

Benchmarking Working Europe 2020

Workers and Covid-19:
the crisis and beyond

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Economic challenges and policies in Europe

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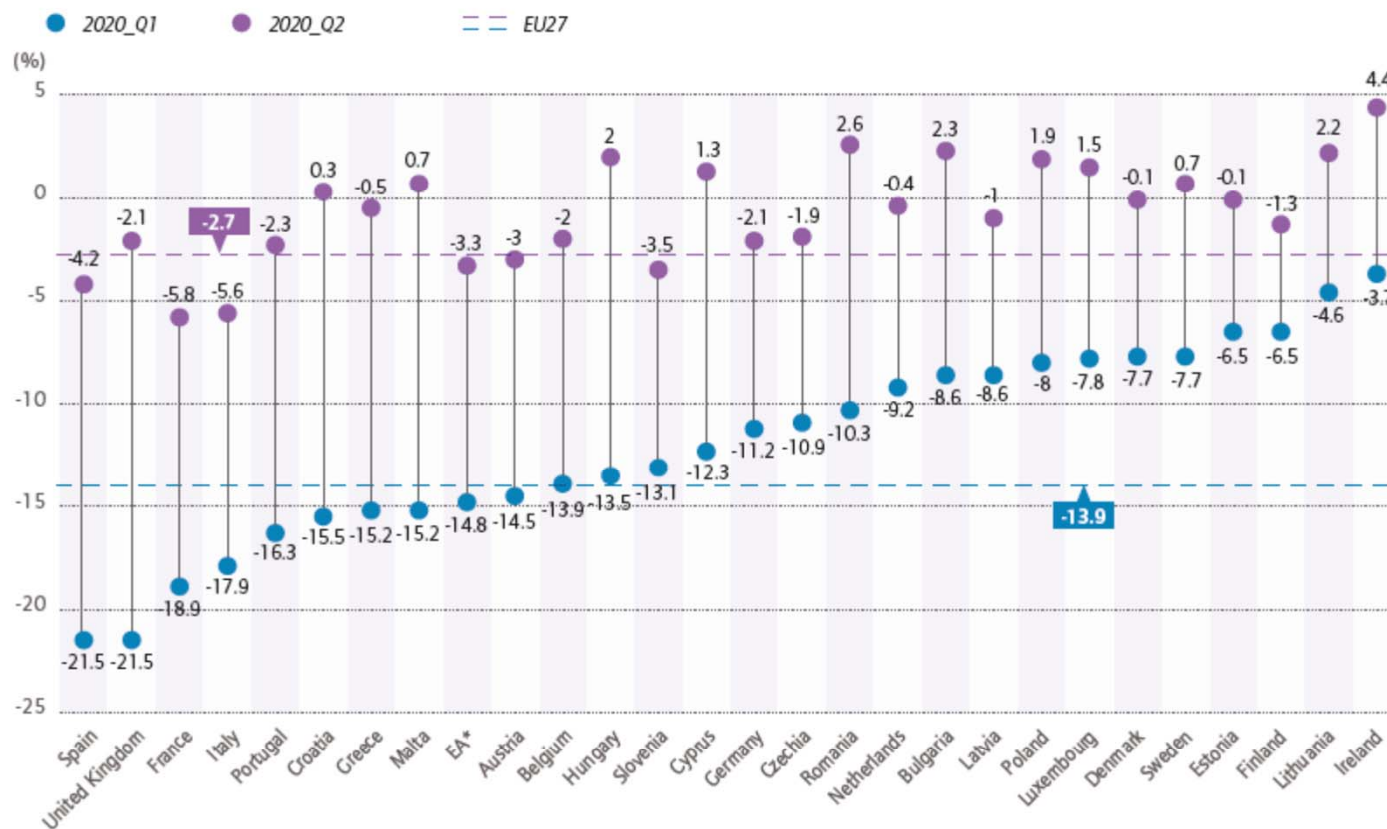
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3 key messages

- This recession is likely to be more costly in jobs than the previous one and be followed by a long-drawn recovery;
- Differences in resilience, economic specialization and fiscal space among member states risk setting off divergence in living standards among member states;
- Policy responses seem to have deviated from ideas informing economic policies for the last 40 years; will they last? What are the open issues to watch?

