companies, despite the empirical data revealing the same issue in other countries.

This points to an urgent need for national and European legislative changes to advance equal pay and opportunities in the workplace. In the context of Covid-19, concrete action is needed now more than ever to address gender inequality in all its complexity, starting with securing equal representation on company boards to rebalance the power asymmetries that the Covid-19 crisis has made even starker.

Women (and mostly racialised women) have been at the frontline in the fight against Covid-19."

Figure 6.16 Gender gap evolution in company boards in the period 2015-2017 in EU28, by country



Source: Based on EIGE 2020, Gender Equality Index, index_pwr_econ_board, data for 2015 and 2017.

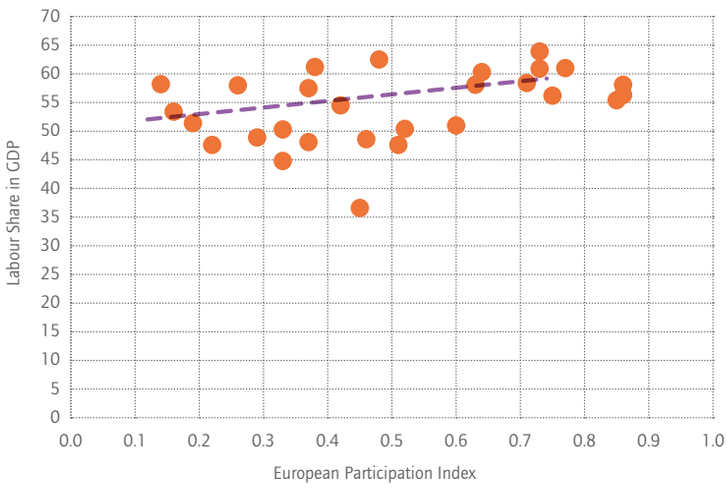
It is thus hardly surprising that proposals for a Gender-Balanced Company Boards (GBB) Directive (European Commission 2012b) are coming back on the scene. This proposal was blocked for a long time in the Council, but in March 2020, the European Commission announced it would revive it as part of a five-year gender equality strategy (European Commission, 2020a:13), and five political groups of the European Parliament are currently pushing to unblock it. The original proposal put forward a binding target of at least 40% representation for each sex amongst non-executive board members (or 33% of all directors) in large listed private companies by 2020, and laid down obligations for appointment procedures (i.e. pre-established neutral criteria, priority for the underrepresented sex, burden of proof on the company if a female candidate was not selected, etc.). Administrative fines and the annulment of appointments were sanctions foreseen in the event of any breach of the rules.

Seizing the momentum, the ETUC is demanding legislative and coherent action at EU level to advance gender balance in company decision-making, as part of the EU response to the current Covid-19 crisis and of the resilience plans and economic recovery. In its September resolution (ETUC, 2020b), the ETUC advocates a 40% target quota for executive and non-executive board members, as well as for senior management positions and both employees' and shareholders' representatives, and the inclusion of medium-size companies in this regulation. Gender equality and pay gap reduction should be included as key priorities in directors' duties, according to the ETUC, and selection procedures should prevent indirect discrimination and ensure access to women from different backgrounds. Furthermore, social partners should be given a stronger role in the Directive's implementation, while parallel and integrated policies should address the obstacles to gaining positions of power encountered by women.

Moving forward, the GBB Directive is one of the core legislative actions that would contribute to redressing the gender power imbalance caused by the Covid-19 crisis and the policy and employer responses to it.

More democracy at work and a bigger slice of the pie

Figure 6.17 More democracy at work, a more equally shared pie: Countries with a higher European Participation Index score also tend to have a higher labour share in GDP



Data source: Own compilation, based on European Participation Index & ILO income share as a percent of GDP, 2017 figures.

The wealth a country creates should be shared with both the workers and the employers. For this reason, the International Labour Organization measures the part of the created wealth that goes to the labour force, rather than to the owners of capital.

The 2019 dataset shows that, globally, the part of the wealth going to workers has decreased since 2004 and is now only just above 50%. In Europe, wage shares are generally higher, with quite a few countries having wage shares of over 60%.

There are various factors behind the reduction of the part of the wealth that goes to the employee: the financialisation of the economy, globalisation, and, of particular importance, the power of employees (Guschanski and Onaran 2018). Where trade unions and collective bargaining institutions are present, employees can push for a larger piece of the pie by negotiating higher wages (Moore et al. 2019) The same relation can be seen in Figure 6.17 which shows the European Participation Index on the x-axis (for more information see page page 140) and the wage share, as estimated by the ILO, on the y-axis. The plot shows that countries with a higher score on the EPI (i.e. where workers have a stronger voice in companies) also tend to be countries where a larger part of created wealth goes to workers.

Shareholder extraction of profits leave companies more vulnerable to the Covid-19 crisis

Excessive payouts to shareholders have greatly increased company indebtedness over the past decade

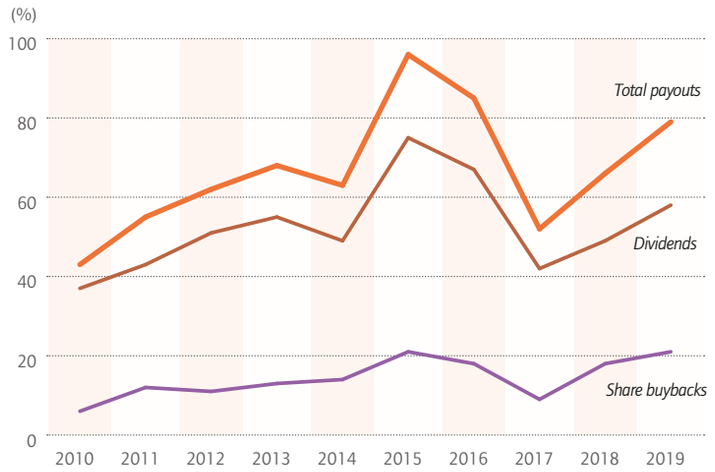
In the past decade, shareholders have extracted the great majority of profits from companies listed on the stock markets in Europe. The concept of 'shareholder value' is used to justify the extraction of profits by shareholders rather than keeping them in the firm as reserves for a 'rainy day'. However, the consequence of 'shareholder value' has been increasing debt levels, leaving companies more vulnerable to economic downturns such as the those caused by the Covid-19 crisis.

Traditionally, shareholders have extracted profits from companies in the form of dividends, which are paid out on an annual or quarterly basis to shareholders. Prior to the arrival of 'shareholder value' in Europe, most investors were 'patient', being satisfied with long-term continued reinvestment in the firm rather than short-term payouts. Generally, less than half of company profits were paid out as dividends.

However, in the past decade, shareholders have become more oriented to short-term financial performance. As a result of investor pressure, dividend payouts have increased to over 50% of profits in most years, even exceeding 70% of the profits of the non-financial companies in the STOXX 600 (the 600 largest companies listed on European stock exchanges) in 2015 (Figure 6.18). On top of that, shareholders are increasingly demanding 'share buybacks', which involve companies using their profits to 'buy out' shareholders and trade cash for their shares. Sometimes companies even take on additional debt to buy back shares. With the exception of 2017, about 20% of company profits in Europe went towards share buybacks in every year in the second half of the 2010s.

The combination of increased dividends and share buybacks means that the majority of profits are now paid out to shareholders, reaching a high of 96% of net income in 2015. The long-term consequences are that companies have fewer financial resources for a 'rainy day', and that the total debt of the non-financial STOXX 600 companies increased from €2.3 trillion in 2010 to €3.6 trillion in 2019 (or from 28% to 31% of total assets).

Figure 6.18 Payouts to shareholders as a % of profits, 2010-2019



STOXX 600 nonfinancial companies
Source: own calculations from CapitalIQ data

As a result of investor pressure, dividend payouts have increased to over 50% of profits in most years

One of the consequences of this is that the financial vulnerability of companies has increased, and with it the risk of job losses, job cuts and a deterioration of working conditions during the Covid-19 crisis. Many of these companies are now receiving or asking for public assistance in the form of bailouts or short-term work subsidies. However, some of them still intend to continue paying out funds to shareholders. As some countries have done on a limited basis, stronger restrictions on share buybacks and dividend payouts by companies should be introduced, for example prohibiting shareholder payouts by companies receiving public subsidies and/or who are in a financially precarious situation (i.e. those which receive a 'below investment grade' rating by credit rating agencies).

What is shareholder value?

The concept of 'shareholder value' originated in the US and was first implemented on a large scale by US companies (Jensen and Meckling 1976; Rappaport 1986). In the 1990s and 2000s the EU and many European countries passed legislation designed to make financial markets more 'shareholder friendly', such as authorising companies to pay executives with stock options, to buy back their shares, and to increase the power of institutional investors. However, shareholder value is increasingly being criticised for promoting short-termism and underinvestment, encouraging managers (particularly of banks) to pursue risky strategies, and increasing debt (Vitols 2015; ESMA 2019; Lazonic et al 2020).

Social dialogue in times of pandemic

"Today, there is a relative consensus between social partners, national governments and European institutions on the policies to be implemented to deal with the pandemic and its consequences."

