Social policy in the European Union: state of play 2021

Re-emerging social ambitions as the EU recovers from the pandemic

Edited by

Bart Vanhercke and Slavina Spasova

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Twenty second annual report

Edited by

Bart Vanhercke and Slavina Spasova

European Trade Union Institute (ETUI)

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Preface

The European Union is currently fighting on two main fronts, Covid-19 and climate change, though with skirmishes elsewhere – including migration and the rule of law. While science seems to be slowly gaining the upper hand in the fight against the pandemic, despite setbacks like the latest Omicron attack, Covid-19 continues to hold global society in its grip. But the second nut is even harder to crack. Climate change is rolling out its forces, in the form of floods, droughts, tornados and hurricanes, and striking indiscriminately.

With this as background, the first chapters of this year's *Bilan social* analyse the pandemic's impact on various socio-economic groups and economic sectors: as was the case in last year's review, all chapters again consider, to a greater or lesser extent, the consequences of the unfolding public health crisis. We asked our contributors not only to analyse key developments in the EU social agenda during 2020, but also to describe EU and domestic policies between January and July 2021. We are deeply indebted to the authors, all of whom managed to combine both angles and worked industriously in these difficult, extraordinary circumstances.

Who are the Covid-19 winners and losers? This question is raised in Chapter 1 by Michael Dauderstädt, who analyses the economic, labour market and social inequalities resulting from the crisis. European society is looked at from different angles: the EU as a whole, countries, regions, industries, categories of workers, young people compared to older age groups, women versus men, and vulnerable groups. Generally speaking, the repercussions of the Covid-19 crisis were less catastrophic than feared due to the speedy and large-scale countermeasures. Nonetheless, policies and their results leave a lot to be desired.

The analysis of the EU response to Covid-19 – compared to the EU response to the Great Recession and the ensuing policy debate on EMU reforms – is at the heart of Chapter 2 by Cinzia Alcidi and Francesco Corti: European-level action has been significant, revolving around monetary and banking policies, state aid and fiscal rules, and budgetary and financial support measures (funding). Most importantly, the EU Covid response broke a major taboo: the issuance of common EU debt. The chapter draws conclusions on the nature of the current pandemic, discussing why it should be considered as a step towards more solidarity in the EU.

But the threat of climate change is more insidious and will require changes in the ways in which we produce, consume, and organise our societies, not just for a couple of years as was the case with Covid-19, but in a more permanent fashion. In the second half of the book, we analyse new initiatives bringing answers to these questions and providing further building blocks for the EU's (post-Covid) social, digital and climate agenda.

The EU's answer to climate change and the inevitable transitions is the European Green Deal. Chapter 3 by Hans Bruyninckx, Gülçin Karadeniz and Jock Martin looks at its main initiatives and how its implementation roadmap can achieve the EU's ambitious but necessary climate targets. *Can European societies grow in quality, rather than quantity, and in a more equitable way?* The authors assert that considerably more funds will be needed to finance the EGD, with the estimates provided in the current EGD documentation representing only a fraction of the funds needed for the transition. The winners and losers of the transition are yet to be clearly identified.

How can digitalisation be moulded to benefit the climate and society – and not Big Tech? This is one of the key questions asked in Chapter 4 by Aída Ponce Del Castillo. She demonstrates that the Covid-19 pandemic has further highlighted the importance of digitalisation and spurred many developments in this area – with important consequences for work and social policies and thus triggering responses from a variety of social stakeholders. These are critically reviewed. Two of her findings are that 'new' movements and players in the digital area are gaining a say in the process and that their influence is sometimes greater than that of trade unions.

Chapter 5 by Amy Verdun and Bart Vanhercke asks to what extent the new Recovery and Resilience Facility (RRF) has changed the balance of power among key players. Though the starting point was promising – the RRF Regulation provides for enhanced stakeholder consultation – the authors find that social player involvement in the RRF has proved highly problematic, driven by the rationale of acting first and then consulting. And yet, while the EU's institutional social players lost much of their influence acquired over the years in Semester negotiations at the height of the crisis, they were able to gradually claw back their position as its immediacy subsided.

The Covid-19 crisis has led to nothing less than a 'paradigm shift' in the extent to which Member States are willing to coordinate action in the face of health threats, argues Thibaud Deruelle in Chapter 6. The author describes recent institutional developments in the governance of the 'stronger European Health Union' championed by the European Commission and discusses the challenge to solidarity posed by solidarity-based instruments, such as vaccine procurement and the recent EU4Health programme. *Will the pandemic serve as a lever for legitimising further European integration in health, and even Treaty change?*

The concluding chapter by Bart Vanhercke and Slavina Spasova summarises the key findings of the chapters and provides an update on recent social policy initiatives wherever relevant (up to December 2021), as well as a forward-looking perspective. As a result of the pandemic – and in contrast to the EU's sweeping recovery plan – 'social policy' initiatives took a back seat in 2020, while 2021 saw the re-emergence of EU social ambitions. Several key legislative proposals, an important social dialogue initiative and renewed EU 'soft governance' will top the agenda of the French Presidency of the Council of the EU in 2022.

The Chronology 2020 by Angelina Atanasova, Boris Fronteddu and Denis Bouget summarises the key events in the EU's social, ecological and economic affairs, beginning with Croatia taking over the Presidency of the Council (for the first time since joining the EU in 2013) and ending with the wrapping up of the negotiations on the trade agreements between the UK and the EU, marking the end of the Brexit period.

The European Social Observatory has again worked closely with the European Trade Union Institute (ETUI) and renowned external scholars to draw up this year's edition of the book. Through this collaborative publication, we aim to contribute to the debate between policymakers, social stakeholders and the research community, while providing accessible information and analysis for practitioners and students of European integration. This year's *Bilan social* again in many ways complements the ETUI's *Benchmarking Working Europe*, which provides a state-of-the-art analysis of the impact of the pandemic on the world of work.

We look forward to engaging in a dialogue with you over the crucial issues addressed in this volume.

Bart Vanhercke and Slavina Spasova (OSE)
Nicola Countouris and Philippe Pochet (ETUI)

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On the organisational side, we are indebted to Birgit Buggel-Asmus, Géraldine Hofmann, Elodie Kibendo, Aymone Lamborelle, James Patterson and Irmgard Pas for formatting and ultimately producing the text. Thanks to Mehmet Koksal and the ComPub department at the European Trade Union Institute (ETUI) for disseminating the final product to an ever-wider audience. It was a joy to work with you for all these years, Birgit. We will dearly miss your professionalism and your (mostly) gentle reminders, as the long and winding *Bilan social* road (hopefully) continues.

We should also like to thank Rachel Cowler, who has again been responsible for initial English-language editing; Richard Lomax for the final English-language and copy editing; and Edgar Szoc for the translation of the entire volume from English to French. Many thanks also to Valérie Cotulelli for copy-editing the final French manuscript.

Nicola Countouris and Philippe Pochet from the ETUI provided essential input, and encouragement, in the various stages of this publication. We thank them for their enduring support, which has led to the publication of this 22nd annual report on social policy in the European Union.

Bart Vanhercke and Slavina Spasova
Editors

Chapter 1
We are not (at) all in the same boat: Covid-19 winners and losers

Michael Dauderstädt

Introduction: the economic and social impact of the pandemic[1]

The Covid-19 pandemic has highlighted existing and new inequalities in an EU already shaped by considerable income and welfare disparities. The purpose of this chapter is to analyse the economic, labour market and social inequalities resulting from the crisis, looking at European society from different angles: the EU as a whole, countries, industries, categories of workers, young people compared to older age groups, women versus men, and other vulnerable groups. Moreover, the chapter sheds light on regional disparities and those within countries, ultimately raising the question: *who are the Covid-19 winners and losers?*

The chapter draws on previous research, in particular by the OECD, and continues the work of the previous edition of the ETUI report on social policy in the EU (Vanhercke et al. 2020, in particular Myant 2020). It primarily uses the latest available data from Eurostat, Eurofound, ILO, IMF and OECD to present the current status. In some cases (Germany, Italy), national sources are used. Unfortunately, there is still a lack of data for 2020, let alone for 2021.

Sections 1-4 provide a statistical overview of the main social indicators on regional and sectoral disparities, unemployment, income inequality and poverty. Section 1 compares Member States' macroeconomic performance. Section 2 discusses the differing development of economic sectors; Section 3 describes the pandemic's impact on labour markets, while Section 4 analyses the social situation within countries. The conclusions sum up the chapter's key findings and provide some policy recommendations on how the EU and Member States can and should tackle the issue of inequalities post-Covid-19.

1. Divergent growth of Member State economies

The pandemic hit the EU at a time when its economic growth had slowed down somewhat (from 2.7% in 2017 to 1.5% in 2019), unemployment had reached its lowest level for years (6.3%), while inflation remained stubbornly below its two percent target. Defined more precisely below, inequality had decreased too. All these achievements suffered an enormous economic shock hitting both supply and demand when Member State economies went into lockdown.

1. The author would like to thank the editors and two anonymous external reviewers for their constructive comments on earlier versions of this chapter. The usual disclaimer applies.

A slow-growth area, the EU has suffered much more than most other large country groups. According to the IMF, its gross domestic product (GDP) declined by more than 6% in 2020 compared to a world average of 3.2% and a G7 average of 4.7%. GDP in emerging Asia, which includes China, only decreased by about 1%. The only continent more affected was Latin America, with a 7% drop. Its recovery in 2021 (+4.3%) is also forecast to be weaker than that of the world economy (+6%), let alone emerging Asia (8.5%). Europe has probably chosen a dangerous middle road in containing the pandemic: too weak to achieve Asian successes, but strong enough to harm growth more than in the USA or Africa.

The economic shock hit Member State economies differently due to their pre-pandemic situation and economic structure (Myant 2020). Some countries had booming economies and relatively low public debt in 2019 (e.g. Germany and many Central and Eastern European countries), while others were already suffering from stagnation and high debt (notably Italy). These preconditions determined their capacity to react through a set of policies aimed at mitigating the pandemic's impact. Nonetheless, all Member States adopted similar policy mixes, albeit to different degrees.

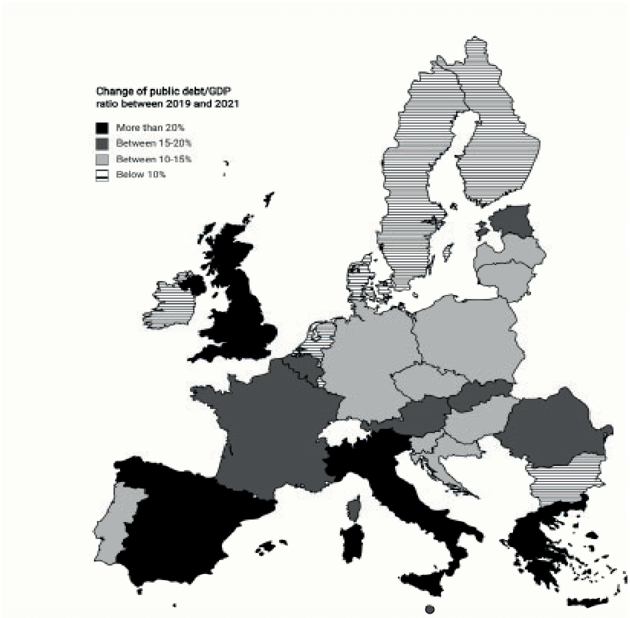
Monetary policy has become extremely loose. Interest rates have been reduced to close to zero (zero for the Eurozone) or even below (e.g. in Denmark). The ECB has swelled its balance sheet by buying bonds to the tune of hundreds of billions of Euros. This 'quantitative easing' led to a rapid recovery of stock markets following their collapse in spring 2020. The subsequent bull market,[2] coupled with rising house prices, substantially increased the wealth of asset owners, a phenomenon that will be discussed in more detail below.

Fiscal policy has been very expansive too. Budget deficits and public debt have grown in all Member States (see Figure 1 and Table A1 in the Annex).[3] There is no clear correlation between debt levels in 2019 and the rates of debt growth between 2019 and 2021. The same is largely true for budget deficits, although their increase tended to be slightly lower for countries with lower deficits in 2019, suggesting that frugal countries remained frugal in the face of the pandemic. For the EU as a whole, total government spending increased by 9.2% (with social spending accounting for 40% of the additional expenditure), while revenue decreased by 3.8% between 2019 and 2020. As a result, the budget deficit increased elevenfold and total debt by 11.4%.

While this development partly reflects declining revenues, also due to general tax reductions (e.g. VAT in Germany) or specific tax relief or moratoria (e.g. for struggling companies), it is mostly due to large-scale additional expenditure on income support and on rescuing endangered firms in industries hit badly by the pandemic such as airlines. Many countries adopted further measures beyond income support to stimulate growth through public investment programmes (see Dauderstädt 2021c). Labour market policies accounted for a large share of that public spending, with most countries

2. A 'bull market' is a period of rising share prices on the stock market.
3. It should be pointed out, however, that the rise as presented in Table A1 in the Annex is partly due to the decline of GDP (see Figure 1) which lowers the numerator and thus inflates the percentage. The expected recovery of the GDP in 2021/22 will reverse that numerical effect.

Figure 1 **Change of public debt (in percentage of GDP) between 2019 and 2021**



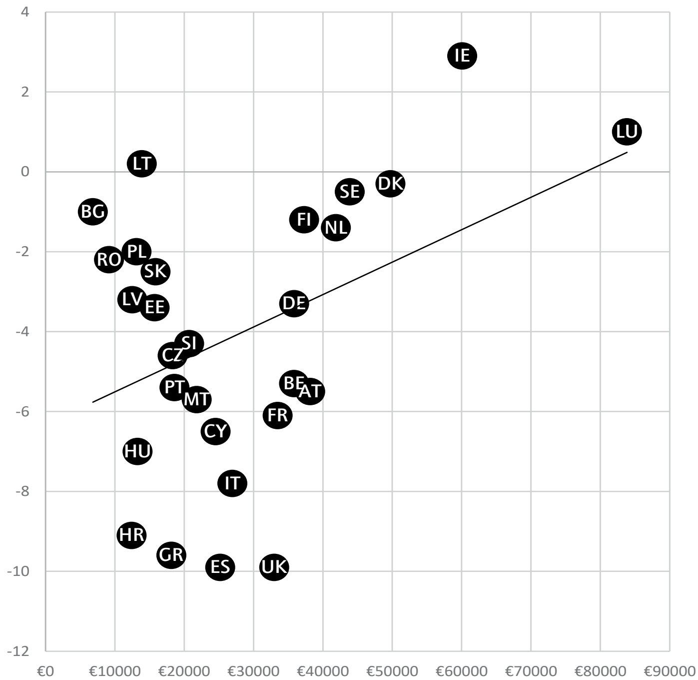
Source: IMF WEO data base (accessed April 2021) and calculations by the author.

introducing furlough, short-time working or temporary unemployment schemes. Labour market issues are discussed in more detail in Section 3.