Impact of the recession variable across member states

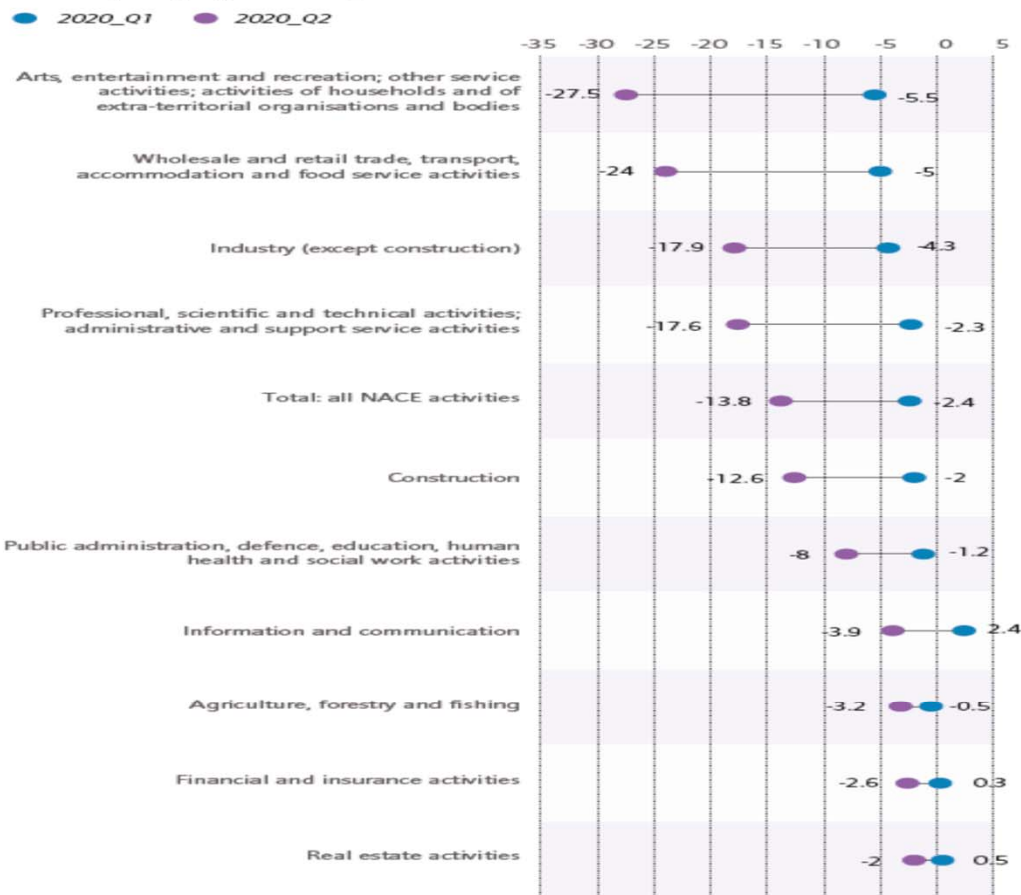
Figure 1.3 Real GDP change (compared to same period in previous year), EU27, Member States and the UK, 2020_Q1 and 2020_Q2



Source: Eurostat NAMQ_10_GDP_CLV_PCH_SM.
 * EA11-1999, EA12-2001, EA13-2007, EA15-2008, EA16-2009, EA17-2011, EA18-2014, EA19-2015

Labour intensive services sectors hardest hit by recession...