Have the economic and social consequences of the Covid-19 pandemic had a particular impact on the dynamics of social dialogue in Europe and in the Member States? Have the social partners been involved in the elaboration and implementation of measures taken by governments and European institutions to deal with the socio-economic emergency caused by the pandemic? There are two main sources of data that can be instrumental in answering these questions. First is a draft Eurofound report on the involvement of national social partners in the elaboration and implementation of emergency measures taken by national governments (Eurofound, forthcoming). This report, based on information provided by the European agency's network of national correspondents, focuses mainly on tripartite social dialogue, in particular in the context of the European Semester. Secondly, the other source of relevant information is data from an ETUI analysis of the European sectoral social dialogue. The European Commission provides data on the texts adopted by the European social partners in the formal framework of the European Social Dialogue Committees, at both the cross-industry and sectoral levels (European Commission 2020d). But the ETUI has developed its own database on sectoral dialogue, which includes additional data (such as texts adopted outside the formal framework of the Committees). It is these two sources of data (Eurofound and the ETUI) which are used in the following section to make an initial assessment of the role of the social partners in managing the crisis caused by Covid-19 (please note that these data do not cover the last two months of the year 2020).

Tripartite social dialogue: a relative consensus

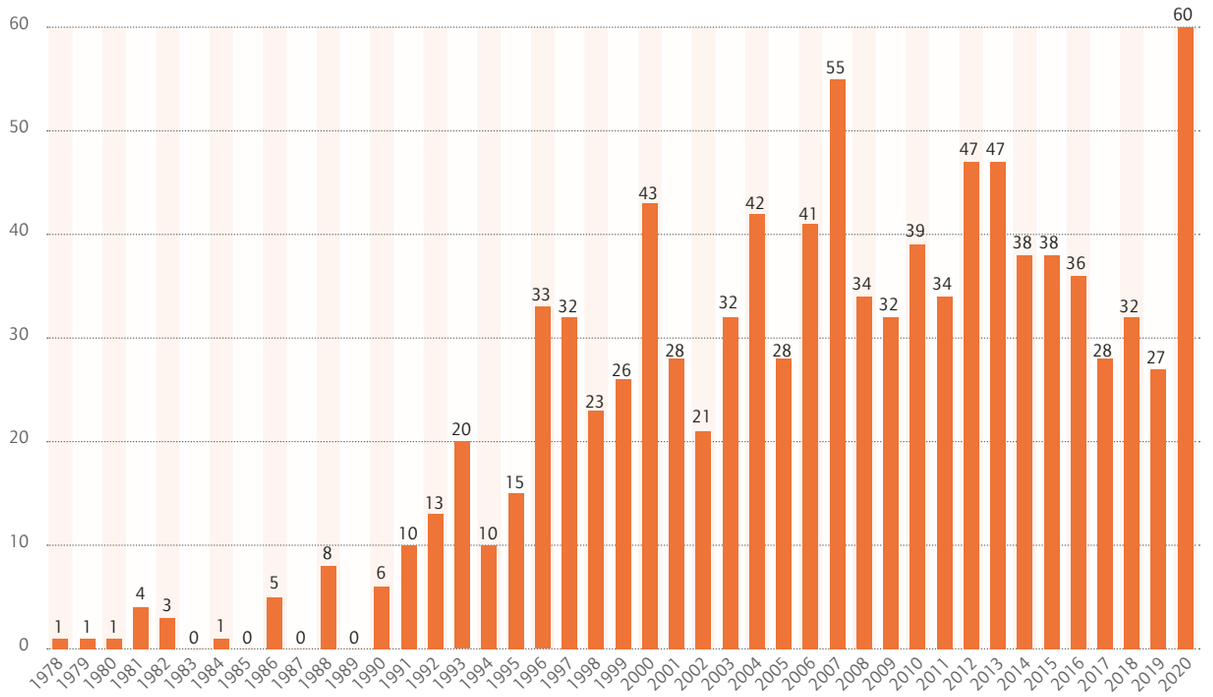
A first observation to be made concerns a comparison with the financial crisis of 2008. The political remedies needed to address that crisis, the causes of which were to be found in the financial industry, strongly divided opinion not just amongst the social partners, but also governments and the European institutions (Degryse 2012). Today, there is a relative consensus between social partners, national governments and European institutions on the policies to be implemented to deal with the pandemic and its consequences. However, it must be kept in mind that in 2020 Europe is still only in the first phase of the crisis, a phase of emergency measures. Other phases will follow, possibly including some form of austerity and profound transformations in the labour market (more automation, long-term decline of certain types of labour, increased inequalities, a possible shift towards unstable forms of employment, more platform work, further precarisation of employment in at least some sectors, the emergence of new professions and the erosion of others, etc.). There will also possibly be a phase in which it is considered necessary to 'rewrite the rules of the economy' (Stiglitz 2020). It will thus be very interesting to observe whether the current relative consensus, possibly stemming from a commonly shared shock over the pandemic, will withstand these later phases and translate into a common exit strategy. The various consequences of the pandemic will overlap with other powerful currents and challenges shaping the future of the EU: the transition towards a green economy, political right-wing populism, and the forging of a future institutional form ('multi-speed Europe', a transition towards more federalism, the role of the EU in new policy areas, etc.) (see Chapter 7 in this volume). All of these challenges are also very relevant for the social partners.

An exceptional situation

The Eurofound report highlights the urgency of the situation in 2020 and the difficulty, in this particular context, of engaging in in-depth consultations with the social partners on the economic and social measures to be taken and implemented. Various economic and social constraints imposed, in particular, through the European Semester (i.e. the implementation of country-specific recommendations and the elaboration of national reform plans) will have been the main obstacle to a greater involvement of national social partners. Eurofound notes the social partners' recognition of the particularly difficult circumstances, but also the fact that they consider that the majority of governments could have done much better in involving them in decision-making and implementation. Of course, these assessments vary greatly from country to country. In some countries, the social partners have been involved (to varying extents), while in others the health crisis seems to have revealed pre-existing structural weaknesses in the systems of social dialogue and industrial relations. In yet other countries, consultations were weak, but the social partners supported the initiatives taken by their governments, without amplifying conflict. In others, the actors had divergent views on the measures taken.

Despite these differences, Eurofound notes that 'unlike the context of the last financial and economic recession, there has been a mostly shared understanding between social partners, governments and European institutions on the policy responses needed to mitigate the effects of the pandemic and promote economic recovery'. This has also been observed at the company level, where solutions for the protection of workers' health and safety have generally been found in a collective manner, as well as in the implementation of new forms of work (telework, video-conferencing, etc.). From this point of view, social dialogue and collective bargaining (see Chapter 4) have proven to be an indispensable

Figure 6.19 Number of joint texts adopted by the European sectoral social partners (1978-2020*)



Source : ETUI, European Social Dialogue database (www.esddb.eu forthcoming).
** Figures for 2020 until 1/11/2020.*

tool for managing this exceptional situation as smoothly as possible.

European Social Dialogue

At cross-industry level, the social partners (ETUC, BusinessEurope, CEEP, SMEUnited) adopted a joint declaration on the emergency situation created by the pandemic on 16 March 2020 (ETUC et al. 2020). This short text declares its support for the measures announced by the Commission and the European Central Bank to counter the economic impact of the coronavirus (Commission, 2020c), and encourages the Member States to approve and rapidly implement these measures by involving the social partners at national level.

At the sectoral level, the dynamics of social dialogue were undoubtedly strengthened during the critical early phases of the pandemic. Never in the history of the European social dialogue have so many joint texts been adopted by the social partners in less than a year. From January to the end of October 2020, some 60 texts were signed by the sectoral social partners, compared with 27 over the whole of the previous year (the previous quantitative 'record' was in 2007, with 55 texts) (see Figure 6.19).

Of these 60 texts, 45 are directly linked to the pandemic. These texts are to be found in the sectors which have been hit the hardest: civil aviation (4 texts), maritime transport (4), sea fishing (3), followed by commerce, live performance, professional football, and private security, but also the steel industry and the agro-food industry (2 texts each). Also included are road transport, construction, industrial cleaning, tourism and catering, education, temporary work, and others.

As far as their content is concerned, the vast majority of these texts are addressed to the European institutions and national public authorities, and usually structured around two elements: a description of the economic difficulties caused by the pandemic in the sector in question (risks of bankruptcy, restructuring, job losses), and requests for the adaptation of sectoral public policies to support the sector and, where appropriate, for measures to protect workers' health.

According to the classification in the ETUI European Social Dialogue database (Degryse, 2015), these 'joint opinions' linked to the pandemic reveal, above all, a dynamic of 'joint lobbying' of public authorities by the sectoral social partners (European and national). The aim is to make public authorities aware of the positions of the actors in the sector and their demands in terms of sectoral policy – and not to develop reciprocal commitments that would be reflected in collective agreements on, for example, the improvement of working conditions.