The strong economic policy response followed (formerly often neglected) Keynesian recipes and substantially mitigated the recession – making it almost V-shaped. For the EU-27, gross domestic product (GDP) in the third quarter of 2020 was only 5 percentage points below its level in the last quarter of 2019 before the pandemic, although it had declined by 16 percentage points during spring 2020 (see Table A2 in the Annex). For the whole year, EU-27 GDP was 4.7% lower than in 2019. Between 2019 and 2020, the standard variation of per capita GDP increased from €20,857 to €20,994 while average per capita GDP declined from €31,591 to €30,540.

Obviously, national growth rates varied widely. Figure 2 shows the GDP changes between 2019 and 2020 for all Member States ordered by their 2019 per capita GDP. Only three countries escaped the recession: Ireland, Lithuania and Luxembourg (see Figure 2). Among the other Member States, some (mostly Nordic) countries experienced a relatively modest GDP decline of less than 2 percentage points, while in others it dropped by more than 6 percentage points. As the trendline in Figure 2 shows, poorer countries were more likely to experience stronger recessions than richer ones. But the poor Eastern periphery performed well (with the exception of Croatia and Hungary) while relatively rich countries such as the UK, Italy or France experienced massive drops. The EU's southern periphery (Cyprus, Greece, Italy, Portugal, Spain)

Figure 2 **GDP growth rates (2019-2020) in percent vs. GDP per capita in 2019 (in Euros)**



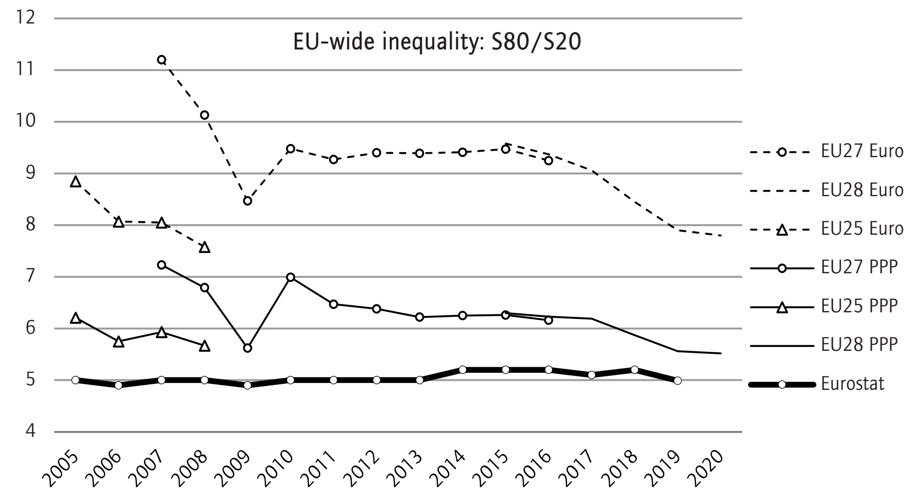
Source: Eurostat and calculations by the author.

suffered most, aggravating already existing problems resulting from the previous Great Recession of 2009, the subsequent sovereign debt panic, and the ill-designed austerity policies. The pandemic reinforced the previous regional pattern of catch-up growth in the EU (Dauderstädt 2021b).

Regarding EU-wide inequality, one has to consider the development of both between-country inequality and within-country inequality (Dauderstädt 2020). The evolution of income distribution within countries is dealt with below in Section 4 (see also Table A6 in the Annex). Generally, within-country inequality contributes approx. 80% to EU-wide inequality, with the rest caused by income disparities between countries. But the evolution of EU-wide inequality is driven by the inequality between Member States, as inequality within countries, on average, has not changed substantially since 2005. As can be seen in the lowest curve in Figure 3, average inequality, measured by the quintile ratio,[4] has always oscillated around 5 (no data yet available for 2020). This lowest curve (referred to as 'Eurostat' in the legend) is the EU-wide value given by Eurostat as the weighted (by population) average of the national values. It is however misleading as it neglects the income disparities between countries (Atkinson et al. 2010; Dauderstädt 2020). Therefore, the changes shown in Figure 3 result mainly from the different growth

4. Quintile ratio, often called S80/S20 ratio, is the relation between the incomes of the richest and the poorest fifth of the respective population.

Figure 3 **EU-wide inequality 2005-2020 (S80/S20 or quintile ratio)**



Note: * PPP: Purchasing Power Parity.
Source: Dauderstädt 2021a.

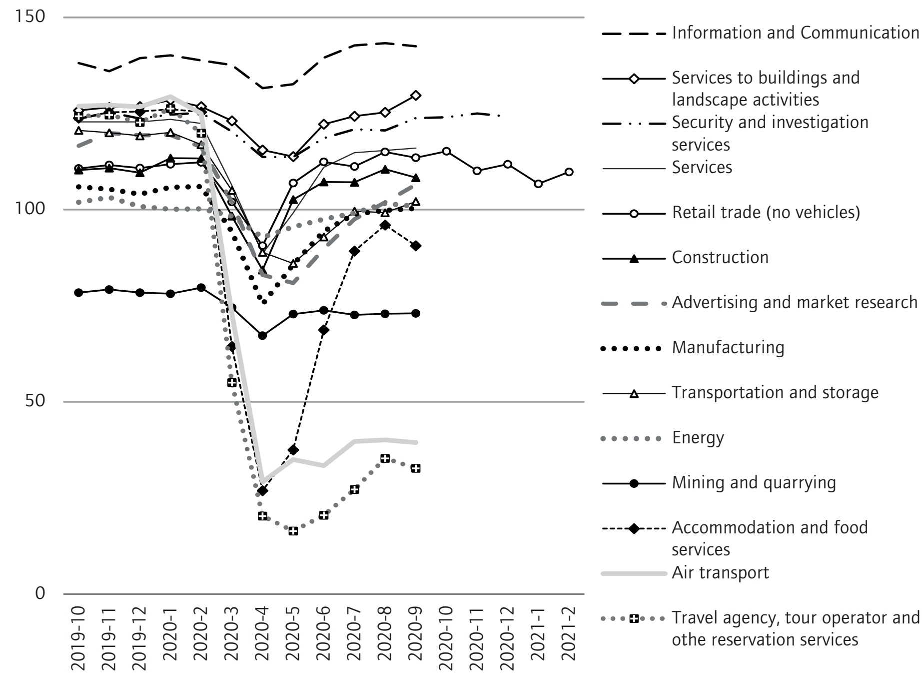
rates of national economies and the effect of the Eastern enlargements. For example, EU-wide inequality jumped in 2007 when Bulgaria and Romania, two large and poor countries, joined the EU. It then declined (as before between 2005 and 2007) due to strong growth in Eastern Europe. The financial crisis stopped and partially reversed that decline. Following a decade of stagnation, cohesive growth resumed in 2017.

The impact of the pandemic on EU-wide inequality, as measured by the S80/S20 ratio, has been weak so far (Dauderstädt 2021a) because both within-country and between-country inequality has not changed much (as explained above and in Section 4 below). Therefore, the value for 2020 in Figure 3 assumes no changes in the within-country distribution of income. The effect of the differences between national growth rates has been weak, as the hardest-hit southern periphery represents the lower middle-income group of the EU, with average per capita incomes around €20,000. The low-income group on the eastern periphery (with incomes below €20,000) and the high-income group of the north-western centre (with incomes above €30,000) both suffered on average less, albeit with very diverse national performances (see Figure 2). At the end of the day, the pandemic seems just to have slowed down the previous (since 2017) decline in inequality.

2. Winning and losing industries

This section provides a finer-grained picture of the impact of the pandemic at industry level. Also interesting, a closer look at the effects of the recession at regional level within Member States is unfortunately not possible due to the lack of up-to-date Eurostat data.

Figure 4 **Performance of selected industries in 2019-21 (EU-27; 100=2015)**



Source: Eurostat and calculations by the author.

Covid-19 and the subsequent lockdowns affected industries to different degrees. The unequal fate of different industries partly explains the diverse performance of countries (Myant 2020: 56-57). Obviously, some specific sectors such as airlines or sea cruises, restaurants and hotels faced extreme problems due to the collapse of tourism, while others like online retail, communication software (zoom), or some branches of the health sector enjoyed excess demand.[5]

Figure 4 shows the development of selected industries. All industries experienced downturns in spring 2020, albeit to widely different degrees. Air transport, accommodation and food services declined by approx. 80% and have hardly recovered since, with the exception of a brief summer boom in accommodation and food services. Production/sales in many other important industries returned to pre-crisis levels in autumn. Unsurprisingly, the best performance was achieved by the information and communication industry.

The general picture for the EU-27 hides substantial national differences, as can be expected given the diverse growth performance (see Figure 2 and Table A2 in the Annex). Table 1 shows the changes between autumn 2019 and winter 2020/21 (the latest data

5. The overall data availability for production and sales at industry level for 2020 and 2021 is much weaker than for the general GDP data used in the previous section.

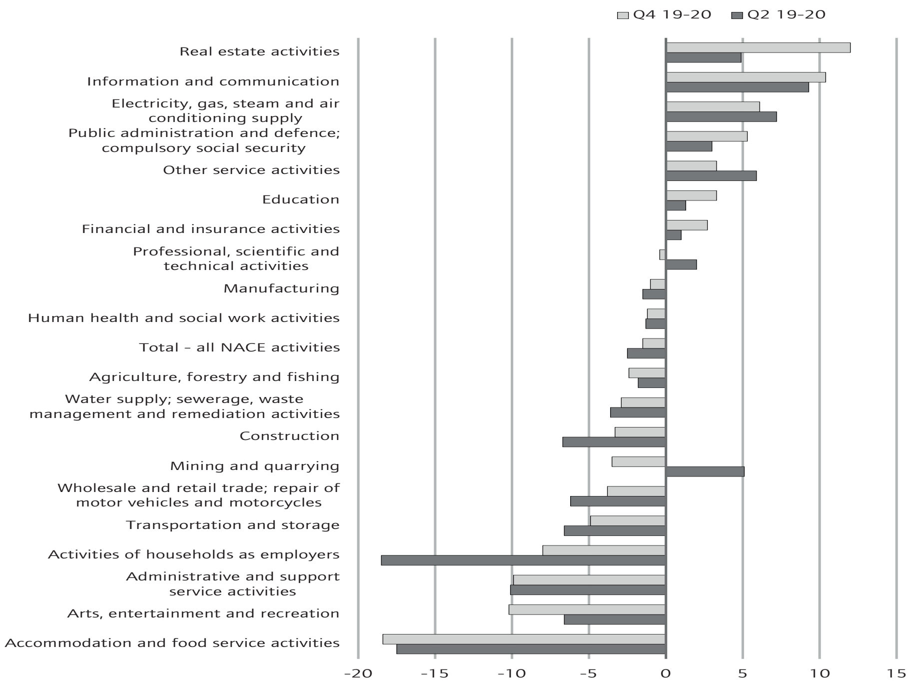
Table 1 **National performances in selected industries***

Region	Manufacturing	Construction	Retail	Accommodation and food services
	Autumn 2019 vs winter 2020/21			Autumn 2019 vs autumn 2020
European Union – 27	–0.9	n.a.	0.0	n.a.
Eurozone	–2.2	n.a.	–1.1	n.a.
Belgium	–4.4	–11.2	11.5	n.a.
Bulgaria	–4.0	–9.9	–15.2	–51.3
Czechia	2.1	–20.8	–3.5	–56.3
Denmark	–1.9	n.a.	–1.9	–36.0
Germany	–6.0	7.4	–2.9	–52.3
Estonia	0.1	n.a.	16.4	n.a.
Ireland	n.a.	n.a.	15.7	n.a.
Greece	1.4	n.a.	n.a.	n.a.
Spain	–7.8	–20.5	–6.5	–61.8
France	–12.3	–14.2	10.5	–45.3
Croatia	5.3	n.a.	6.5	–69.8
Italy	–5.2	n.a.	–10.4	n.a.
Cyprus	n.a.	n.a.	n.a.	n.a.
Latvia	5.8	n.a.	–7.3	–61.9
Lithuania	7.3	n.a.	2.3	n.a.
Luxembourg	–9.3	n.a.	1.6	–34.9
Hungary	5.9	–18.2	–6.1	–65.5
Malta	–8.1	n.a.	–12.0	n.a.
Netherlands	–4.3	–3.9	–11.0	n.a.
Austria	n.a.	0.5	8.0	n.a.
Poland	21.3	–19.5	17.7	n.a.
Portugal	–4.1	–7.8	–12.1	–55.3
Romania	0.7	37.3	12.3	–63.3
Slovenia	2.8	5.7	–13.1	–61.2
Slovakia	3.8	–23.3	–11.1	–34.5
Finland	–3.4	–5.4	9.7	–39.9
Sweden	4.6	2.2	2.5	n.a.
United Kingdom	n.a.	n.a.	n.a.	n.a.

Note: * Change in percentage points between index values (2015=100).
Source: Eurostat and calculations by the author.

available at the time of writing in summer 2021) for four industries: manufacturing, construction, retail and, for a slightly different time period, for accommodation and food services. Looking first at manufacturing, Central Eastern Europe performed well

Figure 5 **Changes of employment in selected industries in the EU-27 between the 4th quarters of 2019 and 2020 (in percent)**



Source: Eurostat and calculations by the author.

(in particular Poland), while production in almost all richer Member States declined (most strongly in France). The picture in the construction industry was quite different, with major (above 19%) drops of production in Czechia, Spain, Slovakia and Poland, yet strong performances in Germany and Romania. As regards retail trade, Belgium, Estonia, Ireland, France, Poland and Romania were the positive outliers. Accommodation and food services were severely hit in all countries. But the same relative decline mattered much more in countries like Spain, Portugal or Croatia where such services account for a large share of GDP and employment.

It is also important to consider the public sector, including education, health and public administration: as these sectors had and have to shoulder the bulk of the fight against Covid-19, their contribution to GDP and employment probably increased due to much additional spending (see Table A1 in the Annex).

To assess the development of these sectors during the pandemic, we use employment figures (see Figure 5 and Table A4 in the Annex). Total employment decreased by 2.5% year-over-year between the 2nd quarters of 2019 and 2020 and slightly less (1.5%) between the 4th quarters of 2019 and 2020. As was to be expected, the hardest-hit industries were accommodation and food services, administrative and support services, arts, entertainment and recreation and domestic services with double-digit drops.