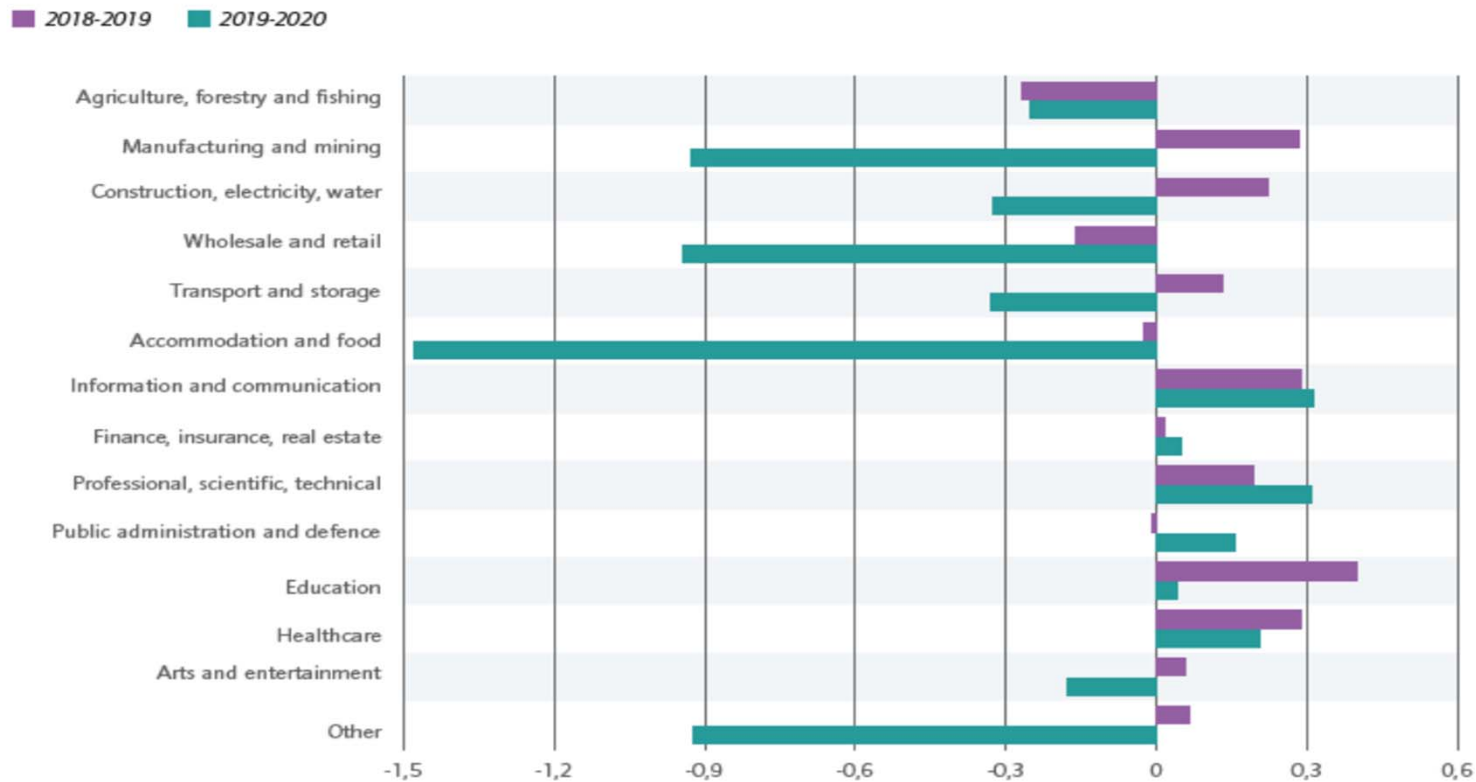
Figure 1.7 Change in real gross value added (change from same period in previous year), by industry



Source: Eurostat NAMQ_TQ_A10_CLV_PCH_SM.