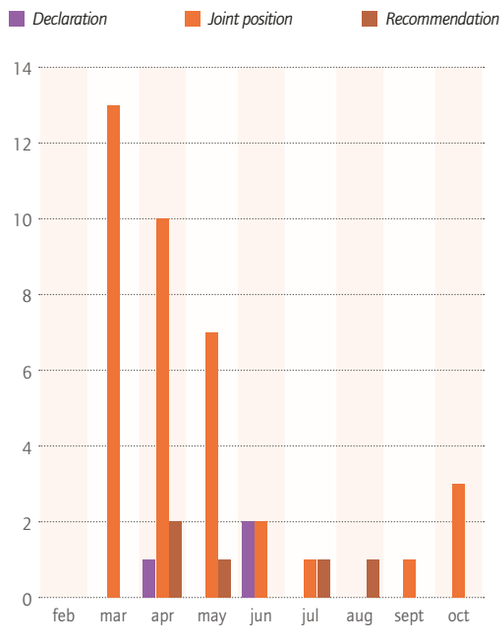
Of the 45 Covid texts, 37 are 'joint opinions', 5 are 'recommendations' addressed directly to enterprises and related to the health protection of workers, and 3 are declarations (again according to the ETUI classification: see Figure 6.20).

The 'newcomers'

It should be noted that some sectors which are not officially structured, mainly due to the fact that the employers' organisations are not recognised by the EU as European social partners, have also negotiated joint texts: in particular the social and personal care services sector (11 million workers in the EU), which brought together EPSU and the European Federation of Social Employers; but also the personal assistance services sector (early childhood care and education, childcare, long-term care in situations of dependency, disability, etc.), and household support services (cleaning, ironing, gardening, maintenance,

"Social dialogue and collective bargaining have proven to be an indispensable tool for managing the Covid-19 crisis as smoothly as possible."

Figure 6.20 'Covid' texts of sectoral social dialogue: a strong 'joint lobbying' dimension



ETUI, European Social Dialogue database (www.esddb.eu forthcoming).
** Figures for 2020 until 1/11/2020.*

tutoring, etc.) which brought together the European Federation of Food, Agriculture and Tourism (EFFAT) and Uni-Europa for workers, and the European Federation for Family and Home Care (EFFE) and the European Federation for Services to Individuals (EFSI) for the employers' side. The travel agency and tour operator sector also made its voice heard by adopting a joint text with Uni-Europa. Another example, at the global level this time, is the call by the Universal Postal Union and Uni-Global Union for the health protection of postal workers worldwide.

The absent ones

Among the sectors absent from this 'Covid-19' social dialogue (at the time of writing), we find, not surprisingly, industries less directly affected such as shipyards, extractive industries, electricity, gas and paper. Two more notable absences will, however, attract attention: that of hairdressing – a sector which is generally quite active at the European level and also strongly impacted by the pandemic – and the even more surprising absence of the hospital sector. In fact, one of the long-planned regional workshops aimed at strengthening social dialogue in the hospital sector in central Europe had to be cancelled/postponed due to the pandemic (read more on occupational safety and health and its relation to the general public health services in Chapter 5).

Conclusion

Democracy at work is key to mapping out an inclusive and sustainable way forward."

Launching Next Generation EU, the EU's plan to support recovery and resilience in coming out of the Covid-19 crisis, Commissioner for Economy Paolo Gentiloni, said, 'From the tragedy of the coronavirus pandemic, Europe has chosen to seize a unique opportunity: to restart our economies on a new, more sustainable basis' (European Commission 2020b).

However, the findings presented in this chapter cast a more pessimistic light on our ability to make the most of this unique opportunity. The continuing decline of workers' voice threatens to undermine if not undo many of its positive effects on economic and social renewal and sustainability. Furthermore, it is worrying that although active union membership is seen to contribute to high levels of democratic conviction and willingness to attain knowledge and engage with societal developments, organisational density in Europe is still falling, not rising. We have also looked at some of the economic impacts of workers' voice: that more democracy at work correlates with a more equally shared 'pie' is a point not to be forgotten. Yet recent trends of shareholder extraction of profits not only take us further away from a sustainable stakeholder model of economic growth, but have also more immediately eroded companies' ability to muster the financial resources needed to come out of the current crisis.

The coronavirus has upended our ways of working and living, and has pushed our healthcare and welfare systems to their breaking points. We have seen in this chapter how the knock-on effects in the world of work, from protecting the health of workers to forcing a complete reassessment of whether, when and where we work, are intricately related to the institutions of workers' participation at all levels of companies, from the local workplace to company boards. Building upon strong and competent health and safety representation at the workplace is key to implementing sound policies to overcome this health crisis and relaunch economic activities as we seek ways out of it. Yet astonishingly, the Commission's roadmap towards lifting lockdowns does not include workplace health and safety considerations, and its updated work programme, supposedly revised to take the impact of the pandemic into account, contains no measures to make workplaces safer in the wake of the coronavirus outbreak.

Massive restructuring, both within companies and across sectors, is already underway. In theory, many of the institutions designed to address these challenges at the local and transnational levels of companies are present, but practice paints this in a sombre light. Our large-scale survey of European Works Council and SE-Works Council members shows that the capacity of EWCs and SE-WCs to effectively play their intended role to address transnational restructuring remains woefully inadequate. Lacking a robust and enforceable framework, restructuring is an obstacle course for workplace representatives. And it is hard to legislate attitudes: we have seen that managements' unwillingness to engage constructively and proactively with the representatives of their international workforces is a persistent impediment. A patchy and non-transparent regime of confidentiality requirements further hampers information and consultation procedures. It is not apparent that EWCs and SE-WCs have been able to rise to the challenge of engaging effectively with the complex range of measures adopted within multinational companies. In light of the deficiencies in both the regulation and the practice of transnational information and consultation rights that we have documented over the years in these pages, this may not be surprising, but it does beg the question: if EWCs and SE-WCs were not involved in the company-wide response to the complex challenges of this singular pandemic, then will they ever be?

Finally, with respect to board-level employee representation, we have seen some isolated examples of progress towards gender parity, but there still remains much to do.

Workers' participation is a resource, not an obstacle

The Covid-19 pandemic has wreaked havoc on our ways of living and working, and the path out of the crisis is far from straightforward. We must constantly re-evaluate our strategies for dealing with its effects on the world of work, and large-scale restructuring of sectors and companies in the offing further clouds our view of the future.

Democracy at work is key to mapping out an inclusive and sustainable way forward. Considering the overwhelming complexity of the challenges ahead, making space for workers' voice in all its forms serves to address the needs of the workforce as a key stakeholder, and in this way to generate and adapt collectively agreed sustainable measures over the long run. It is of some comfort that social dialogue processes were resumed in the early phases of the pandemic, both at a national and to a certain extent at the supranational level. However, our analysis suggests that this resurgence has been patchy and, in the case of some Member States, qualitatively weak and ineffective. At the European level, there is a noticeable dynamic of strong sectoral reactivity to the economic and social shocks, but it is mainly oriented towards the urgent adaptation of sectoral public policies to make the immediate effects of the lockdowns as bearable as possible for companies and their workers – it is less geared towards long-term exit strategies and future solutions.

The European Commission's recommendations for the Member States in the Annual Sustainable Growth Survey, particularly those which aim to develop more sustainable solutions for future industrial relations beyond the crisis, must be taken seriously if we are to address the immense challenge of the pandemic and its aftermath. The declarations by EU leaders that social dialogue must help pave a sustainable way out of the crisis need to be backed up with

The declarations by EU leaders that social dialogue must help pave a sustainable way out of the crisis need to be backed up with robust policies, regulations and commitments, and the means to enforce them."

robust policies, regulations and commitments, and the means to enforce them. Workers, their representatives and their unions should not be reduced to passive recipients of information and only engaged half-heartedly in consultations about measures to be taken. Instead, workers' participation in all its forms must be recognised as a rich resource for shaping and adapting the workplaces of today and the future, especially – though not exclusively – in times of crisis.

7. Foresight: the many possible post-pandemic futures

Author

Christophe Degryse

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As this foresight analysis shows, we do not have to be passive onlookers: by outlining and considering the various possible scenarios we can exert (some) control over our future."

Christophe Degryse, ETUI

Introduction

It did not take long for the SARS-CoV-2 pandemic to set in motion a series of profound upheavals across the world, not only in terms of health but also politically, economically, socially, industrially and culturally. In such a context of transformation, the usefulness of the foresight methodology, which involves the building of possible future 'scenarios', is to enable us to apprehend the multiple uncertainties inherent in such an event and to examine possible future developments and their probable implications. As defined by Ponce del Castillo, 'Foresight is the umbrella term for methodologies and approaches that take volatility, uncertainty, complexity and ambiguity as their starting point, explore possible and probable futures (...), and generate insights and "cross-sights" that enable transformative actions in the here and now' (Ponce del Castillo 2019). In this sense, foresight can be seen as a decision-making aid in a context marked by a great deal of unpredictability. A large number of prospective studies and other initiatives have been undertaken in the wake of the Covid-19 crisis, reflecting this climate of uncertainty, particularly for business leaders (see, among others, the World Economic Forum initiative, 'The Great Reset'), for economists (see, for instance IMF 2020; for the eurozone, Wyplosz 2020), for investors (https://www.foresightgroup.eu/covid-19/), for the world of work (ILO 2020), and of course for policymakers (OECD 2020).

This chapter attempts to examine the possible or probable future transformations that will occur as a result of the 'polycrisis' resulting from the pandemic. It begins by outlining some basic facts about the foresight approach, before moving on to pose a question that takes into its sweep a wide range of issues: what are likely to be the main societal, technological, economic and environmental changes caused by the crisis? It will then develop these reflections in relation to a more specific political context: that of the European Union and, in particular, the eurozone.

Foresight: and then what?

Source: Aída Ponce del Castillo (2020) / design: Aymone Lamborelle (ETUI).