Employment increased in information and communication, real estate, finance and insurance. The development in the two latter industries might reflect asset inflation in the wake of the above-mentioned loose monetary policies.[6] Public sector employment (in public administration and defence, social security and education) increased slightly, though surprisingly not in the human health and social work sector. This could be due to the fact that this sector includes many activities requiring personal contact without being relevant to fighting the pandemic itself.

The relatively small overall decline in employment is due a) to the fact that those industries with greater losses account for just 10% of total employment; and b) to the widespread furlough schemes. In the first quarter of 2020, more than 30% of all employees were in job retention schemes in several European countries such as the UK, France, Italy and Portugal (OECD 2021a: Figure 2). The impact of these policies becomes visible if one looks at the actual number of hours worked in the main job. The index (2006=100) measuring labour input in the economy fell from 101.8 in the fourth quarter of 2019 to 97.1 in the first quarter of 2020 and to 85.9 in the second. That 15% drop largely exceeds the employment changes presented in Figure 5 and Table A3 in the Annex.

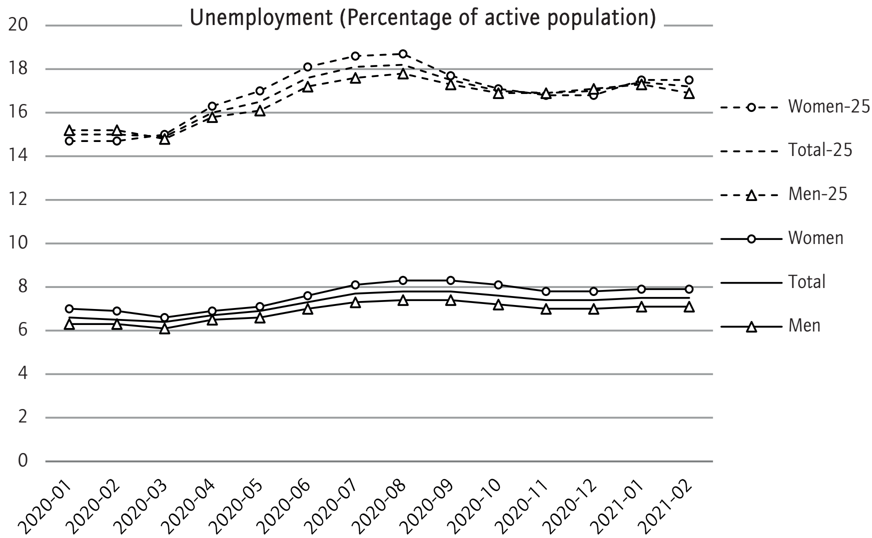
3. The limited impact of the pandemic on labour markets

The rise in unemployment was limited because people were protected by short-time working furlough schemes. Though unemployment increased after March 2020 when the lockdowns came into force (see Figure 6), the rise was relatively modest: it went up by 1.4 percentage points for the total active population, from 6.4% (March 2020) to 7.8% (August 2020). Women suffered slightly more: their unemployment rate was higher at the beginning of 2020 and increased by 0.3 points more than that for men, from 6.6% (March 2020) to 8.3% (August 2020). All rates declined somewhat in autumn 2020 but remained higher than before the pandemic. A survey by Eurofound (2021) found that, in spring 2021, 10% of respondents who had been employed before the pandemic had lost their jobs (double the figure of spring 2020).

As Figure 6 shows, the picture is more dramatic for young people (under 25) whose unemployment rate was much higher to begin with: from 14.9% in March 2020 it rose sharply to 18.2% in August 2020. Young women also suffered more. Although their unemployment rate was slightly lower before the lockdowns, it increased faster (by 4 percentage points compared to 3.3 for men). The cause of this development is likely to be the higher share of female employees in industries hit hard by the lockdowns. For instance, in accommodation and food services where the share of women is 54%, employment declined by 19.3% between the 2nd quarters of 2019 and 2020. Similarly, in domestic services and undifferentiated goods- and services-producing activities of

6. Loose monetary policy drives up asset prices in three ways in particular: first, lower interest rates make credit to buy assets cheaper, thus increasing demand; second, lower interest rates increase the net current value of an asset, as the internal discount rate used is lower (at a discount rate of zero a steady income flow theoretically adds up to an infinitely high present value); and third, demand by central banks for assets (treasury bills, corporate bonds) increases their prices while the return on capital declines.

Figure 6 **Total and youth unemployment in the EU-27 in 2020-2021 (as a percentage of active population)**



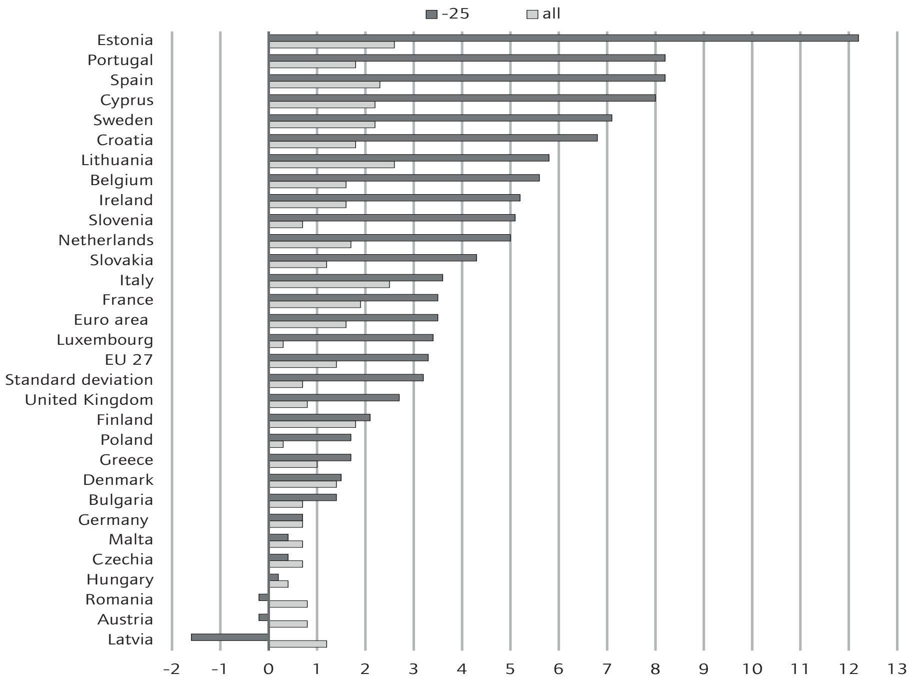
Source: Eurostat and calculations by the author.

households for own use where the share of women is 89%, employment decreased by 18% (EIGE 2021: Table 2). More women than men are self-employed or temporary, part-time or informal workers, accounting for 69% of job losses among part-time workers (EIGE 2021: 50).

The EU-27 perspective hides strong disparities between countries. Figure 7 and Table A4 in the Annex provide a more detailed picture by country. Even before the pandemic, unemployment was much higher in Greece and Spain, with youth unemployment in particular at levels exceeding 33%. Youth unemployment was lower than 10% in just a few countries, notably Germany (5.8%), the Netherlands (6.3%), Czechia (7.2%) and Poland (9.5%). The spread of unemployment rates throughout the EU-28 (including the UK) increased between March and August 2020 for both age groups (see last row in Table A4 in the Annex), though it was higher and increased more for under-25s.

The rise in unemployment between March 2020 (the low point before the pandemic) and August 2020 (maximum) was strongest in Estonia (2.6 percentage points). Looking at youth unemployment, the rates increased more and varied more between countries. While some countries (Austria, Latvia, Romania) even managed to reduce youth unemployment during the pandemic, in Croatia, Estonia, Lithuania, Portugal, Spain and Sweden it rose by more than five percentage points. The share of young (15-29) people neither in employment nor in education and training (NEET) also increased, with the EU-27 rate going up to 13.7% in 2020 after 12.6% in 2019. It was highest

Figure 7 **Unemployment rates by country and age group (percentage change between March and August 2020)**



Source: Eurostat and calculations by the author.

in Italy (though not the greatest rise), going up from 22.2% to 23.3%. There was no increase in temporary or precarious employment in the EU-27 between 2019 and 2020. The number of self-employed people decreased by less than 2%.

Eurostat has published a study on the Covid-19 labour effects across income distribution (Eurostat 2020), showing that low-wage workers were more likely than better-paid workers to lose their jobs or have their hours reduced. This finding is confirmed by a German study (Herzog-Stein et al. 2021) that compares the Great Recession and the pandemic. While in 2009 manufacturing workers were mostly affected, the lockdowns stopped work in many sectors where the share of precarious labour was much higher and the effect of compensatory payments weaker. The risk of losing one's job was particularly high for workers on temporary contracts and for low-income groups. The share of workers affected by layoffs and short-time working was highest in the Mediterranean countries and Ireland.

4. More polarised societies?

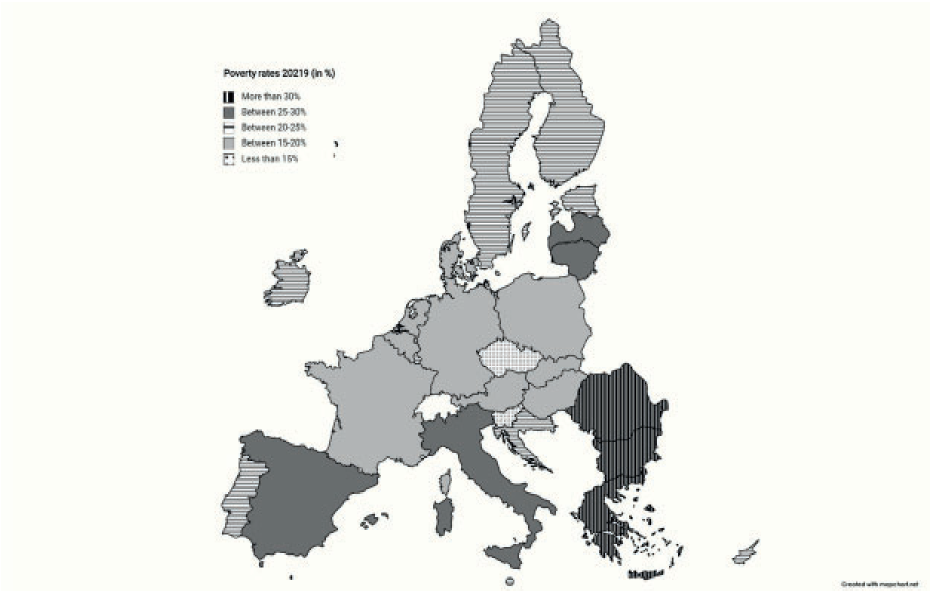
After comparing Member States and industries and looking at patterns of employment and underemployment, this section focuses on the changing distribution of income and other metrics of well-being within Member States. Unfortunately, the usual data sources, namely household surveys (in the case of the EU the European Union Statistics on Living and Income Conditions -EU-SILC), are not yet available for 2020 (except for Bulgaria, the Netherlands and Finland), let alone for 2021.

A more accessible approach considers the functional distribution of income between wages and profits. The labour or wage share represents the percentage of an economy's total income accruing to employees. Historically, the wage share declined from levels around 70% in the 1970s to below 60% after 1990. Deep recessions have the perverse effect of – albeit briefly – increasing the wage share as wages continue to be paid while profits collapse, as witnessed in 2009 during the Great Recession following the financial market crisis, but also in 2020 (see Table A5 in the Annex) when the wage share in the EU increased by 1.3 percentage points. Rising profits immediately reversed that trend in 2021.

The functional distribution of income provides few clues as to the personal distribution of income (compare the data in Table A5 in the Annex with the figures given in Table A6 in the Annex), as wages and profits are – often very – unequally distributed. Looking at the personal distribution of income, we have to differentiate between market income and disposable income (market income minus taxes plus transfers received [for example, pensions]). Usually, the distribution of disposable income is less unequal than that of market income as the state redistributes income from rich to poor households. These incomes are adjusted for household type and size, thus becoming so-called 'equivalised disposable incomes'. The values delivered by the household surveys are notoriously unreliable, however, and patchy at the top and the bottom of the income distribution (OECD 2013: 137). Thus, all findings based on them are likely to underestimate actual inequality.

To measure inequality, several indicators are used, including the Gini coefficient (ranging from 0 for total equality to 1 (or 100%) for total inequality) and the S80/S20 or quintile ratio which is the ratio between the income of the poorest and the richest quintile (=20%) of the population. In 2019, the values for the quintile ratio were 8.43 for net market income and 5.09 for disposable income on average for all 28 Member States (see Table A6 in the Annex). National values varied widely, ranging from above 10 (for Bulgaria, Ireland and Sweden) to 5 and below (for Czechia, Slovakia, Hungary and Slovenia) for market income. Turning to disposable income, the quintile ratio ranged between values below 4 (again for Central Eastern Europe) and above 7 (for Bulgaria and Romania). The difference between the two values indicates the effectiveness of redistribution. Compared to an EU average of 3.34, it is highest in Ireland and the Scandinavian countries (7.9 in Ireland, 6.6 in Sweden and 5.4 in Denmark), while relatively low in the, albeit more egalitarian, countries of Central Eastern Europe. At-risk-of-poverty is defined as an income below 60% of the equivalised median disposable household income after social transfers. The poverty rate given in Figure 8 is the percentage of the population at risk. The share is 21.4% on average for all countries, ranging from values above 30% for Bulgaria, Greece and Romania to below 20% for many Central European countries.

Figure 8 **Poverty rates 2019 (in %)**



Source: Eurostat and calculations by the author.

Wealth is much more concentrated than income. The top quintile usually owns more than 50% of total wealth while the bottom quintile holds less than 1% (in many cases, net wealth is negative in poor households because liabilities are greater than assets). This results in a S80/S20 ratio of at least 50 (often more) for most countries.

How did inequality develop during the pandemic? As there was hardly any good data available at the time of writing (summer 2021), the effect of the crisis can only be estimated by analysing the possible drivers of change. The deep, albeit short, recession (see Table A2 in the Annex) affected market incomes, in particular in those households dependent on jobs (or investment) in the hardest hit industries (see Tables A3 and A4). But whatever the industry, both richer and poorer households are suffering from the crisis, meaning that the eventual change in the distribution of income between income groups (across all industries) might not be that large. Furthermore, the huge efforts of governments to stimulate demand and compensate households for losses of income have increased disposable incomes where market incomes have fallen. This effect has been boosted by short-time working schemes and traditional unemployment insurance.