...Leading to high job losses

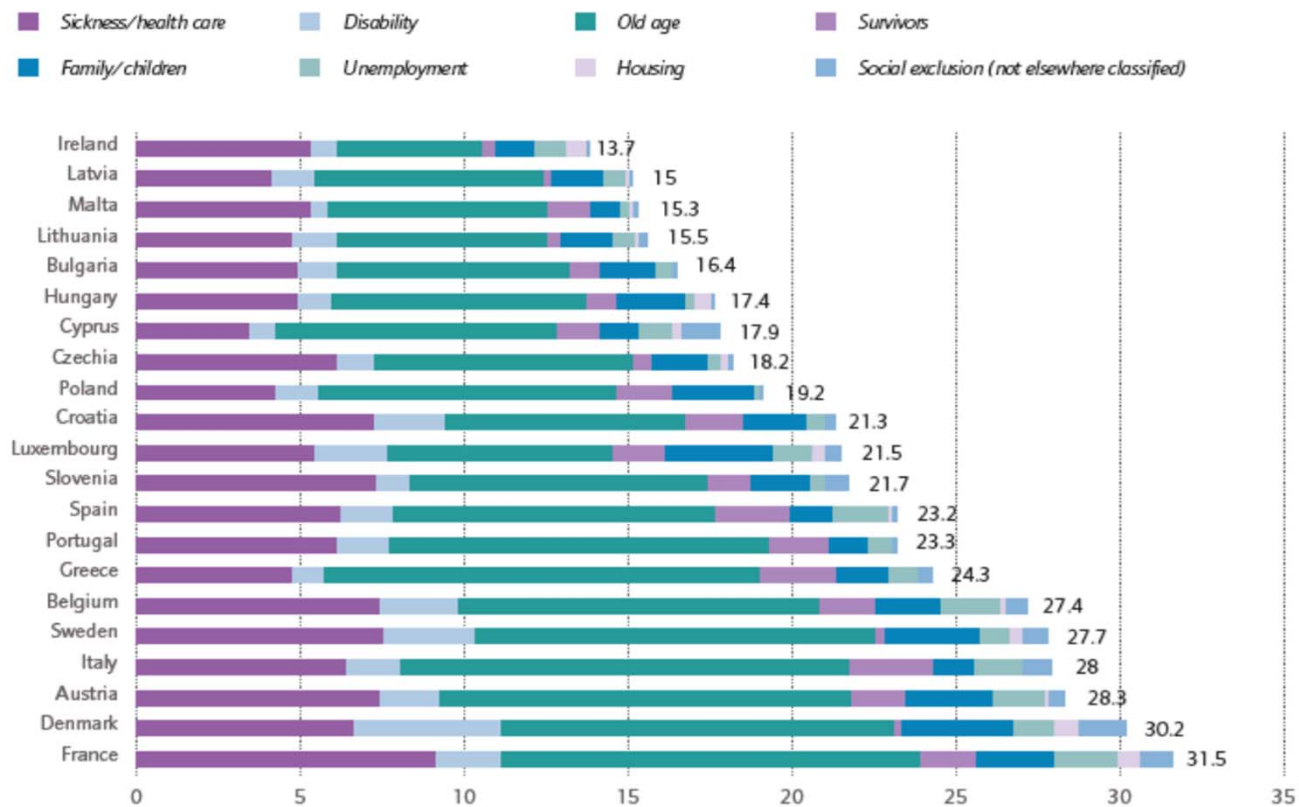
Figure 2.12 Change in number of employed persons, by sector, EU28 (millions)



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

Varied capacity of member states to deal with shocks

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



Source: Eurostat SPR_EXP_GDP series).

Policy responses breaking with long-held ideas guiding economic policy-making in Europe

- Promotion of short-time work/job retention schemes instead of employment or wage flexibility— SURE;
- Large increases in public spending; welcoming bigger rather than promoting smaller State; suspension of application of fiscal rules;
- Agreement on MFF-NGEU: fiscal transfers across member states on the basis of need, to support recovery and just transition;
- Large expansion of asset purchases, including government bonds by the ECB—support for government borrowing.

Is this time going to be different? Key open policy questions

- How will the EU economic governance and especially the fiscal surveillance framework be reformed?
- Will SURE be expanded and extended to become a permanent EU unemployment reinsurance scheme?
- Will the NGEU become a permanent fiscal capacity for the E(M)U?
- How will the ECB reform its monetary policy strategy?
- How will the principles of the European Pillar of Social Rights be implemented to allow for convergence in social standards and resilience?

Thank you for your attention!