Foresight in fair weather

Before examining the possible transformations in this time of crisis, it should be noted that foresight is also a tool for anticipation even when the weather is fair, so to speak. For instance, a number of studies were published a good while before the outbreak of this pandemic that clearly identified the inherent vulnerability of our societies and, above all, how ill-prepared they were to cope with an event such as this. One of them was published in 2006 by the UK Office of Science and Innovation (OSI, London) as part of a foresight programme it conducted (Brownlie et al. 2006); a second one was included in the French government's 'White Paper on Defence and Security', published in 2008 (Commission sur le Livre blanc 2008); and a third one was published almost exactly one year before the start of the pandemic, in January 2019, by the World Economic Forum in collaboration with the Harvard Global Health Institute (WEF 2019). These three papers have been highlighted, but many other documents could also have been cited, such as the European Commission's paper (2005) on strengthening coordination at EU level on generic preparedness planning for public health emergencies, or, at the global level, the WHO's guidance (2018) on how to manage pandemics.

It is fair to say that the Covid-19 pandemic should not be understood as a 'black swan'."

A perfectly predicted pandemic

The first of these reports, published by the OSI and involving more than 200 experts and stakeholders, looked at eight major categories of health risks, including acute respiratory infections (ARIs) and coronaviruses such as SARS. This study clearly mentions, as early as 2006, that new ARIs could spread around the world very rapidly (in a matter of weeks) causing millions of deaths worldwide, and tens of thousands in the UK alone (p. 44). The report explains in detail, 15 years before the Covid-19 pandemic, the four reasons why this type of threat must be taken very seriously: very 'fast-moving' infections, infected persons without symptoms (undetected transmission), high transmission potential, and an absence of vaccine or drug treatment once the outbreak is detected. The second study, published by the French government in 2008, stresses that 'over the next 15 years, the emergence of a pandemic is plausible' and that it is necessary to create 'European stocks of medicines and [coordinate] the management of the various necessary safeguards'. And the third report, published as recently as 2019 by the World Economic Forum, delivers a very clear warning: 'The world remains ill-prepared to detect and respond to outbreaks and is not prepared to respond to a significant pandemic threat' (p. 8).

A lack of foresight strategy leads to chaotic responses

These warnings did not, however, prevent a chaotic management of the health crisis that broke out in the early months of 2020, as we saw in many countries. In countries such as the United Kingdom, this was due to delayed, contradictory, or even seemingly whimsical policy responses in the early stages of the epidemic (House of Commons 2020). In certain cases, there were logistical failures affecting the sourcing and stockpiling of personal protective equipment; in France, for example, a journalistic investigation showed how, due to a change in doctrine prior to the crisis and, above all, budgetary cuts, stockpiles of protective masks were still being destroyed as the pandemic was spreading. This investigation has led to the setting up of a parliamentary commission of enquiry (Davet and Lhomme 2020). Then there was the clear inability of certain countries to effectively manage the first surge in the number of patients requiring hospital and intensive care treatment; an underestimation of the health crisis silently developing in care homes and hospices; the various, often haphazard, attempts to develop streamlined and effective test-and-trace strategies; and, last but certainly not least, the budget cuts in the field of health decided on by the heads of state or government at the meeting of the European Council in July 2020, i.e. in the midst of the pandemic. Whatever the specific combination of factors, it is fairly clear that historians will not be kind when looking back at how the majority of EU Member States dealt with a pandemic that, as noted above, should not have caught them by surprise.

Was the EU prepared?

In the face of this unpreparedness on the part of the governments of the European countries, the EU in itself did not have the necessary powers to harmonise measures. The Constitutional Treaty that was signed in 2004 provided for legislative harmonisation tools to monitor and combat 'serious cross-border health threats', but the treaty was rejected in 2005, and such tools were replaced by 'incentive measures' in the Lisbon Treaty of 2009. The results of such legislative constraint showed in the weakness and inefficiency of policy measures taken at the beginning of the 2020 pandemic. Lessons will need to be learned to lay the foundations for 'a better future for the next generations' (European Commission 2020e).

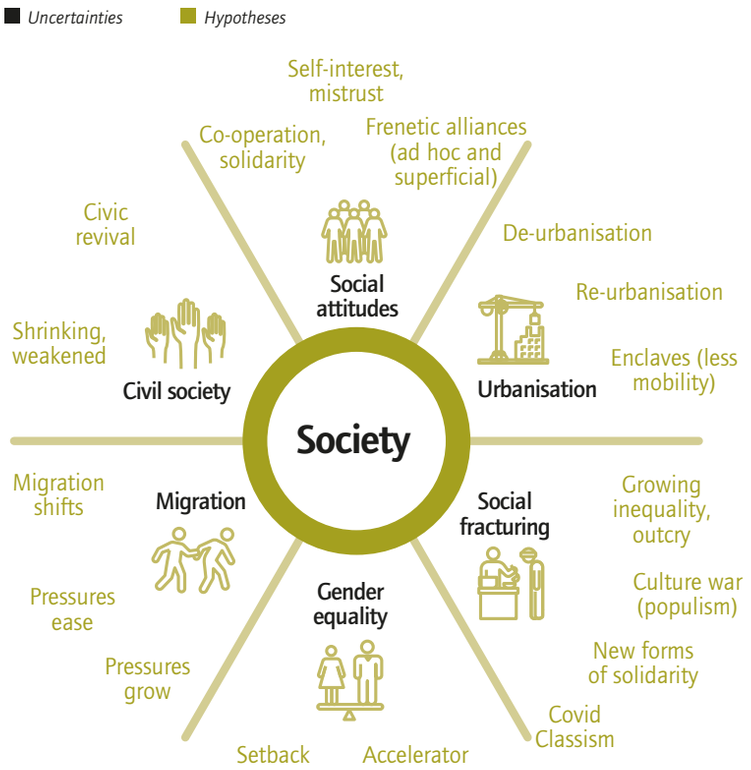
No one is well prepared for what they do not anticipate

All things considered, it is fair to say that the Covid-19 pandemic should not be understood as a 'black swan'. The term black swan was coined by Taleb in 2007 and refers to a totally unpredictable, rare event with an immense impact. The pandemic, on the contrary, was a totally predictable event which many governments chose not to arm themselves against, often due to budgetary restrictions or, some may argue, even negligence. As lucidly underlined by the European Commission in its first Foresight Report, published in September 2020, 'Health systems in several Member States, as well as the pharmaceutical industry, were not fully prepared, experiencing problems including shortages of personal protective equipment and chemicals required for the production of pharmaceuticals. Notably, Europe struggled to prepare and coordinate when the first warnings began to emerge from China.' (European Commission 2020d; see also ETUI and ETUC 2019: 33). In 2015, in its contribution to the policy debate on the capacities of healthcare systems in Europe following the 2007 crisis, the ETUI pointed out that 'the current emphasis on long-term economic sustainability risks depriving European health systems of what they need to do: to provide citizens with effective and timely access to high quality medical services' (Stamati and Baeten 2015: 183). And as early as 2014, Stamati and Baeten were criticising the fact that while the EU's post-2007 crisis 'fiscal consolidation policies focus on stronger public controls, the EU internal market rules have a creeping deregulatory effect on health systems' (see also chapters 2 and 5 in this volume).

It is beyond the scope of this chapter to examine why 'pre-Covid' foresight studies do not appear to have resulted in improved pandemic preparedness. But the lesson of foresight here is that any society, government or organisation is ill prepared for events that it does not anticipate.

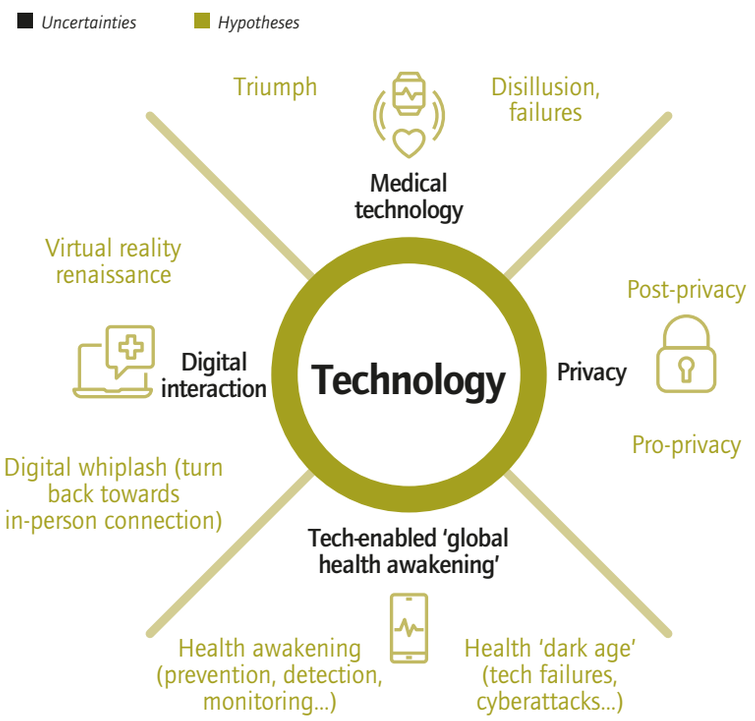
What are the possible transformations?