Looking at the little evidence available on income, the Eurostat data for the 11 countries that have already provided figures for 2020 (see Table 2) does not show any major changes. Both market and disposable income inequality have only slightly changed in all these countries, with only four of them showing a small rise (shaded grey in Table 2). Poverty rates have actually declined in all but two countries (shaded grey in Table 2),

Table 2 **Disposable income inequality and poverty in 2019 and 2020 in selected countries**

	S80/S20 ratio		Poverty rate	
Country	**2019**	**2020**	**2019**	**2020**
Belgium	3.61	3.65	19.5	18.9
Bulgaria	8.10	8.01	32.8	32.1
Denmark	4.09	4.00	16.3	15.9
Estonia	5.08	5.03	24.3	23.3
Greece	5.11	5.15	30.0	28.9
Hungary	4.23	4.30	18.9	17.8
Netherlands	3.94	4.04	16.5	16.3
Austria	4.17	4.11	16.9	17.5
Romania	7.08	6.62	31.2	30.4
Slovenia	3.39	3.32	14.4	15.0
Finland	3.69	3.72	15.6	16.0

Source: Eurostat TESSI180 and ILC_PEPS01.

albeit by less than one percentage point. The Spring 2021 Report of the Employment and Social Protection Committees of the EU (European Commission 2021) showed that gross disposable household income was 1.3% higher in the third quarter of 2020 than in the same quarter of 2019. The share of households in the lowest income quartile that experienced financial distress increased slightly from 23.1% in January 2020 to 23.7% in February 2021.

Looking specifically at Italy, a study by Banca d'Italia researchers on the impact of the pandemic on labour incomes shows that the market incomes of lower-paid workers decreased more than those of high-earners. Because of the available state support schemes, however, the resulting distribution of net disposable income hardly changed (Carta and De Philippis 2021). As for Spain, a study showed an increase of inequality in February/March 2020 which was partly reversed in the following months (Aspachs et al. 2020). In France, poor households were much more likely (34.8%) than richer ones (less than 20%) to complain that their financial situation had worsened (Barhoumi et al. 2020). But these findings are based on a survey conducted in May 2020 and not on income distribution data. A larger survey (Cantó Sánchez et al. 2021) of four countries (Belgium, Italy, Spain, the UK) only found inequality (Gini) to have increased in Italy. Lower income strata were relatively less affected than richer ones, due to welfare programmes.

Turning to Germany,[7] several studies exist: according to Hövermann and Kohlrausch (2020), people on lower incomes reported higher losses of earnings than those on higher incomes. Analysing the German low-wage sector, Schulten (2020) expects poverty to rise. These authors question whether the short-time working compensation paid by

7. This paragraph on Germany draws on Dauderstädt (2021a).

the state (and employers) will stabilise incomes sufficiently. Research by the Institute for Employment Research (*Institut für Arbeitsmarkt- und Berufsforschung*) finds that low-wage earners are hit more by unemployment than other wage groups (Buch et al. 2021). Other studies expect no changes in the distribution of income. The results of a simulation study conducted by Bruckmeier et al. (2020: Figure 1) point to gross incomes declining by 3% on average and, for the different income deciles, between 4.3% for the 1st decile and 2.8% for the 10th decile, implying a slightly increasing inequality in market incomes. However, their findings are quite different for disposable income: here, the average decline is just 0.1%, with incomes rising in the lower deciles and declining in the higher ones (Bruckmaier et al. 2020: Fig. 2). Research by the employer-friendly German Economic Institute (*Institut der Deutschen Wirtschaft*) comes up with similar results, with strong declines of market incomes in the lower income deciles being largely compensated, thus stabilising disposable incomes (Beznoska et al. 2021). Therefore, the picture for Germany is ambiguous: while market income inequality is likely to have increased in 2020, the distribution of disposable incomes might have not changed that much or even have improved.

The picture is different for wealth: due to the loose monetary policy of the ECB and other central banks, the value of many assets, in particular stocks and property, has increased, benefiting richer households. Savings increased dramatically during the crisis. In Germany, the savings rate increased in 2020 to 16.3% of disposable income – a rise of 5.4% compared to 2019. Financial assets reached 6.7 trillion Euros at the end of the third quarter 2020, up by 108 billion Euros (or 1.6%) compared to the second quarter (Bundesbank 2021). But higher wealth inequality does not translate immediately into higher income inequality, as returns on capital in a zero-interest-rate economy are minimal.

The impact of the pandemic on the housing market has been twofold: the immediate reaction to the outbreak and subsequent lockdowns was for the market to collapse, with a dramatic drop in transactions (Balemi et al. 2021). But prices were affected much less. Generally, prices continued to rise, in line with the trend already observed over the preceding years – with alarming effects for poor tenants (FEANTSA 2021). In the EU, the house price index (2015=100) had increased to 122.48 in the last quarter of 2019 and went up further to 129.36 just one year later (Q4 2020).[8] Initial short-term declines in some countries were recouped rapidly by the end of 2020. The pandemic might however change the structure of demand, with more people looking for houses outside city centres in order to benefit from larger properties with gardens and due to the declining need to commute due to increased teleworking. Rising house prices will eventually lead to higher rents, thus boosting the incomes of property owners. But given contractual and regulatory limitations, the adjustment of rents might take some time. In the long run, higher rents will increase inequality as they redistribute income from (relatively poorer) tenants to owners. This effect will be greater in countries with lower owner occupancy ratios.

8. Data from Eurostat PRC_HPI_Q.

Changes in income and wealth might not be the most harmful (if at all) effects of the pandemic. The current and future well-being of many people also depends on other factors changed by the lockdowns or infections. Mental health has deteriorated during the pandemic (Eurofound 2021). Poorer families with children and with less spacious housing are not coping easily with prolonged stays at home while kindergartens and schools remain closed.

Children from poorer families have less access to digital forms of learning and communication and are usually more reliant on personal care and teaching by professionals which their parents are often not able to provide. Children from migrant families have greater difficulties learning the languages of their host countries when deprived of opportunities to meet and communicate with native speakers (Ravens-Sieberer et al. 2021). As educational outcomes already depend too much on the class and educational background of the parents, such disparities are likely to increase. In the medium and long run, educational disparities translate into professional, career and income disparities set to become visible decades later (Engzell et al. 2021).

Still often reflecting traditional role models, the division of labour within families between women and men might disadvantage women further, impeding their participation in the formal labour market (Rubery and Tavora 2020). During the lockdowns, women have had to increase unpaid care work much more than men (EIGE 2021: Figure 12), thereby reducing paid work and probably entailing lost career opportunities.

Covid-19 itself is likely to kill and harm poorer people more than richer ones due to a higher incidence of previous health problems caused by inferior housing and nutrition. They are also more likely to be infected because of crowded housing and the fact that low-paid workers are less likely to work from home (OECD 2020a: Figure 3). People suffering from financial insecurity and unemployment are more likely to be afflicted by depression and other mental health problems (OECD 2021b). The pandemic is exacerbating the well-known inequality in life expectancy which is, on average, years higher for the rich than for the poor. The poor tend to have a higher incidence of pre-existing conditions such as obesity, head injuries or lead poisoning.[9] As regards housing, more than 25% of households in Hungary, Latvia, Poland and Slovakia live in overcrowded conditions which make infection more likely (OECD 2020a: 8). There are not yet many studies assessing this connection in European countries. Research has identified a correlation between, on the one hand, infection or mortality, and, on the other hand, lower income or deprivation in the USA and, to a lesser degree, the UK, though not clearly for Germany (Wachtler et al. 2020). Given the emerging risk of long Covid, the poor might suffer more often from lasting effects reducing their productivity, employability and income, with corresponding repercussions in social protection systems.

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9. Lead poisoning results from old water pipes and exposure to certain emissions which occur more often in neighbourhoods close to sites with environmental problems and with low-quality housing, i.e. neighbourhoods where poor people tend to live. For the effects see https://www.who.int/news-room/fact-sheets/detail/lead-poisoning-and-health

Conclusions: building back a more social Europe

The pandemic has highlighted existing and added new inequalities in an EU already shaped by considerable disparities in income and welfare. As shown in the previous sections, income disparities between countries increased, with the already suffering southern periphery of the EU (Greece, Italy, Portugal, Spain) hit hardest by the pandemic. Otherwise, poorer Member States tended to suffer less than richer ones. The fate of different industries varied substantially, with accommodation and food services virtually collapsing and information and communication booming. While hours worked declined in line with decreasing GDP, unemployment increased much less due to protective government policies. However, the rise in youth unemployment is worrying. Income and wealth disparities within countries increased but the inequality of disposable income remained relatively stable due to redistributive measures. The poorer layers of societies seem likely to suffer more from the long-term effects of the pandemic due to their exposure to health risks and educational deficits. But generally, the repercussions of the Covid-19 crisis were less catastrophic than feared due to the speedy and large-scale countermeasures which broke with old patterns and views of economic and social policies, both at national and EU level. Nonetheless, policies and their results still leave a lot to be desired. This section intends to briefly evaluate past and proposed policies with regard to their capacity to correct the four key dimensions of inequality analysed above.

Divergent growth: national governments adopted many unorthodox policies. As described above (Section 1; Table A1 in the Annex), monetary and fiscal policies followed an expansionary course, ditching the commitments to limit budget deficits and public debt prescribed by the Maastricht Treaty or even tightened in the wake of the financial crisis (Alcidi and Corti, this volume). Income protection schemes and subsidies not only supported their beneficiaries but maintained purchasing power and demand in national economies and beyond. Such policies seemed much more legitimate under the pandemic, as the economic and social problems were caused neither by booming and greedy markets nor, as often suggested, by happy-to-spend governments. When people and companies had to stop work under government decrees, they had good reason to expect to be compensated and protected by those governments.

Even so, despite these counter-recession measures, some countries, in particular in the southern EU, experienced much sharper drops in GDP and employment than others. Fortunately, the EU was not bent on repeating the ill-designed policies imposed on these Mediterranean Member States in the wake of the 2008 crisis and which slowed down growth and cohesion. Under the pandemic, the EU has been prepared to take unprecedented measures: the imperfect institutional structure of the Monetary Union has benefited from the introduction of debt instruments at EU level and the EU's willingness to provide grants to needy Member States rather than credits driving up their debt burdens (see Figure 2).

In the field of regional and cohesion policy, the EU should use its regional and structural funds to reduce income disparities between Member States. Supporting the Mediterranean countries, the NextGenerationEU fund approved during the crisis sets the right regional priorities. A European industrial policy aiming for greater self-reliance in strategic fields (e.g. the production of vaccines and health-related personal protection equipment) could open opportunities for strengthening manufacturing in poorer Member States. Given the fact (see Figure 3 above) that the reduction of EU-wide inequality is mainly driven by stronger growth in poorer Member States, such an effort to reduce EU-wide inequality could help reduce competition between workers in the EU, thereby countering the disgruntlement behind Brexit and nativist populism.

Industrial bailouts: the programmes adopted constitute a de facto industrial policy, the goals of which were often not clearly defined but followed protective interests. Such bailouts may turn out to be problematic when protected and subsidised companies prove unable to survive in the long run, once state aid is withdrawn (Grömling 2021; Hutter and Weber 2020). In this respect, the US approach of not protecting specific jobs but just incomes is better suited to letting disruptive adjustments of employment patterns run their course. Many governments added to these protective measures (i.e. stabilising existing jobs, incomes and economic activities), enacting further future-oriented programmes (Dauderstädt 2021c). Large (stimulus) programmes encompassed investments in infrastructure, housing, research and development to promote a more modern, climate-friendly and digital economy. Of course, governments also spent enormous sums on health (personal protective equipment, hospitals, testing, vaccinations, etc.) that stimulated the economy, benefiting the respective industries. A more far-sighted approach (as proposed by Creel et al. 2020) would have supported those industries more likely to be the pillars of sustainable growth, for instance railways rather than airlines. The priorities of the Recovery and Resilience Facility (RRF), i.e. climate investment (at least 37% of funds used) and digital transition (at least 20%), point in the right direction.

Employment: with regard to employment and social protection, many existing programmes were extended and new ones introduced (Dauderstädt 2021c; Eurofound 2020; OECD 2020b; Spasova et al. 2021). Some governments are promoting future employment through subsidised training (e.g. France, Germany, Sweden) or the easing of temporary employment restrictions (Italy). Active labour market policies are set to play an increasingly important role in overcoming the employment problems caused by the pandemic (OECD 2021c). To reduce the unequal impact of recessions on employment in different countries, the EU (see Figure 7) could adopt an EU-wide unemployment insurance as a kind of re-insurance, similar to the federal-level US system (Dullien 2014; Maselli and Beblavy 2015). A first step in this direction has been taken with the Support to mitigate Unemployment Risks in an Emergency (SURE) loan programme (European Commission 2020a).

Inequality: generally speaking, most support programmes have protected past incomes (and thus their unequal distribution) rather than trying to use the opportunity to reduce disparities. While all these measures have served to cushion the economic cost of the crisis, they were not guided by a clear view of, let alone a priority for, protecting the poor and weak. Though without them income inequality would have increased much more (see Figure 3), in many cases the primary beneficiaries were the middle class, wealthy households and companies. Profits recovered fast (see Table A5 in the Annex), and asset prices exploded. In some cases, companies receiving state support paid dividends to their shareholders and bonuses to their top managers.[10] A truly social strategy would have targeted weaker households more directly by offering cash, better schooling and training, and investing more in housing for the poor. Interestingly, a policy adopted by Japan, Korea and the USA (at federal level), namely universal cash transfers, did not appeal to European governments (OECD 2020b: Table 1). Such schemes benefit the poor relatively more than the rich.[11] As regards wages (see Table A5 in the Annex), the EU could require Member States to introduce a minimum wage of at least 60% of the median wage (Lübker and Schulten 2021), as seen by the EU Commission's Proposal on adequate minimum wages in the EU (European Commission 2020b).

The next opportunity or challenge to correct the pro-rich bias comes when public budgets have to be rebalanced. Hopefully, another wave of austerity policies as implemented in the wake of the financial crisis will be avoided, with the tax burden shifted onto the shoulders of the rich and the winners of the crisis. Several international efforts to fight tax avoidance and introduce global minimum taxes on business, financial transactions and climate-harming activities point in the right direction.

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10. A case in point is Deutsche Bank; see https://www.ft.com/content/35faa596-3f1d-40a3-9c2c-146ac9d09454

11. The poor even might receive more money (at least for a certain period) than their usual income, as was the case among low-wage workers in the USA.

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Annex

Table A1 **Increasing deficits and debt**

Country	Net lending/borrowing (% of GDP)				Gross debt position (% of GDP)				
	2019	2020	2021	2019-21	2019	2020	2021	2019-2021	Δin%
Austria	0.7	-9.6	-6.5	-16.8	70.5	85.2	87.2	16.7	23.6
Belgium	-1.9	-10.2	-7.3	-15.6	98.1	115.0	115.9	17.8	18.2
Bulgaria	-1.0	-3.0	-3.9	-6.0	18.4	23.8	25.5	7.1	38.6
Croatia	0.4	-8.0	-3.9	-12.2	72.8	87.2	86.3	13.5	18.5
Cyprus	1.5	-5.0	-3.2	-9.7	94.0	118.2	113.0	18.9	20.1
Czechia	0.3	-5.9	-7.8	-13.9	30.2	37.6	44.0	13.7	45.4
Denmark	3.8	-3.5	-1.8	-9.0	33.0	43.4	41.6	8.6	26.0
Estonia	0.0	-5.4	-7.1	-12.5	8.4	18.5	25.1	16.7	198.0
Finland	-1.0	-4.8	-4.3	-8.1	59.3	67.1	68.8	9.5	15.9
France	-3.0	-9.9	-7.2	-14.1	98.1	113.5	115.2	17.1	17.5
Spain	–7.8	-4.8	-4.3	-8.1	59.3	–20.5	–6.5	–61.8	–61.8
France	–12.3	-9.9	-7.2	-14.1	98.1	–14.2	10.5	–45.3	–45.3
Germany	1.5	-4.2	-5.5	-11.2	59.6	68.9	70.3	10.6	17.8
Greece	0.6	-9.9	-8.9	-19.3	184.9	213.1	210.1	25.2	13.6
Hungary	-2.0	-8.5	-6.5	-13.0	65.3	81.2	80.0	14.7	22.5
Ireland	0.5	-5.3	-5.5	-11.3	57.4	59.8	63.2	5.8	10.1
Italy	-1.6	-9.5	-8.8	-16.7	134.6	155.6	157.1	22.6	16.8
Latvia	-0.4	-3.9	-6.7	-10.2	37.0	45.5	47.2	10.2	27.6
Lithuania	0.3	-8.0	-6.1	-14.4	35.9	47.0	49.5	13.6	37.9
Luxembourg	2.4	-3.8	-1.5	-7.7	22.0	25.5	26.8	4.8	21.9
Malta	0.5	-9.0	-5.7	-15.2	42.0	55.4	57.9	15.9	37.8
Netherlands	2.5	-5.6	-4.3	-12.4	47.6	54.0	56.1	8.5	17.8
Poland	-0.7	-8.2	-4.7	-12.2	45.7	57.7	57.4	11.7	25.6
Portugal	0.1	-6.1	-5.0	-11.2	116.8	131.6	131.4	14.6	12.5
Romania	-4.6	-9.7	-7.1	-12.3	36.8	50.1	52.6	15.8	42.9
Slovakia	-1.4	-7.3	-7.1	-13.0	48.5	60.7	64.0	15.5	32.0
Slovenia	0.5	-8.5	-6.2	-15.2	65.6	81.5	80.5	14.9	22.8
Spain	-2.9	-11.5	-9.0	-17.6	95.5	117.1	118.4	22.8	23.9
Sweden	0.5	-4.0	-3.9	-8.4	35.1	38.5	40.4	5.3	15.0
United Kingdom	-2.3	-13.4	-11.8	-22.9	85.2	103.7	107.1	21.9	25.7

Source: IMF WEO data base (accessed April 2021) and calculations by the author.

Table A2 **GDP***

Country	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q2	2020-Q3
Finland	108.9	108.2	103.2	106.6	107.0	5.7
Estonia	140.6	139.0	131.7	135.0	137.9	8.9
Lithuania	141.7	141.3	132.5	140.6	140.3	9.2
Denmark	119.5	118.0	110.1	117.0	117.7	9.4
Sweden	120.9	120.6	111.5	118.6	118.4	9.5
Greece	84.3	84.6	73.3	75.6	77.6	11.0
Ireland	185.3	178.0	174.2	194.8	184.9	11.0
Netherlands	114.3	112.5	103.0	111.0	110.9	11.3
Luxembourg	130.7	128.7	119.3	130.4	132.5	11.4
Bulgaria	126.6	127.2	114.4	119.3	121.8	12.2
Latvia	134.6	131.5	122.3	130.7	132.2	12.3
Poland	139.2	138.8	126.3	136.3	135.4	12.9
Germany	116.6	114.3	103.2	112.0	112.4	13.4
Czech Republic	124.8	121.0	110.5	118.0	118.8	14.4
Cyprus	112.7	112.1	97.4	106.0	107.6	15.3
Austria	114.5	111.0	99.1	110.8	107.8	15.4
Romania	141.8	142.6	125.9	132.8	139.2	16.0
EU 27	114.7	110.9	98.5	109.9	109.4	16.2
Slovak Republic	127.7	121.2	111.2	124.1	124.4	16.6
Belgium	114.6	110.7	97.6	109.0	108.8	17.0
Slovenia	120.8	115.0	103.3	116.0	114.7	17.5
Italy	100.6	95.0	82.7	95.8	93.9	17.9
Croatia	112.7	111.5	94.2	102.0	104.7	18.5
Portugal	107.7	103.4	89.0	101.0	101.2	18.7
Hungary	131.9	131.2	112.5	124.9	126.5	19.4
France	112.6	106.0	91.7	108.6	107.0	20.9
Spain	111.3	105.3	86.6	101.4	101.4	24.7
UK	117.8	114.3	92.8	107.7	n.a.	25.0
Malta	165.7	161.6	138.7	149.8	155.5	27.0
United Kingdom	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: * 2010=100; ordered by the decline between 2019-Q4 and 2020-Q2, right column.
Source: EuEurostat (NAMQ_10_GDP) and calculations by the author.

Table A3 **Changes of employment in selected industries in the EU-27 between 2019 and 2020 (the 2nd and 4th quarter respectively; in percent)**

Industry (NACE)	Q2 2019–2020	Q4 2019–2020
Total - all NACE activities	-2,5	-1,5
Agriculture, forestry and fishing	-1.8	-2.4
Mining and quarrying	5.1	-3.5
Manufacturing	-1.5	-1.0
Electricity, gas, steam and air conditioning supply	7.2	6.1
Water supply; sewerage, waste management and remediation activities	-3.6	-2.9
Construction	-6.7	-3.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	-6.2	-3.8
Transportation and storage	-6.6	-4.9
Accommodation and food service activities	-17.5	-18.4
Information and communication	9.3	10.4
Financial and insurance activities	1.0	2.7
Real estate activities	4.9	12.0
Professional, scientific and technical activities	2.0	-0.4
Administrative and support service activities	-10.1	-9.9
Public administration and defence; compulsory social security	3.0	5.3
Education	1.3	3.3
Human health and social work activities	-1.3	-1.2
Arts, entertainment and recreation	-6.6	-10.2
Other service activities	5.9	3.3
Activities of households as employers	-18.5	-8.0

Source: Eurostat and calculations by the author.

Table A4 **Unemployment rates by country and age group**

Region/ Country	March 2020		August 2020		February 2021		Change between March and August 2020	
	all	-25	all	-25	all	-25	all	-25
				In percent of active population			Percentage points	
European Union - 27	6.4	14.9	7.8	18.2	7.5	17.2	1.4	3.3
Eurozone	7.1	15.4	8.7	18.9	8.3	17.3	1.6	3.5
Belgium	4.9	11.9	6.5	17.5	5.7	n.a.	1.6	5.6
Bulgaria	4.4	13.3	5.1	14.7	5.3	16.3	0.7	1.4
Czechia	2	7.2	2.7	7.6	3.2	9.3	0.7	0.4
Denmark	4.8	10.3	6.2	11.8	6.1	11.1	1.4	1.5
Germany	3.8	5.8	4.5	6.5	4.5	6.1	0.7	0.7
Estonia	5.1	10.5	7.7	22.7	7.2	16.8	2.6	12.2
Ireland	5	12.6	6.6	17.8	5.8	14.9	1.6	5.2
Greece	15.9	34.4	16.9	36.1	n.a.	n.a.	1	1.7
Spain	14.4	33.8	16.7	42	16.1	39.6	2.3	8.2
France	7.4	18.8	9.3	22.3	8	19.2	1.9	3.5
Croatia	6.5	17.4	8.3	24.2	7.1	n.a.	1.8	6.8
Italy	7.4	27.8	9.9	31.4	10.2	31.6	2.5	3.6
Cyprus	6.3	13.4	8.5	21.4	6.8	n.a.	2.2	8
Latvia	7.4	15.6	8.6	14	8.7	15.9	1.2	-1.6
Lithuania	7.2	17	9.8	22.8	9.6	17.5	2.6	5.8
Luxem-bourg	6.5	20	6.8	23.4	6.7	21.4	0.3	3.4
Hungary	3.4	11.1	3.8	11.3	4.5	13.6	0.4	0.2
Malta	3.9	10.8	4.6	11.2	4.4	10	0.7	0.4
Nether-lands	2.9	6.3	4.6	11.3	3.6	9.4	1.7	5
Austria	4.8	10.4	5.6	10.2	5.7	9.6	0.8	-0.2
Poland	3	9.5	3.3	11.2	3.1	14.8	0.3	1.7
Portugal	6.3	18.1	8.1	26.3	6.9	21.6	1.8	8.2
Romania	4.5	18.2	5.3	18	5.7	n.a.	0.8	-0.2
Slovenia	4.5	10.5	5.2	15.6	4.9	n.a.	0.7	5.1
Slovakia	6	16.5	7.2	20.8	7.3	20.6	1.2	4.3
Finland	6.7	20.7	8.5	22.8	n.a.	n.a.	1.8	2.1
Sweden	6.8	19.5	9	26.6	8.9	23.6	2.2	7.1
United Kingdom	3.9	11.9	4.7	14.6	n.a.	n.a.	0.8	2.7
Standard deviation	3.0	7.2	3.4	8.5	n.a.	n.a.	0.7	3.2

Source: Eurostat and calculations by the author.

Table A5 **Adjusted wage share (as a percentage of GDP)**

Region/Country	2019	2020	2021
European Union	55.3	56.6	55.7
Eurozone	56.0	57.3	56.4
Belgium	59.2	62.3	60.8
Bulgaria	58.4	61.8	61.7
Czechia	51.8	53.3	51.2
Denmark	54.2	56.0	54.6
Germany	58.9	59.7	58.6
Estonia	55.0	57.0	55.3
Ireland	33.0	34.3	32.7
Greece	51.9	55.1	53.3
Spain	53.2	56.1	54.5
France	57.3	58.0	57.4
Croatia	53.9	59.6	56.4
Italy	52.7	52.2	53.4
Cyprus	50.1	50.4	49.3
Latvia	56.2	58.8	57.6
Lithuania	52.3	52.7	51.8
Luxembourg	52.6	53.3	52.7
Hungary	44.3	46.0	45.0
Malta	49.5	53.3	52.9
Netherlands	57.4	60.3	58.0
Austria	55.1	57.3	55.1
Poland	49.4	50.3	48.9
Portugal	52.3	54.5	53.4
Romania	49.6	53.6	52.9
Slovenia	62.6	66.4	63.6
Slovakia	49.5	51.8	50.4
Finland	52.5	53.7	52.3
Sweden	49.7	50.6	49.4
United Kingdom	58.6	61.4	59.7

Source: Ameco and calculations by the author.

Table A6 Income distribution and poverty (2019)

Region/country	Net market income	Disposable income	Difference (redistribution)	Poverty
	S80/S20 (quintile) ratio			In %
European Union	8.43	5.09	3.34	21.4
Eurozone	7.91	4.98	2.93	20.8
Belgium	7.66	3.61	4.05	19.5
Bulgaria	10.74	8.10	2.64	32.8
Czechia	4.22	3.34	0.88	12.5
Denmark	9.51	4.09	5.42	16.3
Germany	9.00	4.89	4.11	17.4
Estonia	7.05	5.08	1.97	24.3
Ireland	11.93	4.03	7.90	20.6
Greece	6.94	5.11	1.83	30.0
Spain	8.56	5.94	2.62	25.3
France	7.35	4.27	3.08	17.9
Croatia	6.58	4.76	1.82	23.3
Italy	7.54	6.01	1.53	25.6
Cyprus	6.03	4.58	1.45	22.3
Latvia	8.03	6.54	1.49	27.3
Lithuania	9.41	6.44	2.97	26.3
Luxembourg	9.00	5.34	3.66	20.6
Hungary	5.00	4.23	0.77	18.9
Malta	5.32	4.18	1.14	20.1
Netherlands	6.43	3.94	2.49	16.5
Austria	7.10	4.17	2.93	16.9
Poland	6.12	4.37	1.75	18.2
Portugal	6.60	5.16	1.44	21.6
Romania	9.11	7.08	2.03	31.2
Slovenia	5.03	3.39	1.64	14.4
Slovakia	4.46	3.34	1.12	16.4
Finland	7.71	3.69	4.02	15.6
Sweden	10.92	4.33	6.59	18.8

Source: Eurostat and calculations by the author.

Chapter 2
The EU response to Covid-19: breaking old taboos?

Cinzia Alcidi and Francesco Corti

Introduction[1]

This time is different. Though we've heard that many times, this adagio applies particularly well when trying to understand the context of the EU response to the Covid-19 pandemic, especially in comparison with the financial crisis of 2009-10. The reason is threefold.

First, the nature of the economic shock differs from any experienced in the past (Gros 2020). The Covid-19 crisis was caused by a pandemic (public health shock) which hit all countries in the same way, and not by an internal build-up of imbalances, reckless creditors or reckless debtors. The demand and supply shocks that unfolded in the aftermath of the measures implemented to contain the pandemic led GDP to contract much more than in the previous recession and hit EU countries in a very unequal way (Dauderstädt, this volume).

Second, the EU institutional framework differs from that of 2009, allowing the EU to rely on different policy tools. One prominent example is the response of the European Central Bank which, immediately after the outbreak of Covid-19, was in a position to start purchasing potentially unlimited amounts of sovereign bonds. Nevertheless, the incompleteness of the EMU architecture again showed its weaknesses. As put by Bénassy-Quéré and Weder di Mauro (2020), on the fiscal side the 'European roof is not only leaking, it is missing altogether for the kind of shock that is unfolding'. The Eurozone still lacked a mechanism for automatic fiscal stabilisation and a common fiscal capacity to face asymmetric shocks. In addition, the buffers and firewalls put in place after the global financial crisis and the euro crisis were designed to fight a different sort of crisis, originating in the financial sector or in a country's sovereign debt.