Figure 7.2 Covid-19: Principal uncertainties, according to the OECD



Source : OECD (2020) Strategic foresight for the Covid-19 crisis and beyond: Using futures thinking to design better public policies. Summary table by C. Degryse (ETUI).

Figure 7.3 Covid-19: Principal uncertainties, according to the OECD



Source : OECD (2020) Strategic foresight for the Covid-19 crisis and beyond: Using futures thinking to design better public policies. Summary table by C. Degryse (ETUI).

Uncertainties and vulnerabilities

In its Foresight Report, cited above, the Commission (2020d) points in particular to the vulnerabilities that have emerged amongst the population during the Covid-19 crisis: feelings of isolation due to the containment measures, increased mental health problems, aggravation of social and gender inequalities, financial insecurity, job losses and economic vulnerability. The 'polycrisis' provoked by the pandemic in Europe and in the world has brought us into a period of uncertainties and transformations in almost all areas of economic, social and cultural life. An OECD foresight study published in June 2020 suggests a classification of likely transformations into five broad categories: societal, technological, economic, environmental and governance (OECD 2020). As a starting point for this chapter's reflections, this OECD study is summarised in the following five figures; in each one, the first column lists the main 'uncertainties' (U1, U2, etc.). The boxes in the row for each 'uncertainty' suggest different development 'hypotheses' (H1, H2, etc.). The following paragraphs draw on these categories to discuss possible changes and transformations in our societies in the medium to long term.

The societal challenges of Covid-19

The new uncertainties affecting society as a result of the pandemic mainly concern social issues (changes in social attitudes, sociability, social fragmentation, gender equality, etc.), territorial and regional issues and migration (new balances between urban and rural areas but also new gaps between regions and inequalities between countries), and finally citizenship (the role of civil society organisations and associations). It is an undisputable fact that the pandemic has abruptly changed our social habits: the way we move, work, collaborate and enjoy ourselves. Social and professional relations were stopped during the period of lockdown and only resumed on a reduced basis afterwards. Teleworking has become generalised for all professions in which it is practicable. These upheavals have revealed social and territorial inequalities (in terms of infrastructures, telecom networks and access to internet), as shown in some countries during strict lockdown periods by the exodus from metropolitan areas of those who could afford it (second homes, families, friends, etc.). These new ways of living, working and interacting can contribute either to greater solidarity (such as spontaneous actions of neighbourhood help), cooperation and new forms of social relations based on trust or, on the contrary, to a withdrawal into oneself, increased mistrust towards others, the growth of conspiracy theories

and populism, and a widening of the generational divide or even straightforward ageism.

Technology as the liberator of humanity?

The role of technology was strongly emphasised during the first months of the pandemic, as astutely summarised in the title of a report by the Ada Lovelace Institute: 'Exit through the AppStore' (Ada Lovelace Institute 2020). Technology was often presented as, at the very least, part of the response to the health crisis, thanks to the 'potential development and implementation of technical solutions to support symptom tracking, contact tracing and immunity certification' (Ada Lovelace Institute 2020). Researchers joined forces with telecom operators to highlight the potential of smartphones, which almost everyone now owns (Oliver et al. 2020). In addition to managing the pandemic, communication technologies have also made it easier for many to adapt to new professional constraints (teleworking, virtual meetings, webinars, etc.). However, neither the future role nor the adoption of these technologies is a certainty. Various factors could slow down or even frustrate certain promises, in particular regarding respect for privacy and data security (cyberattacks), but also in some cases lead to an attitude of resistance towards, or outright rejection of, technological solutions (for example, confidentiality theories linking the pandemic with the development of 5G communication networks) which, while not a majoritarian view, is undoubtedly present in the public debate (as can be seen in the refusal of tracing applications, refusal of future vaccines, and refusal to wear masks).

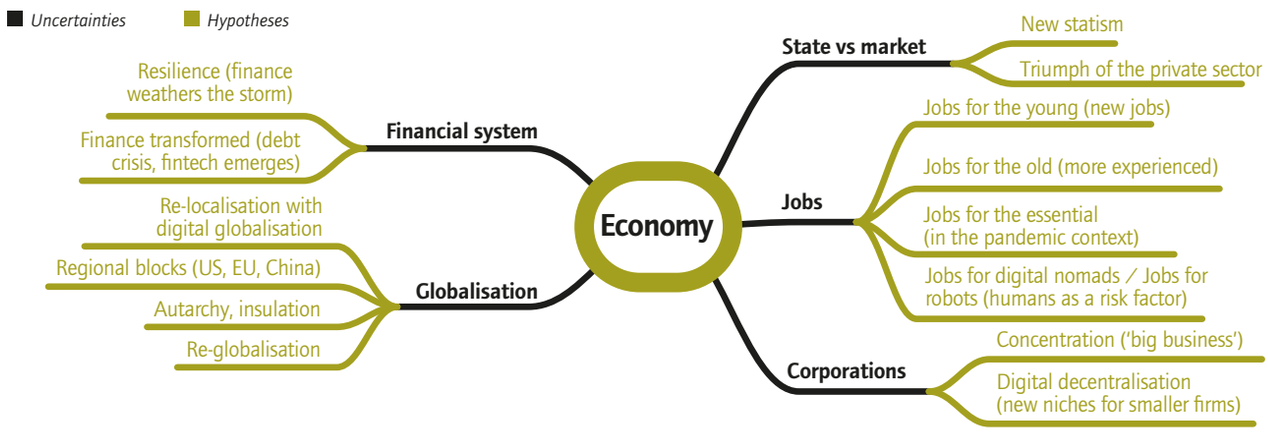
Economic crisis or paradigm change?

The very brutal global crisis caused by the pandemic has no equivalent in recent history. At the EU level, many exceptional measures have been taken to avoid a complete collapse of the economy: the authorisation of state aid (European Commission 2020b), a recovery plan (European Commission 2020a), non-conventional measures by the European Central Bank (such as the Pandemic Emergency Purchase Programme), and the suspension of the Stability and Growth Pact (European Commission 2020c). At a national level, many employment aid measures have been adopted and implemented in an attempt to limit the impact of the crisis on unemployment (Müller 2020; see also Chapters 1, 2 and 4 in this volume). Some critical sectors have been saved by governments, such as the aeronautics industry, airlines, tourism, automotive, culture, hotels and restaurants. Furthermore, the role of the state in supporting economic activity and employment has been considerably strengthened, putting the dogmas of neoliberalism, unlimited economic growth and even the market economy on hold. However, economic uncertainties (and inequalities) are likely to persist, as noted in the IMF's latest World Economic Outlook report: 'The outlook remains highly uncertain as the risks of new waves of contagion, capital flow reversals, and a further decline in global trade still loom large on the horizon.' (IMF 2020, see also Kaufman and Leigh 2020).

Environmental challenges: greening the transition or saving old industries?

There was much talk in the early months of the pandemic of a chance or necessity for fundamental reorientation towards a greener economy (IEA 2020; see also 'EU Green Recovery to restart Europe', COGEN Europe, and the letter by 17 European climate and environment ministers: 'European Green Deal must be central to a resilient recovery after Covid-19'). Many actors from civil society and political parties presented the crisis as the result of the uncontrollable nature of globalisation and economic growth, of excessive mobility and an unsustainable economy, as well as of the abuse of natural resources that this activity favoured. However, European governments have urgently come to the rescue of industries, including CO_2-intensive industries such as air transport (see the 'Airline Bailout Tracker' set up by environmental NGOs, which estimates the rescue plans for European airlines at more than EUR 25 billion), the automobile industry, and agro-industry. Such contingency plans create additional uncertainty about the political will to accelerate the climate

Figure 7.4 Covid-19: Principal uncertainties, according to the OECD



Source : OECD (2020) Strategic foresight for the Covid-19 crisis and beyond: Using futures thinking to design better public policies. Summary table by C. Degryse (ETUI).

Figure 7.5 Covid-19: Principal uncertainties, according to the OECD

Source : OECD (2020) Strategic foresight for the Covid-19 crisis and beyond: Using futures thinking to design better public policies. Summary table by C. Degryse (ETUI).

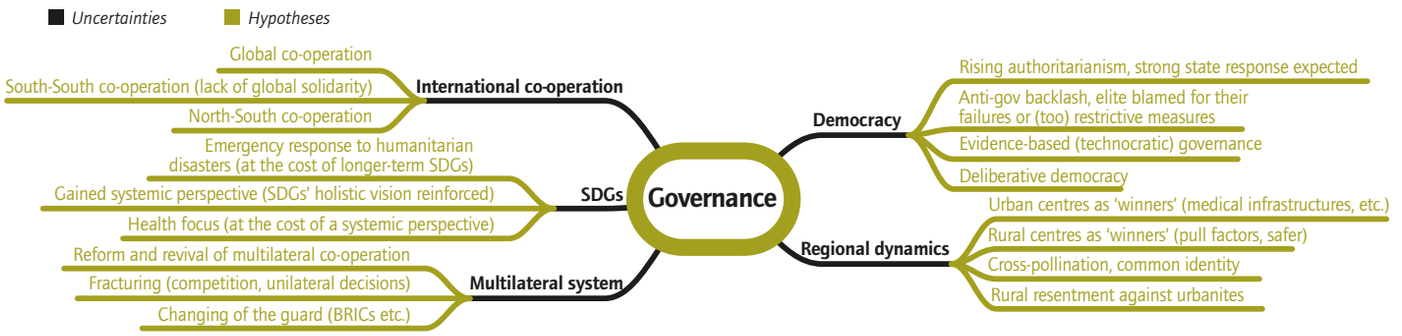
European governments urgently came to the rescue of industries, including CO_2-intensive industries, with estimated rescue plans for European airlines at more than €25 billion

transition. One of the impacts of the health crisis could be a shift in the order of priorities, as the short-term health of the world's population may today be considered more important than the longer-term sustainability of the economy. Such possible shifts in priorities, together with changes in consumer, business and market behaviour, constitute the main factors of uncertainty concerning the environment.