Third, the ideational framework is different. The chorus of scholars reacting to the outbreak of the pandemic in March 2020 was unanimous in calling on national governments to act fast and do whatever it takes to 'keep the lights on' until the recession was over (Baldwin and Weder Di Mauro 2020). This was reflected in national policymakers' unanimity on the recipe to tackle the pandemic. Across countries, this revolved around four pillars: provide liquidity, support income and employment, protect the financial system and speed up economic recovery. A surprising consensus

1. The authors would like to thank Willem Pieter De Groen, Daniel Gros and Inna Oliinyk for their valuable support in the data collection and indispensable exchanges on the interpretation of the EU response to the pandemic crisis compared to the previous EU response to the Great Recession.

emerged among academic observers and policymakers on how the European Union (EU) could help protect lives, firms, workers, the Single Market, banks, national budgets and sovereign debt. More controversial – as expected – were the discussions on the funding options which included so-called Coronabonds, credit lines from the European Stability Mechanism (ESM), EU borrowing backed by contributions to the EU budget, and monetary policy.

A year and a half after the outbreak of the pandemic, with the economy recovering and the vaccination campaign speeding up in Europe, the time is ripe to take stock of the EU economic and social response to Covid-19, asking whether it represents a step towards greater solidarity in the EU. Solidarity – from the Latin *in solidum* – means the formal commitment to pay back a debt. It thus implies shared responsibility and risk pooling. In this chapter, we understand solidarity at EU level in both meanings: as risk-sharing to achieve common goals but also as mutual support among the members of the Union.

This chapter takes stock of the EU initiatives adopted to tackle the Covid-19 pandemic, distinguishing between three phases. During the first, which we call 'applying the lessons learnt', the EU quickly and smoothly put in place several initiatives aimed at easing national fiscal policies – mainly drawing on the experience of the 2009 financial crisis. The second phase, dubbed 'acting as a second-line defence', refers to the set of EU initiatives put in place by both using the available instruments and exploiting the existing legal provisions to create new instruments to financially support Member States in their efforts to immediately stabilise their economies. The third phase, named 'preparing the post-pandemic recovery' focuses on the NextGenerationEU package, its redistributive effects and its investment-led growth strategy.

The chapter is organised as follows. Section 1 is devoted to analysing the EU response to the Covid-19, while Section 2 looks briefly at the EU response to the Great Recession and the ensuing policy debate on EMU reforms. Section 3 draws conclusions on the nature of the current pandemic, discussing why we should consider it a step towards more solidarity in the EU.

1. The EU response to the pandemic crisis

The size of the national fiscal measures taken in response to the Covid-19 outbreak is unprecedented (European Fiscal Board 2020). In total, EU Member States adopted almost 1,300 fiscal measures worth about €3.5 trillion to mitigate the negative impacts of the Covid-19 crisis in the period from March to December 2020. These included discretionary expenditure and revenue measures, financial instruments, guarantees and tax payment measures.[2] While national governments have been at the forefront of the economic response to the pandemic crisis, they have not walked alone. European-level action has been significant, revolving around three pillars: (a) monetary and banking policies; (b) state aid and fiscal rules; and (c) budgetary and financial support measures

2. See footnotes 9 to 13 for more details on these measures.

(i.e. funding). This policy mix did not come all at once. We distinguish three phases in the EU response to Covid-19 which we term 'applying the lessons learnt' (Section 1.1), 'acting as a second-line defence' (1.2) and 'preparing the post-pandemic recovery' (1.3).

1.1 Applying the lessons learnt (first phase)

At the onset of the Covid-19 pandemic, priority was given to injecting liquidity into financial markets to prevent financial instability, provide income support to temporarily laid-off workers, support businesses (tax relief, credit lines) and strengthen the healthcare sector.

The European Central Bank was the first to intervene. Its action revolved around four main axes: (a) maintaining key interest rates unchanged;[3] (b) safeguarding liquidity conditions in the banking system through a series of favourably priced long-term refinancing operations and protecting the continued flow of credit to the real economy through a fundamental recalibration of the targeted longer-term refinancing operations (by providing a liquidity backstop);[4] (c) collateral policy to mitigate the tightening of financial conditions across the Eurozone;[5] and (d) asset purchase programmes aimed at supporting favourable financing conditions for the private and public sectors. With respect to the fourth point, on 18 March 2020 the ECB introduced the new temporary Pandemic Emergency Purchase Programme (PEPP) of €750 billion, subsequently increased to €1,350 billion on 4 June 2020 and to €1,850 billion on 10 December of the same year. Securities bought under the PEPP come on top of the net purchases under the Asset Purchase Programme (APP). Since November 2019, the average monthly pace of APP purchases was €20 billion. In March 2020 this was extended until the end of the year to purchases related to the extra temporary package of €120 billion.

Two days after the launch of the PEPP, the European Commission intervened with two Communications directed at easing the way for national policies, rather than designing an EU-level response. Presented on 19 March 2020, the aim of the first one, the 'Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak', was to enable Member States to use the full flexibility foreseen under state aid rules to support their economies in the context of the Covid-19 outbreak. Five types of interventions were initially allowed under the new temporary framework.

(i) Direct grants, selective tax advantages and repayable advances (up to €800,000 to a company to address its urgent liquidity needs).
(ii) State guarantees on loans taken out by companies from banks.
(iii) Subsidised public loans to companies with favourable interest rates, aimed at

3. Main refinancing operations: 0.00%; Marginal lending facility: 0.25%; Deposit facility: -0.50%.
4. Two measures need to be mentioned: (a) the reduced interest rate for TLTRO (Targeted Longer-Term Refinancing Operations) III outstanding operations from June 2020 to June 2021; and (b) the introduction of a new series of non-targeted Pandemic Emergency Longer-term Refinancing Operations (PELRO).
5. Measures in this area include the temporary increase in the Eurosystem's risk tolerance in order to support credit to the economy; easing the conditions for the use of credit claims as collateral (guaranteed loans to SMEs and the self-employed), the waiver to accept Greek sovereign debt instruments as collateral in Eurosystem credit operations and the general reduction of collateral valuation haircuts by a fixed factor of 20%.

helping businesses covering immediate working capital and investment needs.
(iv) Safeguards for banks that channel state aid to the real economy.[6]
(v) Short-term export credit insurance.

In the following months, three amending Communications[7] were adopted by the Commission. The first amended the initial Communication on the temporary State Aid framework with the aim of further facilitating Member State intervention in support of Covid-19 relevant research and development, the construction and upgrade of testing facilities for Covid-19 relevant products, and the production of products needed to respond to the outbreak. In addition, targeted support in the form of deferrals of payments of taxes and social security contributions and wage subsidies for employees was made possible. The second was aimed at supporting non-financial companies otherwise viable before the Covid-19 outbreak and which had experienced losses decreasing their equity and thus reducing their ability to borrow on the markets. In such cases, recapitalisation aid was allowed. Announced in June 2020, the third allowed Member States to provide public support to micro and small companies, under specific conditions, even if they were already in financial difficulty on 31 December 2019.

On 20 March 2020, the Commission published a second important Communication on the activation of the 'General Escape Clause' of the Stability and Growth Pact (SGP).[8] This allows a coordinated and orderly temporary deviation from the normal SGP requirements for all Member States in a situation of generalised crisis caused by a severe economic downturn of the Eurozone or the EU as a whole. The Commission's objective was to provide Member States with the flexibility needed to take all necessary measures for supporting health and civil protection systems and to protect the economies, including through further discretionary stimuli and coordinated action. The activation of the General Escape Clause allowed Member States to temporarily depart from the adjustment path towards the medium-term budgetary objective.

Fiscal measures adopted by Member States under the temporary state aid framework in 2020 amounted to €2.3 trillion. In absolute terms, Germany ranked first (€1,121.2 billion, 34% of GDP), followed by Italy (€415.3 billion, 25% of GDP), France (€399 billion, 17%) and Spain (€122.7 billion, 9%). As Figure 1 shows, the lion's share of the state aid measures consists of guarantees[9] (82% of total support measures). The remaining share is divided between discretionary expenditure[10] (6%), financial

6. Some Member States plan to build on banks' existing lending capacities and use them as a channel for support to businesses – in particular to small and medium-sized companies. The Framework made clear that such aid is considered as direct aid to the banks' customers, not to the banks themselves, and gives guidance on how to ensure minimal distortion of competition between banks.

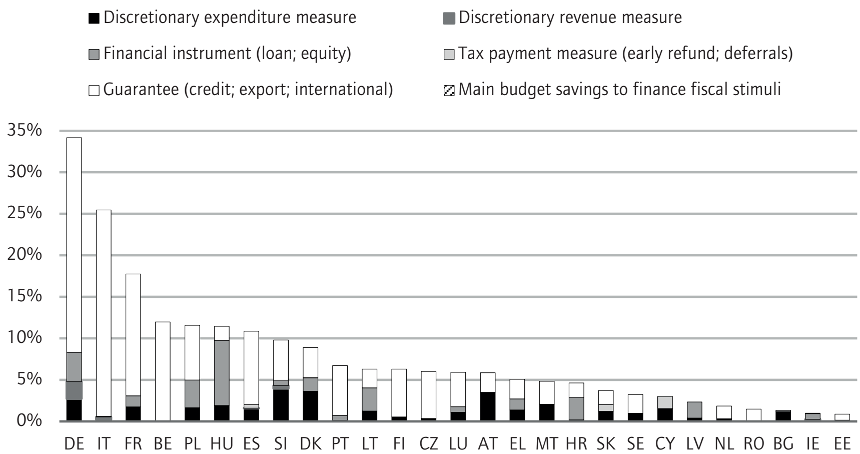
7. C(2020) 2215 final; C(2020) 3156 final; 2020/C 218/03.

8. Based on Articles 5(1), 6(3), 9(1) and 10(3) of Regulation (EC) 1466/97 and Articles 3(5) and 5(2) of Regulation (EC) 1467/97.

9. Guarantees aim to support the liquidity positions of companies through a promise from the government to repay the guaranteed debt in case of default. These measures have an indirect budgetary impact, as the guarantees are not supposed to be used. The guarantees come under three detailed classifications: i) national credit guarantees, ii) national equity guarantees, and iii) international guarantees (e.g. SURE).

10. The general objective of discretionary expenditure measures is to increase aggregate demand by increasing public spending. These measures have a direct budgetary impact, increasing government spending. They include, for instance, measures to support employment (i.e. furlough schemes), the incomes of enterprises and households, and the healthcare sector.

Figure 1 **Fiscal measures adopted under the temporary state aid framework (% GDP)**



Source: CEPS Authors' elaboration based on European Commission (2021a).

instruments[11] (8%) and discretionary revenue measures (3%).[12] The large share of guarantees might lead to a misleading interpretation of the relative budgetary effort of Member States. Guarantees indeed only have a budgetary impact when a debtor is unable to repay a loan.[13] A better indication is provided by discretionary expenditure and revenue measures, both of which have an immediate budgetary impact. Based on this metric, Austria ranks first, with discretionary measures exceeding 5% of GDP, followed by Germany, Slovenia and Denmark. All these countries had larger margins for fiscal intervention.

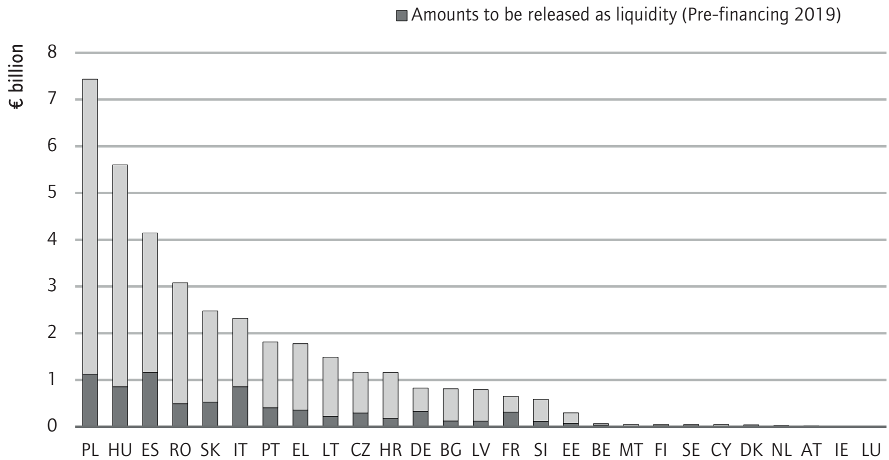
The activation of the General Escape Clause allowed Member States to intervene regardless of their room for fiscal manoeuvre under the SGP rules and in relation to their debt levels. This turned out to be particularly important for highly indebted countries. As a matter of fact, it was those countries with the highest pre-Covid debt burden which experienced the largest increase in the debt-to-GDP ratio. In Greece, Italy and Spain, this ratio rose by more than 20 percentage points, driven by large fiscal deficits and, above all, major GDP contractions. Under the normal SGP framework, such increases would not have been possible. In 2020, the Eurozone average ratio increased by 15 percentage points, going up to 100%.

11. Financial instruments aim to support the liquidity position of enterprises through loans or equity injections. These measures primarily have an indirect budgetary impact as the loans and equity injections should ultimately be repaid and the interest covered. Financial instruments include loans and equity injections.

12. The general objective of discretionary revenue measures is to increase aggregate demand by lowering or suspending taxes. These measures have a direct budgetary impact, lowering government revenues. These include tax rate cuts and tax payment relief.

13. The difference between budgeted amounts and those implemented is particularly large for credits and guarantee schemes. It is therefore important to distinguish between the total amounts 'budgeted' or 'planned', the amounts actually guaranteed and the amount of credits or guarantees called by potential beneficiaries. The latter indicates the actual take-up of the guarantees' schemes and gives us an idea of the use made of guarantee schemes so far.

Figure 2 **Resource distribution under CRII (€ billion)**



Source: Authors' elaboration, based on European Commission (2020).

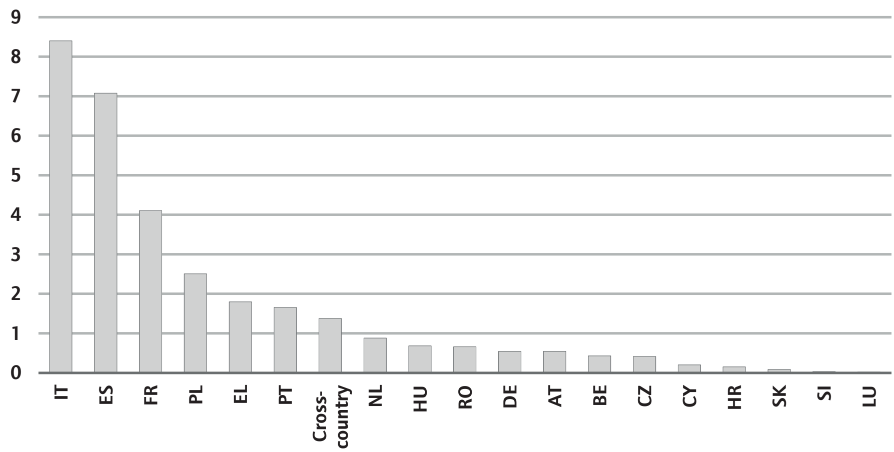
1.2 Acting as a second-line defence (second phase)

While temporary changes to the EU fiscal framework and state aid regulations provided a backstop for immediate Member State relief efforts, the lack of an EU fiscal capacity significantly constrained the margins for manoeuvre of the EU shock absorption response. Not benefiting from a shock absorption capacity, the EU budget lacks the flexibility to promptly redistribute resources to Member States in need. Even so, the EU was able to use existing resources and instruments to put in place *ad hoc* measures to support Member States in tackling the immediate effects of the pandemic.

The first set of measures included two packages,[14] the Coronavirus Response Investment Initiative (CRII)[15] and the CRII Plus.[16] These aimed to use the (modest) flexibility in the EU budget to support Member States health systems and firms facing liquidity constraints. Overall CRII and CRII Plus had the potential to mobilise €37.3 billion of European public investment (Figure 2): an upfront cash injection capacity of around €7.9 billion (including €0.2 billion for the UK) coming from the unspent pre-financing of EU cohesion funds that Member States would normally repay to the EU budget by the end of June 2020, and €29.4 billion (including €0.3 billion for the UK) of co-financing from the EU budget.

14. Two further measures were adopted. First, the European Emergency Support Instrument with a total budget of 2.7 €billion, which was used to secure the production of vaccines in the EU and sufficient supplies for its Member States through Advance Purchase Agreements with vaccine producers. Second, in March 2020, the Commission changed the regulation of the European Solidarity Fund with the aim of broadening its scope to include major health emergencies.
15. Adopted on 13 March 2020.
16. Adopted on 2 April 2020.

Figure 3 **Amounts of EIB Covid-19 projects (€ billion)**



Source: Authors' elaboration, based on EIB data. https://bit.ly/3yxClwW

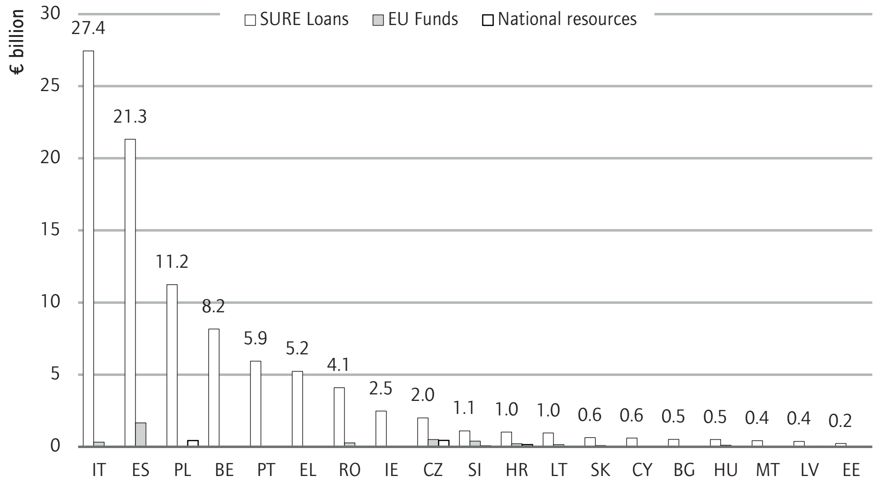
As of 30 June 2021, more than one year after the outbreak of the pandemic, only around 61% of the earmarked CRII and CRII Plus financial support has been used by Member States: €7.6 billion for health-related actions, €11.2 billion for actions directed to businesses and €4.1 billion for direct support for people, including workers and vulnerable groups.[17]

The reason for this slow take-up is intrinsic to the nature of the financial support, requiring Member States to ask for an amendment of their national or regional operational programmes, in line with the procedures governing the EU Structural and Investment Funds. With respect to the possibility to ask for a 100% EU financing of structural funds, the Member States set to benefit most from the flexibility are Hungary, Croatia, Portugal and Slovakia. To sum up, even though the flexibility of the structural funds allowed some Member States to benefit from liquidity support, the CRII and CRII Plus contributed – at most – to a sectoral reallocation of structural funds but not to a reallocation across Member States.

The second set of measures built on the experience of the Juncker Plan.[18] Together with the European Investment Bank, the Commission presented in April 2020 a plan consisting of:

17. Data is retrieved from the European Commission CRII Dashboard. https://bit.ly/3F0RpFJ
18. The Juncker Plan, i.e. the European Fund for Strategic Investments (EFSI), was the infrastructure investment programme first announced by European Commission President Jean-Claude Juncker in November 2014 with the aim of unlocking public and private investments in the 'real economy' to the tune of at least €315 billion over a three-year fiscal period (January 2015–December 2017). In December 2017, the Council extended the EFSI until December 2020, targeting half a trillion euros of additional investments.

Figure 4 **SURE loans, EU funds and national financing to support STW schemes and similar measures (€billion)**



Source: CEPS calculations based on Council implementing decisions. https://bit.ly/3dSO80L

i) €1 billion dedicated guarantee schemes under the COSME Loan Guarantee Facility, and €2.2 billion, under the InnovFin SME Guarantee, for banks and other lenders to provide liquidity to SMEs and mid-caps;
ii) €5 billion dedicated liquidity lines to banks from the EU Programme Loan Response to Covid19 crisis for SME&MIDCAPS with the aim of ensuring additional working capital support for SMEs and mid-caps of up to €10 billion; and
iii) €2 billion dedicated asset-backed securities (ABS) purchasing programmes from the EU Programme Loan ABS Response to Covid19 crisis for SME&MIDCAPS to allow banks to transfer risk on portfolios of SME loans.

In addition, the Commission and the European Investment Bank (EIB) announced a €5 billion pipeline – under the InnovFin Infectious Disease Finance Facility – for projects in the health sector.

Finally, on 23 April 2020 the European Council agreed on the creation of a new instrument, the €25 billion European Guarantee Fund (EGF), enabling the EIB to issue special guarantees to incentivise banks and other lenders to provide liquidity to European SMEs and small mid-cap companies hit by the economic impact of the coronavirus pandemic.

To sum up, the EIB intervention put in place almost €40 billion guarantees aimed at mobilising up to €233 billion in investments across the EU. About €14 billion comes from already existing programmes redirected to support Covid-19-related projects, while €25 billion is new.

Table 1 **Key statistics of the SURE borrowing transactions**

Transaction	Tranche	Size of the bond (€)	Yield	Total investor demand (€)	Beneficiaries
20.10.2020	20 years	7 billion	0.131%	88 billion	IT, ES, PL
	10 years	10 billion	–0.238%	145 billion	
10.11.2020	5 years	8 billion	–0.509%	105 billion	CY, EL, ES, HR, IT, LT, LV, MT, SI
	30 years	6 billion	0.317%	70 billion	
24.11.2020	15 years	8.5 billion	–0.102%	114 billion	BE, HU, PT, RO, SK
26.01.2021	7 years	10 billion	–0.497%	83 billion	BE, CY, EL, ES, HU, IT, LV, PL, SI
	30 years	4 billion	0.134%	49 billion	
09.03.2021	15 years	9 billion	0.228%	86 billion	CZ, ES, HR, IT, LT, MT, SK
23.03.2021	5 years	8 billion	–0.488%	54.5 billion	BE, CZ, ES, IE, IT, PL
	25 years	5 billion	0.476%	55 billion	
18.05.2021	8 years	8.137 billion	0.019%	59.3 billion	BE, BG, CY, EE, EL, ES, IT, LT, LV, MT, PT,
	25 years	6 billion	0.757%	43.5 billion	

Source: Data compiled by CEPS based on Commission technical note.

As of 30 April 2021, 162 projects have been presented: 17 are under appraisal at the time of writing (€2.2 billion), 90 have been signed (€18.5 billion) and 53 have been approved (ca. €12 billion). Italy is the country so far benefiting the most from the EIB intervention, followed by Spain, France and Poland (see Figure 3).

Finally, on 2 April 2020 the Commission proposed the establishment of a European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) to provide temporary financial assistance to Member States to address severe increases in public expenditure for the preservation of employment.[19] Funds can be used for creating or extending short-time work schemes and similar national measures taken in response to Covid, including for self-employed persons. The SURE Regulation empowers the Commission to borrow on financial markets by issuing EU bonds, worth up to €100 billion. The loans extended to Member States are underpinned by a system of voluntary guarantees from Member States, and amounting to at least €25 billion.

SURE became formally available on 22 September 2020, after all the Member States had provided their guarantees. In the meantime, 16 Member States[20] had submitted their requests for loan support, and the Commission formally presented the Council implementing decisions in August for a total of €87.3 billion in financial support, which was granted. Three additional countries requested and obtained access to SURE

19. For an extensive discussion on SURE, see Corti and Alcidi (2021) and European Commission (2021c).
20. BE, BG, CY, CZ, EL, ES, HR, IT, LT, LV, MT, PL, PT, RO, SI, SK.

loans for €3.3 billion.[21] Furthermore, in March 2021, the Commission proposed to the Council to grant an additional €3.7 billion in financial assistance to six Member States, which already received the loan support.[22] Approval of the implementing decisions increased the total SURE loan granted to €94.3 billion. 5% of financial assistance has been allocated to health-related measures, with the remainder going to employment protection measures. Italy has received the largest share of the loans, followed by Spain, Poland and Belgium (see Figure 4). For those Member States requesting the support, the total amount requested covered almost all the current and planned expenditure.

From the perspective of highly indebted countries, for which raising additional debt may be an issue, the SURE loans are financially attractive. As an example, the 10-year SURE bonds are placed at the negative interest rate of -0.24%, the 20-year ones at 0.13%. Comparable Italian long-term government bonds (*Buoni Poliennali del Tesoro* – BTPs) pay 0.72% and 1.25% respectively. Assuming that interest rates remain unchanged for the entire period of the loan and that the bonds issued by the Commission remain equally distributed (60% at ten years, 40% at twenty years), the accumulated savings in terms of lower interest rates for Italy would amount to approximately €4.36 billion. A further attractive element is the very long maturity of the issuances, on average 16.25 years, a level difficult for small countries to achieve. This explains why SURE loans are attractive not only for countries with high public debt (such as Italy, Spain and Belgium), but also for those with a small local debt market which, despite their low debt-to-GDP ratio, have requested SURE support (e.g. Bulgaria, Estonia).

In terms of interest savings, according to the European Commission (2021c) report[23] based on data for the first four issuances of SURE, up to the disbursement on 2 February 2021, Member States are estimated to have saved a total of around €5.8 billion in interest payments thanks to the EU's more favourable borrowing conditions.

The last measure came from the ESM. On 15 May 2020, a new ESM credit line, the Pandemic Crisis Support, became operational. Based on its Enhanced Conditions Credit Line (ECCL), it is available to all Eurozone countries and worth up to 2% of a borrower's 2019 GDP (i.e. €240 billion, should all 19 Eurozone countries draw from the credit line). It reflects current challenges, on the basis of preliminary assessments by the European institutions (Commission and ECB together with the ESM). The only requirement to access the credit line will be that Eurozone Member States requesting support commit to use this credit line to support domestic financing of direct and indirect healthcare, cure and prevention-related costs due to the Covid-19 crisis. The credit line will be available until the end of 2022. Despite the low conditionality, no request has yet been submitted. This may partly reflect perceptions among Eurozone Member States that the ESM is a lender of last resort whose loans are subject to strict conditionality, or the stigma often associated with ESM loans.[24]

21. Hungary (€504 million, formally granted on 23 October 2020), Ireland (€2.5 billion formally granted on 4 December 2020) and Estonia (€230 million formally granted on 24 March 2021).
22. These countries are Belgium, Cyprus, Greece, Latvia, Lithuania and Malta.
23. The report ran its estimations based on only the first four transactions.
24. As a consequence of this, discussions started on the future of the ESM and the proposal for an incorporation of the ESM into a revamped EU legal order. For a discussion, see Guttenberg (2020).

1.3 Preparing the post-pandemic recovery (third phase)

While a broad consensus has developed – since the beginning of the Covid-19 pandemic – on the need for the EU to intervene to support Member States in their post-pandemic recovery, a lively debate has arisen on how to design the EU financial response. The academic debate revolved around four main issues (Bénassy-Quéré and Weder di Mauro 2020).

The first issue was about whether and which strings should be attached to a potential European recovery plan. The concern regarded the risk of moral hazards possibly stemming from a misuse of such assistance.

The second issue related to the use of loans as opposed to grants. This touches upon both the legal constraints that allow the EU to provide only back-to-back loans to a Member State in case of 'natural disasters or exceptional occurrences beyond [its] control' (Art. 122 TFEU), and the risk of further increasing indebtedness when providing loans to an already indebted country (Gros 2020).

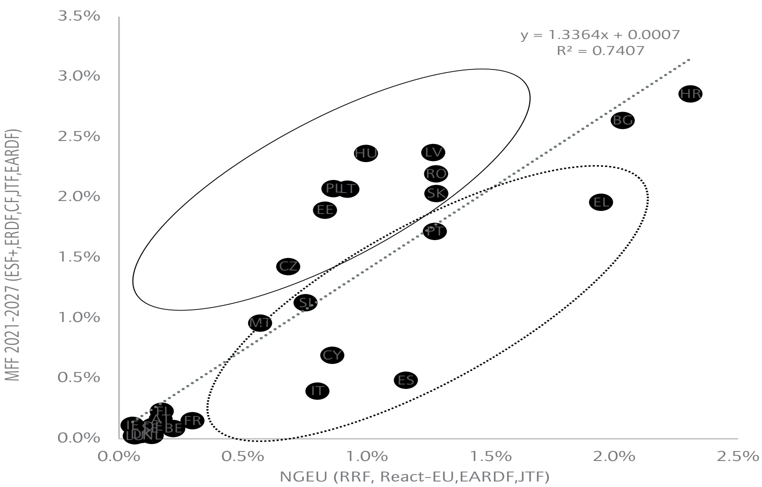
The third issue regarded the vehicle through which to finance the EU response: European versus joint and/or several liabilities. In the first case, the Commission is enabled to borrow on behalf of the EU by issuing new bonds guaranteed by future higher contributions to the EU budget. In the second case, the new European debt is backed either by new own resources, as a joint and several guarantee (Eurobonds or Coronabonds), or by limited (capped) guarantees from the Member States (i.e. several, but not joint guarantees).

Finally, the fourth issue concerned EU own resources and how to generate tax revenue to finance the recovery. Various proposals have been advanced, ranging from a new carbon tax, via a digital tax, to the common corporate consolidated tax. As yet, no consensus has been achieved.