Competitive or cooperative governance?

The first phase of the Covid-19 crisis was not characterised by increased international cooperation and collaboration. In Europe, the pandemic seemed at first to send national interests into panicked overdrive, as governments tried to get their hands on as much as possible of a resource that had suddenly become scarce, without taking into account the situation of neighbouring countries or the EU as a whole (border crossings were closed without consultation, and governments were arranging purchases of medical equipment individually). Governments went so far as to confiscate stocks of masks, medical equipment and medications transiting through their airports or produced and stored by companies operating on their territories. However, this phase of competition did not last long, and the need for cooperation gradually became apparent among EU countries: for instance, medical staff were deployed from countries with less severe situations to Italy and Spain. At the global level, diplomatic and commercial tensions have been rife in 2020 between the US, China, Europe and Russia. In this context, it is difficult to predict the future of the multilateral system and institutions (the WTO, the WHO, etc.), international cooperation on sustainable development objectives and the protection of the environment, North-South relations, and even democracy and the rule of law.

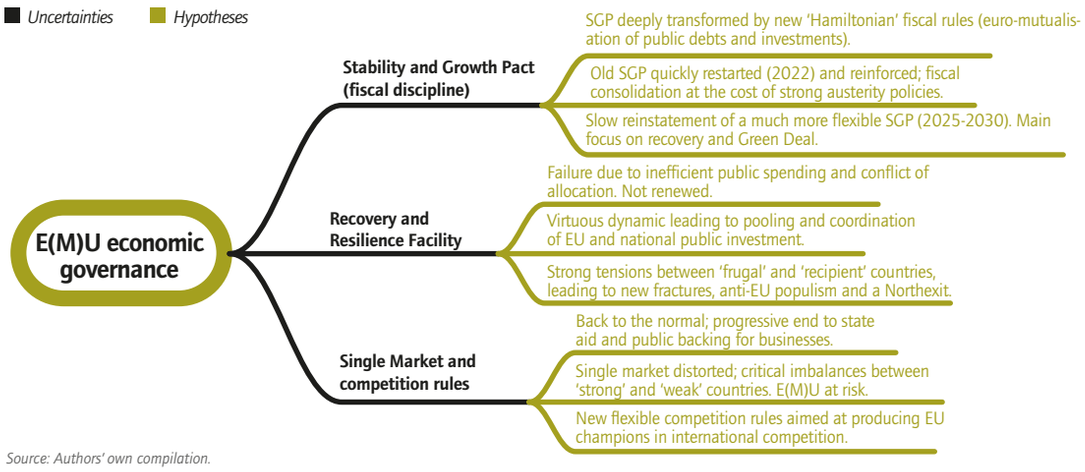
Figure 7.6 Covid-19: Principal uncertainties, according to the OECD



Source : OECD (2020) Strategic foresight for the Covid-19 crisis and beyond: Using futures thinking to design better public policies. Summary table by C. Degryse (ETUI).

European public policies: what will change?

Figure 7.7 Possible transformations in the EU



Source: Authors' own compilation.

This chapter will now proceed to examine these broad categories in more detail with regard to elements specific to the European domain. The following paragraphs will focus on three of them: European economic governance; free movement and the single market; and the social situation and, in particular, the labour market, with a special focus on digitalisation. These themes have been chosen because they represent several of the EU's foundational pillars – economic governance, free movement, the single market, and social convergence – and it is these foundations that have been the most impacted by the crisis, when we consider the suspension of the budgetary rules of the Stability and Growth Pact, the suspension of a central aspect of competition policy with the prohibition of state aid, the restriction of free movement, internal and external border closures, and, not least, the unprecedented economic and social shock. The way in which the EU and the Member States deal with these blows that strike at the very heart of the European project will largely determine what tomorrow's Europe will look like.

E(M)U economic governance

The Stability and Growth Pact: back on track or change of course?

The economic outlook remains uncertain (IMF 2020), but economists do share one certainty: that tomorrow's Europe – and world, for that matter – will be much more indebted (see Chapter 1 in this volume for more on the subject). Within the European Union, it is unclear how the EU and its Member States will deal with this situation, as seemed to be confirmed in the first discussions on this subject in the Eurogroup (the informal body that brings together the ministers of the euro area Member States) in September 2020. Three hypotheses seem plausible:

- 'a progressive leap': the abandonment of the current Stability and Growth Pact rules in favour of new so-called 'Hamiltonian' rules. This hypothesis is based on the fact that at the July 2020 European Council the EU agreed, for the first time, to issue common debt (European Council 2020). If this initiative were to be extended in the medium and long term, new rules should be established for the governance of the public finances of the Member States and of the EU. Such a new stage of European integration would require a change in the paradigm of this governance (embodied in such programmes and treaties as the Six-Pack, the Two-Pack, the Euro+ Pact, and the Treaty on Stability, Coordination and Governance) in order to move from 27 national budgetary and financial responsibilities to a shared discipline at the European level. Of course, such a scenario requires several conditions to be met: that the implementation of a genuine European fiscal policy be successful; that the new policy instrument implemented be made permanent; and that the Member States agree on such a change in the fiscal rules.
- 'an austerity comeback': an alternative, more conservative development would see the EU quickly get back in line with the current rules of the Stability and Growth Pact (suspended in 2020), as it did during the previous major crisis in 2008. Within just over two years (by 2011), a framework had been put in place to structurally strengthen budgetary discipline (Degryse 2012) and the EU had embarked on a coordinated austerity policy that plunged Europe into a second recession. This year, there have been many political statements calling for the same mistake not to be made a second time (Eurogroup 2020). The easing of fiscal discipline could last for some years, but 'weak signals' (a foresight term for indicators of potential future change) point to the need for this temporary relaxation to give way, in due

course, to a rebalancing of public finances. The question will be how to define this 'due course'; the Eurogroup began to address this issue as early as September 2020.

– 'green goals first': the third scenario is one in which a reformed Stability and Growth Pact would be gradually put back in place, allowing significant room for manoeuvre. The reform of this Pact would aim to make it more adaptable to crisis situations and also to make it a tool for promoting the European Green Deal (European Commission 2019). In this scenario, the priority of the Pact would no longer be the threshold figures of 3% public deficit and 60% public debt, but the climate objectives of the Green Deal (carbon neutrality by 2050), the investments necessary for the climate transition, and the sustainability of the economic recovery.

Recovery: avoiding an asymmetric exit from the crisis

As far as recovery initiatives are concerned, European and national plans have multiplied throughout 2020. The European Commission's Next Generation initiative (European Commission 2020a) provides for EUR 750 billion in recovery funds, the German recovery plan foresees EUR 130 billion (Bundesfinanzministerium 2020), the French government has announced a EUR 100 billion plan (Ministère de l'Économie, des Finances et de la relance 2020), and at the time of writing other governments were preparing their own plans. Beyond the figures, however, uncertainties remain with regard to many issues: the coordination of these different plans within a framework of coherent strategic objectives; the efficiency of the planned investments; and, notably, the risk of an asymmetric exit from the crisis leading to possible conflicts in resource allocation – a scenario in which some countries would return fairly quickly to robust economic growth while others would continue to suffer the effects of a prolonged economic and social crisis.

The importance of European economic coordination and the choice of investment projects appears to be fundamental in this respect: 'how to spend it' will remain a central question in the coming months (see Creel et al. 2020), particularly with regard to the issue of conditionality, as has already been discussed in the EU Council and the European Parliament (regarding rule of law, see Council of the European Union 2020, and regarding the green transition, see European Commission 2020e). It is true that the scale of the resources mobilised is likely to generate a virtuous economic cycle, leading to a vigorous, possibly green (or at least greener) recovery. However, the European level can also become the site of tensions and conflicts between (groups of) countries, as shown by the polemics between so-called 'frugal' countries and Mediterranean countries in the summer of 2020. For example, the possibly unsatisfactory results of the recovery initiatives could lead to a delegitimisation of the recovery plan (Wolff 2020), or even a rise in anti-European populism in countries that were not initially in favour of this method of financing, or that, as a consequence of the conditionality applied to EU funding, have seen their EU subsidies and grants cut, increasing the risk of an asymmetric exit and the development of structural inequalities between regions and countries.

Beyond these political risks, we should not lose sight of the fact that national and European recovery plans are, in theory, supposed to contribute to the climate transition. During the previous crisis of 2008-2009, certain public support measures for industries were taken, such as the 'scrappage premium' for the replacement of old cars. To our knowledge, the impact of these measures on CO_2 emissions has never been assessed at European level. Admittedly, in the German recovery plan announced in June 2020, the new version of the scrappage premium will only apply to the purchase of electric vehicles. But this was not the case in other countries, for example in France, where the bonus (a very costly one for public finances, incidentally) has essentially been used to clear out car dealership stock that accumulated during the lockdown (Seux 2020); although it must be acknowledged that the recovery plan adopted by the French government later in September 2020 did finally focus on 'green' vehicles. In any case, this example shows that there is a fine line between the objectives of economic recovery and those of climate transition (see Chapter 3 in this volume); this is why the scenario (outlined above) of a reform of the Stability and Growth Pact to make it a tool to serve the objective of climate neutrality proclaimed by the European Green Deal would be an intelligent way of not 'wasting this crisis', in the words of Winston Churchill.

A distorted single market?

Finally, the third uncertainty regarding EU economic governance concerns the future of competition policy, especially state aid rules. As early as March 2020, the European Commission announced the suspension of the ban on such state aid, in order to allow Member States to support companies in certain sectors and promote economic activity (European Commission 2020b). Airline companies in most EU countries, for example, have benefited greatly from such aid, without which it is likely that many of them would have been forced to declare bankruptcy or substantially restructure. Yet while the temporary suspension of the ban has helped to save companies that were particularly vulnerable to the Covid-19 crisis, it soon became clear that such a measure could ultimately pose a risk to the cohesion of the internal market. In an interview with the Süddeutsche Zeitung (18 May 2020), Margrethe Vestager, Executive Vice-President of the European Commission in charge of Competition Policy, highlighted the growing discrepancies between Member States regarding state aid. Of the almost EUR 1.95 trillion in state aid granted between March and May 2020, 51% was given by Germany, 17% by France, 15.5% by Italy and only 2.5% by Poland (Agence Europe 2020). This may contribute to the reinforcement of unequal conditions of competition between national enterprises and between countries. Could it lead to an asymmetric exit from the crisis, or even a dislocation of the single market? Will it imply an in-depth review of competition rules

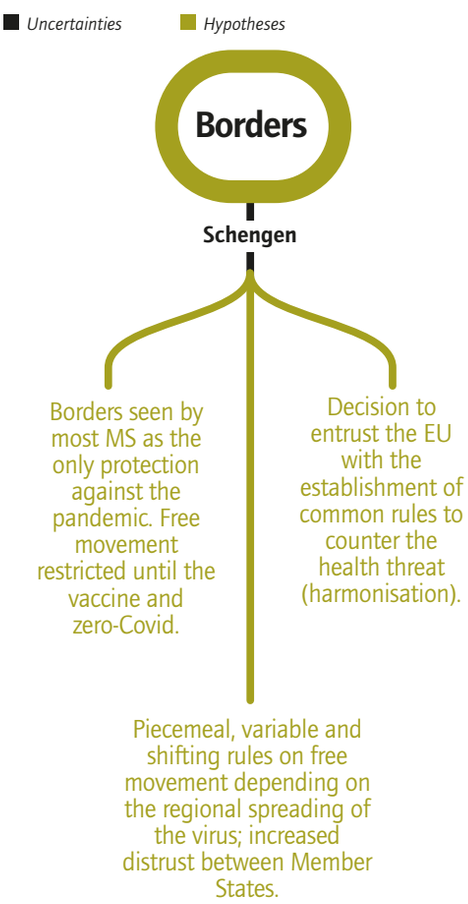
within the single market? These are just some of the uncertainties regarding the future of the European single market project, with further challenges possibly emerging as a consequence of Brexit.

Borders

Schengen: the hard work of rebuilding confidence

On 11 March 2020, the Austrian government inaugurated one of the most emblematic measures of the Covid-19 crisis in the European Union by unilaterally closing its border with Italy, whose northern regions were then heavily affected by the pandemic. This led to an extremely rapid spread of identical measures, first in Hungary, then the Czech Republic, then Switzerland, Denmark, Poland, and so on. The re-establishment of controls at the internal and then external borders of the European Union, while allowed by the TFEU in justified cases, has a symbolic significance in that it affects one of the pillars of European integration: freedom of movement (Pochet 2020). The recovery is thus taking place at the level of Member State governments in a completely disorderly way, despite the Commission's call for coordinated and proportionate measures (European Commission 2020f). During August and September 2020, when the virus appeared to be beginning to spread once again, EU countries again adopted a series of unilateral measures that created traffic-light systems of 'zones', defined according to national criteria that were not coordinated at a European level.

Figure 7.8 Possible transformations in the EU



Source: Authors' own compilation.

At the beginning of September, the Commission and the EU Council Presidency stressed the need to put an end to these unilateral decisions and to instead, in line with suggestions contained in a proposal by the German Council Presidency, contribute to (and then use) a shared Europe-wide mapping study based on quantitative and qualitative data. Such coordination would have the merit of giving greater clarity to the measures taken and harmonising the criteria on which these decisions are based. However, it would require Member States to agree to an extension of the EU's competence in the sensitive area of national border management. This is where future uncertainties lie, as governments have shown throughout the crisis that they consider their borders to be the ultimate bulwark against the resurgence of the pandemic, at least until vaccines become available.

In this scenario, we could see either the outright closure of land and air borders, as the Hungarian government did on 31 August 2020, or a shifting development of closures and openings, depending on the circulation of the virus, which would lead to a significant disruption of mobility within Europe, in addition to increased tension and mistrust between Member States. Needless to say, in the long run, this would undermine one of the foundational pillars of the European project, as a return to free movement within the single market would never be fully guaranteed since it is always easier to close borders than to reopen them. In such a scenario, it would take a lot of work to rebuild confidence and rethink the rules of free movement in the light of increasingly plausible serious health threats.

Labour market

Between 'key workers' and the unemployed

Although it is difficult to quantify it, it is undoubtedly true that one of the most visible social transformations in these times of pandemic has been what could be called a reversal of the 'hierarchy of trades'. In the spring of 2020, the populations of many European cities made a habit of going out on their balconies to applaud health workers: nurses, doctors, care assistants, and hospital, nursing home and social service workers. And during the lockdown period, it also became clear that without workers in the transport, logistics and retail sectors, people would not have been able to access the basic necessities. The importance of trades often considered inferior was suddenly brought to light. As Ian Gough writes, 'the coronavirus has shown us who the key workers are'. According to him, the hegemony of the neo-classical theory of value, according to which price determines value, has shown its irrelevance, and we therefore need a new theory of value if we are to build a sustainable and resilient economy (Gough 2020). Assuming a rebound in the economy, a scenario in which these trades achieve greater recognition and better conditions is thus also plausible.

However, at the time of writing, the threats to employment that seem to be the most pressing actually concern other categories of workers with low or medium qualifications. According to a

Figure 7.9 Possible transformations in the EU

Source : Authors' own compilation.

study by Spatial Foresight (Böhme and Besana 2020) which aggregates data from Eurostat and the ILO, the highest risks to employment are in manufacturing, tourism (hotels and restaurants), real estate, and culture (arts, entertainment, recreation), as well as retail trade (see Chapter 2 in this volume). In addition to the risk of massive and long-term unemployment caused by a potentially lengthy crisis and uncertainties about the recovery (IMF 2020), another risk is that the impact on labour markets will be highly differentiated at the sectoral level. While some sectors are thriving and hiring in the context of the pandemic, others appear to be on the verge of collapse, putting very large numbers of workers out of work, and possibly permanently.

Telework does not work for everyone

One of the other most visible changes in the labour market has undoubtedly been the extremely rapid proliferation of telework (Figure 7.10) and the rather radical change in the attitude of some employers (although sometimes forced into acceptance by national law) and many employees towards telework. Some technological companies, as well as more traditional industries, have announced that Covid-19 accelerated the development of teleworking by at least 10 years and that it will be the 'new normal' from now on, with no expected return to the old office-based work paradigm. This new form of work is presented (but also often perceived) as an opportunity to free oneself from constraints such as daily commuting, time lost in traffic jams or even supervision by the employer, and to regain to some extent a true 'work-life balance'. The benefits – although certainly not considered as such by certain workers in low-skill trades servicing the white-collar middle classes that used to occupy offices but no longer do: cleaners, caterers, carers, etc. – may go beyond the individual worker, as telework can help to relieve congestion in cities and reduce CO_2 emissions (on the impact of Covid-19 on CO_2 emissions, see Chapter 3 in this volume). Such a massive switch to telework could, in the long term, also have an impact on the role and the function of offices (which would become mere meeting centres for when employees need to hold a meeting with the team or a client), on the value of office real estate markets, on how daily work is performed and working time is monitored, on the role of technological companies in providing contactless solutions, and on the transformation of cities.

However, as they become established over time, new teleworking practices may also reveal signs of a deeper social impact, including those related to wellbeing at work. A survey carried out in the UK (Bevan et al. 2020) reveals a significant increase in musculoskeletal complaints, reduced physical activity, long and irregular working hours and sleep loss. Other signs typically associated with this new, emerging type of hazard are lack of social interaction, work-life imbalance, and a feeling of isolation as well as increased stress levels, working longer hours (without extra pay) to secure employment, and anxiety caused by activity-monitoring and reporting required by employers. In addition, there is the fear of the rise of 'surveillance capitalism' (Zuboff 2019) with the possible, and in some cases already burgeoning, development of total digital surveillance by employers (involving undetectable monitoring of keyboard activity, application use, screenshots, webcam activation, data mining for facial recognition, etc.) (Degryse 2020). Finally, if the pandemic has had the effect of revealing social inequalities, and even accentuating them, telework has been one of its key indicators. In July 2020, an IMF working paper made this clear in its title alone: 'Teleworking is not working for the poor, the young and the women' (Brussevich et al. 2020b). The paper's authors state: 'We estimate that over 97.3 million workers, equivalent to about 15 percent of the workforce, are at high risk of layoffs and furlough across the 35 advanced and emerging countries in our sample. Workers least likely to work remotely tend to be young, without a college education, working for non-standard contracts, employed in smaller firms, and those at the bottom of the earnings distribution, suggesting that the pandemic could exacerbate inequality.' (Brussevich et al. 2020a; see also Chapter 2 in this volume). The uncertainties concerning the development of telework are therefore numerous: new social cleavages and accentuated inequalities, but also musculoskeletal disorders and psychosocial risks, could slow down the teleworking trend, or even

stop it in favour of a return to the office (which, in turn, could lead to direct or indirect discriminatory practices).

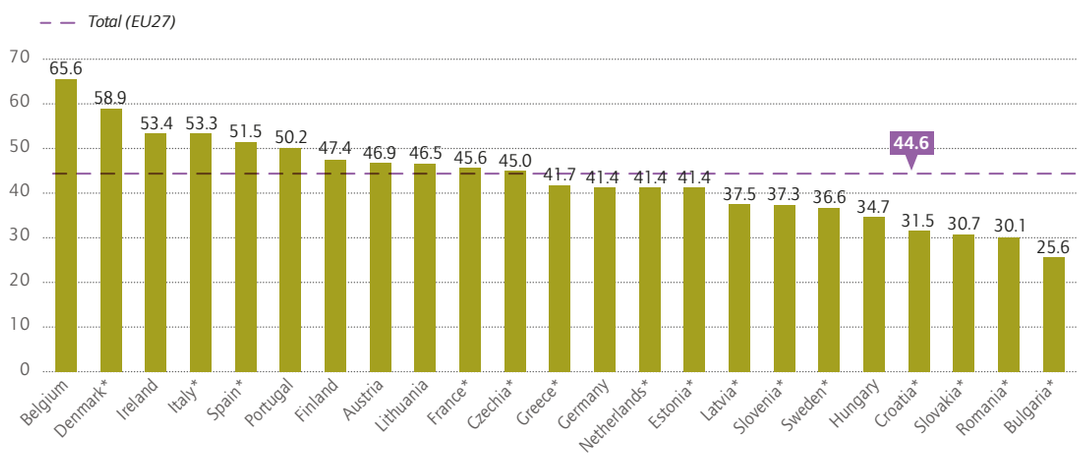
Platform economy: from the Booking.com scenario to the Amazon.com scenario

The idea has occasionally been put forward that the pandemic has accelerated the digitalisation of the economy and, in particular, the platform economy. Trade in 'contactless' goods and services will have benefited greatly from containment and health measures. In addition, many digital tools were used to maintain professional relations and to organise meetings and online conferences, leading to a rapid rise of hitherto small companies (Zoom being an obvious example, a company that struggled to match the sudden demand and needed to expand their server capacity almost overnight). Indeed, some technology companies not only resisted the negative economic impacts of the pandemic but actually benefited from it. Amazon has announced the hiring of tens of thousands of workers (taking their workforce number to 875,000 employees) and continues to hire. Apple, whose market capitalisation exceeded USD 2 trillion at the end of August 2020, announced that it is one of the largest job creators, responsible for 2 million jobs in the United States, including 80,000 employees in the US and 137,000 worldwide. Microsoft has not stopped hiring during the crisis (163 000 employees), while Netflix (8,600 employees) also benefited from the lockdown measures.

Upon further analysis, however, it appears that the effect of the pandemic on digitalisation has not been as uniformly positive for all sectors, including in the platform economy. According to the Layoffs.fyi Tracker project, launched when the pandemic was declared (11 March) and collecting all layoff announcements made by technology companies since then, the biggest layoff plans were those of Booking.com (25% of staff or 4,375 people as of 15 September 2020), immediately followed by two redundancy plans at Uber (a total of 6,700 people or 27% of staff), and then by Groupon (2,800 redundancies), Airbnb (1,900 redundancies), Yelp, Lyft, LinkedIn, Tripadvisor, etc. According to Layoffs, the five most affected technology sectors were transportation, travel, finance, trade and food. Current problems in the platform economy (see also Chapter 5 in this volume) could clearly have future ramifications for the sector.

One scenario could be that the pandemic will eventually wipe out a certain type of platform active in the most affected sectors. This is what we call the 'Booking.com scenario', with massive reductions of staff and workers, in which the very heart of the business (hotels, restaurants and tourism) is extremely vulnerable to the crisis and would probably not be able to withstand it if it were to continue. Conversely, another scenario is that of Amazon.com, where the hybrid nature of the business (as both an online sales platform and a storage and logistics company) and the business sector itself prove to be perfectly adapted to a pandemic context of containment and restriction of individual mobility. We could imagine a spread of such platforms in all contactless activities (commerce, e-entertainment, delivery, consumption). Finally, a third scenario could be that of Uber.com, a previously growing company whose activities have been severely reduced due to the crisis, but which, through diversification (Uber Eats, Uber Freight, etc.), manages to survive at the price of restructuring and workforce reduction, or even with a deeply transformed business model.

Figure 7.10 During the Covid-19 pandemic, where did you work? - At home



Note: Excluded due to insufficient data: Cyprus, Luxembourg, Malta, Poland. Low reliability (*): Bulgaria, Croatia, Czechia, Denmark, Estonia, France, Greece, Italy, Latvia, Netherlands, Romania, Slovakia, Slovenia, Spain and Sweden.
Source: Eurofound (2020), Living, working and Covid-19 dataset, Dublin, http://eurofound.link/covid19data

Conclusion

"We do not have to be passive onlookers: by outlining and considering the various possible scenarios we can exert (some) control over our future."

The Covid-19 pandemic and the 'polycrisis' it has provoked in Europe and the world are leading us into a period of uncertainty and transformation in almost all areas of economic, social and cultural life. New ways of living and working may contribute to more cooperation and solidarity or, on the contrary, to attitudes of mistrust and conflict. New ways of consuming and moving may lead to more sustainable development or, on the contrary, to more waste and pollution. Technologies may provide us with solutions in the management of the pandemic and in the way we experience it or, on the contrary, fail in their promises and create a dystopian future of control and surveillance. Stimulus packages could accelerate the climate transition or, on the contrary, slow it down by unconditionally rescuing whole swathes of some of the most polluting industries. In this plethora of ambivalent scenarios, foresight methodology offers tools that can inform political decision- and policymaking to help it regain some control over our collective future.

In particular, the impact of this crisis on the foundations of the European Union is likely to be profound. Some of the pillars of the European project have already been deeply affected: economic governance (as regards the Stability and Growth Pact, competition rules within the single market, and the EU budget), borders (Schengen and free movement), and of course the European economy, which is at the heart of the turmoil, when we take into consideration the already historic recession of 2020, rising unemployment, the transformation of labour markets and the insecurity of many workers. In the face of so much uncertainty, the role of political, economic and social actors will be decisive in the coming years. In many areas, there will be choices to be made between a Europe that fragments or strengthens, a Europe guided by fear or daring, a Europe of mutualisation and solidarity or a Europe of every man for himself. What will Europe be like in 2040? Is it going to be divided into North and South, East and West, frugal and lax, dogmatic and pragmatic, ambitious and sceptical – or will it have managed to use the crisis to revisit its raison d'être in the light of its shared destiny?

It appears that the pandemic has further revealed pre-existing social inequalities, but in the world of work in a very paradoxical way. On the one hand, it has made it possible to see, in the words of Gough, who are the 'key workers' of the economy and, more broadly, of our society: workers who are often at the bottom of the wage scale, disregarded and even looked down on. In the spring of 2020, a kind of popular and spontaneous consensus of support formed around these workers out of a sense of gratitude to them. One of the social challenges for the future will be to see how this informal consensus can be transformed into a structural programme for revaluing 'human' professions whose value has been underestimated for too long. In several European capitals, demands have been made for not only wage increases but also significant improvements in working conditions and greater social recognition. The future role of social and trade union organisations is to ensure that these demands are not abandoned and, in particular, to take them forward and negotiate them in tripartite and bipartite social dialogue bodies.

On the other hand, it must be noted that the new forms of work that have emerged from the crisis have created new vulnerabilities and divisions which will have to be addressed. Telework is the most evident example, revealing cleavages between those who have a (spacious) home office, state-of-the-art computer equipment with access to fast communication networks, or even a terrace and garden, and those forced to telework in uncomfortable conditions, sitting in the dining room with an obsolete computer while taking care of kids, or needing to share the computer due to distant education requirements. But there is also a divide between those whose profession allows these new forms of work, and those for whom teleworking is not practicable, including the 'human' professions listed above. These are also often 'the poor, the young and the women', as pointed out by the IMF. In the face of these new rifts, here too collective actors and organisations will have a central role to play in creating new alliances and dynamics to avoid the deepening of inequalities and the risk of social polarisation. As this foresight analysis shows, we do not have to be passive onlookers: by outlining and considering the various possible scenarios we can exert (some) control over our future.

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The Benchmarking Group

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