Some of these proposals fuelled a lively political debate, especially in the first months of the crisis when the old dividing line between core and periphery within the Eurozone appeared to reopen. On the one hand, governments in fiscally sound countries were initially reluctant to concede on their red lines concerning transfers and common debt. On the other hand, weaker, southern Eurozone member countries, which considered the ESM to be inadequate and politically toxic, were concerned that their limited fiscal capacity would not allow them to support their economies and felt that the opposition to common debt issuance was not justified in the context of the life-threatening crisis.

However, on 23 April 2020 the European Council agreed in principle on a 'Roadmap to Recovery' and on establishing a new fund 'of a sufficient magnitude, targeted towards the sectors and geographical parts of Europe most affected, and dedicated to dealing with this unprecedented crisis' (European Council 2020). The European Commission was asked to develop a proposal on how to use this recovery fund. In the meantime, France and Germany published a proposal on 18 May for a €500 billion fund to help EU

Figure 5 **Annualised MFF 2021-27 and NGEU grants (% of 2020 GDP)**



Source: Authors' elaboration, based on European Commission. We assume that the NGEU funds will be distributed over a period of six years (2021-2026) while the MFF over seven years (2021-2027).

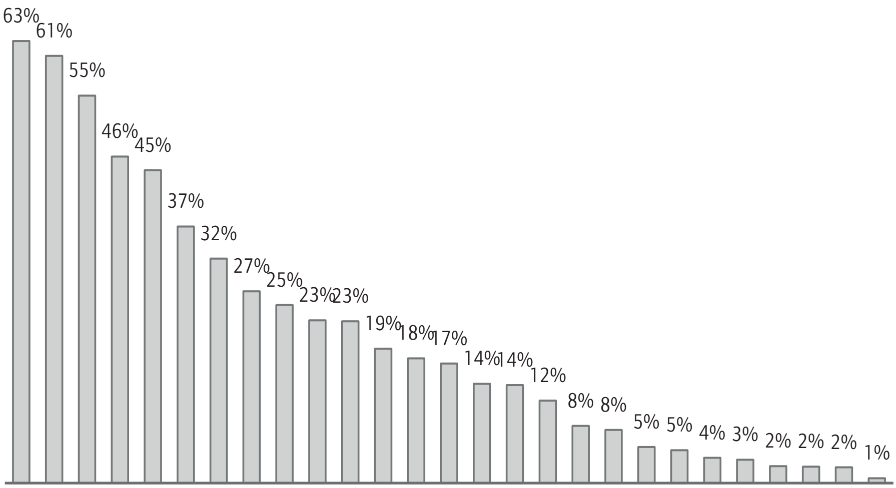
Member States finance the recovery effort, with funding ensured through the issuance of common EU bonds. On 27 May 2020 the Commission presented its proposal for the next Multiannual Financial Framework (MFF) 2021-2027. In conjunction with this, it launched its NextGenerationEU initiative with the aim of supporting and coordinating EU economic recovery in the years to come.[25]

The agreement of the European Council concerning NextGenerationEU of July 2020 has been welcomed by many commentators as something of a 'Hamiltonian moment' for the EU. For the first time, the EU will raise money by temporarily lifting the maximum amount that the EU can request from Member States to cover its financial obligations to 2.0% of Gross National Income for the EU. The associated European debt, which has a long-term maturity, will be guaranteed by the next MFFs and will have to be repaid (including interest) by means of increases in the revenues of these same MFFs, but also through the introduction of new own resources and, for the component relating to the loans, by the payment of financial charges and reimbursement made by the beneficiary countries.

The NGEU package contains various measures to support Member State efforts in tackling the pandemic, to further strengthen already existing programmes and to support countries' recovery.[26] However, the key novelty of the NextGenerationEU (NGEU) instrument is certainly the Recovery and Resilience Facility (RRF), endowed with resources of €672.5 billion, equivalent to almost 90% of the entire NGEU initiative

25. For an extensive discussion of the political debate underpinning NGEU, see De la Porte and Jensen (2021).
26. See Table A1 in the Annex for an overview of the funding allocated by NGEU to these funds.

Figure 6 **Annualised RRF allocation (grants): ratio to general governments' gross fixed capital formation (average 2016-19)**



Source: Authors' calculations, based on European Commission and AMECO. We assume the RRF grants will be distributed over a six-year period (2021-2026).

(Corti and Nunez-Ferrer 2021). The RRF provides large-scale financial support to reforms and investments undertaken by Member States, with the aim of mitigating the economic and social impact of the coronavirus pandemic and of making EU economies more sustainable, resilient and better prepared for the challenges posed by the green and digital transitions. The scope of the RRF is thus broad, as its core objective is to support Member States in addressing the challenges identified in the European Semester in areas such as competitiveness, productivity, environmental sustainability, education and skills, health, employment, and economic, social and territorial cohesion.

Contrary to what one may have expected, the criteria for distributing the RRF grant components are not based on the depth of the economic (GDP contraction) and social shock (unemployment increase). Allocation is mainly based on the pre-crisis structural conditions of Member States (i.e. population, the 2019 per capita GDP, and 2015-2019 average unemployment rate compared to the EU average) and privileges countries with a lower GDP, higher unemployment rate and larger population.[27] Because of this, the RRF has a strong re-distributive component favouring southern and Central and Eastern Europe economies. These are the same countries that are also expected to request NGEU loan support, not only grants, as was already the case under SURE.

27. With the Council agreement of July 2020, this allocation key was maintained for the first instalment of the RRF grants, equal to 70% of the total (to be committed by end of 2022), while for the remaining 30% which is to be committed by the end of 2023, the 2015-2019 unemployment criterion is replaced, in equal proportion, by the loss in real GDP observed over 2020 and by the cumulative loss in real GDP observed over the period 2020-2021 and will be calculated by 30 June 2022.

The second most important NGEU component is React-EU, accounting for around 6.3% of the total NGEU envelope. React-EU will involve investments to support job maintenance, including short-time work schemes and support for the self-employed, as well as investments in operations contributing to preparing the transition to a green and digital economy. Contrary to the RRF allocation key, React-EU funds will be largely distributed in accordance with Member States' GDP contraction and only marginally to reflect increases in unemployment. This notwithstanding, React-EU again maintains a strong redistributive component in favour of Southern and Central and Eastern Europe Member States.

Looking solely at the grant component, total NGEU support to individual Southern and Central and Eastern Europe Member States could reach as much as 2.5% of domestic GDP each year over the period 2021-26 (see Annex I). One should remember that NGEU resources will top up the traditional EU transfers from the next MFF 2021-27. This means that countries that are the biggest beneficiaries of Structural and Investment funds, and thus set to receive significant support from the Just Transition Fund and the European Agricultural Fund for Rural Development, will also receive large additional funds under the NGEU.

All in all, Southern and Central and Eastern Europe Member States will have to absorb between 2% and 5% of GDP from the NGEU and the MFF funds every year until end of 2026. Interestingly, MFF funds will continue to be directed mostly to Central and Eastern Europe Member States, whereas the NGEU will prioritise southern countries (see Figure 5).

The level of resources is considerable by any metric (Alcidi et al. 2020). However, the amounts are even more considerable when one considers the final purpose of the RRF grants and loans, i.e. financing additional public investments. Figure 6 below shows the annualised RRF grants as a percentage of annual public investments, considering as a reference the average (2016-2019) general governments' gross fixed capital formation. What emerges is that, under the assumption of a 100% absorption rate[28] and full additionality, annual public investments for Bulgaria, Portugal and Croatia can be expected to increase over the next six years by circa 60%. For eight other countries, investment would increase by 20% to 46%.

2. Understanding policy learning

As illustrated above, in the face of the spread of the Covid-19 pandemic, European policymakers were able to draw on the lessons learned from the previous crisis. In the following, we briefly recollect the main steps that unfolded after the outbreak of the

28. As argued in Alcidi et al. (2020), how quickly a country absorbs EU funds usually depends on its capacity to identify and implement projects in line with the national operational programme agreed with the Commission. Based on previous experience, absorption rates are very high – close to 95% of the allocated funds –, but delays are the rule rather than the exception. Most of the time, funds are fully absorbed only three years after the end of the programming period. A quick look at the Multiannual Financial Framework 2014-2020 shows that Southern and Central and Eastern Europe countries have the lowest absorption rates, in some cases using just one third of the total funds allocated.

Great Recession in 2008, looking at the institutional and ideational change that has occurred over the past decade. Our aim here is to better understand to what extent the European response to Covid-19 represents a step forward towards a more solidaristic approach.

2.1 The EU response to the financial crisis (2009-2014)

In the course of late 2009 and early 2010, when Greece became the focal point of financial markets' attention because of its very large budget deficit and high public debt, the EU institutions were not equipped to come up with a common and coordinated response to the deepening Great Recession. EMU economic governance was based on five key principles: a centralised monetary system, a no-bailout clause, sound public finance rules, no sovereign default and price stability. The ECB was prohibited from buying sovereign bonds in the primary market. No common automatic stabilisation mechanism was in place to cushion the effects of asymmetric shocks. It was assumed that fiscal rules would prevent fiscal shocks and that labour market flexibility would serve as shock absorber. A sovereign debt crisis was not contemplated in the monetary union construct (Gros 2019) and no banking supervision was foreseen at European level. Hence, the EMU had no rescue mechanisms for banks or states.

With the onset of the financial crisis, the weaknesses of the EMU structure and governance came to the fore. The EU response to the crisis was slow and hampered. The European institutions interpreted the crisis as a consequence of insufficient budgetary surveillance, lack of attention to macro-economic imbalances, mis-targeted surveillance of competitiveness, and insufficient alertness to the stability of the entire currency area and deficient enforcement, as the credibility of the sanctions in the Eurozone had already been undermined before (European Commission 2009). As such, the first measures adopted by the European institutions had the primary objective to detect and correct macroeconomic imbalances (notably, through the Six-pack, Two-pack and EuroPlus Pact[29]) and to better coordinate domestic economic and fiscal policies (through the European Semester). In 2012, the Single Supervisory Mechanism was established for supervising banks throughout the Eurozone. This was the first pillar of the Banking Union.

A few days after the Greek bailout, the European Financial Stability Facility (EFSF) was created as a temporary crisis resolution mechanism. In 2012, it was converted into a permanent mechanism, the European Stability Mechanism. Between 2010 and 2012, five Eurozone countries in financial distress requested emergency assistance. In all cases, with some degree of difference, the financial assistance was accompanied by strict conditions. In the case of Greece this was perceived as a punishment rather than a manifestation of EU solidarity. In addition to the toxic political aspect, one possible explanation for this is that the Greek bail-out programme was essentially agreed to

29. At the same time, in 2012, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, also known as Fiscal Compact, was signed as an intergovernmental treaty by all EU Member States, except the Czech Republic and the United Kingdom.

protect the monetary union against instability arising from one Member State, rather than helping that Member State in difficulty. From this perspective, the solidarity element was only a by-product, not the driver of the support.

In addition, before the crisis erupted, the ECB supported the mantra that 'lower deficits are good'. In the first years of the crisis, with Jean-Claude Trichet at the helm, the ECB raised interest rates twice, in 2008 and 2011, in a macroeconomic situation that was more deflationary than inflationary. Furthermore, the ECB promoted the necessity of structural adjustment and, based on the principle of internal devaluation, advocated labour market flexibility to increase the adjustment capacity of Eurozone Member States.

The ECB turnaround in the approach to protect the EMU integrity happened in 2012. President Mario Draghi's 'whatever it takes' vow to save the euro[30] and the subsequent announcement of the Outright Monetary Transactions (OMT) programme were followed by an immediate decline of sovereign bond spreads, restoring stability throughout the monetary union.

Overall, the Eurozone crisis uncovered the fundamental weaknesses of the Economic and Monetary Union design. The first reaction to the Greek sovereign debt crisis can be seen as a textbook application of the Optimum Currency Area (OCA) theory[31] recipe: in the absence of a central fiscal capacity, the response to an asymmetric fiscal shock requires internal devaluation and fiscal consolidation. More in general, the Stability and Growth Pact, and its revisions, limited the room of national governments for more expansionary fiscal policies. Even though significant efforts were made to set up new institutional mechanisms, from the new fiscal framework, via the Banking Union, to the safety net for sovereign debt (ESM), the EU reaction was slow, while the EMU architecture remained incomplete and largely reflected the ideational framework informing the design itself of the EMU.

2.2 The debate on the reform of the EMU (2015-2019)

On the eve of the 2014 European election, the sluggish economic recovery, mounting dissatisfaction with the European Union and the steady rise of Eurosceptic parties across Europe put the European project in political jeopardy. Many scholars started questioning the austerity recipe adopted to put countries on a sustainable growth path. Net public investment (which accounts for capital depreciation) collapsed after the crisis, especially in Southern Europe, with a consequent decay in the public capital stock. Italy is a case in point, with net investment there consistently negative since 2012 (it was around 0.5% of GDP in the previous decade). A similar path can be observed in Spain, Greece and Portugal. Consolidation measures resulted in larger than expected economic slumps in the Eurozone periphery, leading to a deep recession which worried

30. For the full speech, see Draghi, M. (2012) Speech by Mario Draghi, President of the European Central Bank at the Global Investment Conference in London, 26 July. https://bit.ly/3m6T2Kx
31. R.A. Mundell, 'A Theory of Optimum Currency Areas', American Economic Review, November 1961.

markets instead of reassuring them. In Greece, the first country to enter the economic adjustment programmes, the cost of such a long and deep recession had persistent financial, economic, social and political consequences.

Against this background, in 2015 the ECB launched its first asset purchase programme (APP), addressing the risks of a prolonged period of low inflation. The APP extended the ECB's existing programmes of private-sector asset purchases to include purchases of sovereign bonds. Since its launch it has significantly and persistently reduced sovereign yields on long-term bonds.

At the same time, from 2015 onwards, the Semester was marked by a progressive shift of the Commission's approach towards a more flexible interpretation and implementation of the EU fiscal rules that justified temporary deviations from the Medium-Term Budgetary Objectives (MTOs) or the path towards them.

In 2016 the Commission issued a Communication *Towards a Positive Fiscal Stance for the Eurozone*,[32] setting out the case for a more expansionary fiscal policy to support aggregate demand. Finally, in the 2018 Semester cycle, the Commission introduced a further element, the so-called 'margin of discretion' (EFB 2019: 17, 20), according to which the Commission can reduce a country's required fiscal adjustment when economic recovery is fragile.

The progressive erosion of the fiscal discipline paradigm was further driven by an equally important path-shifting macroeconomic reorientation. In February 2015, the Five Presidents' Report included the idea of automatic fiscal stabilisers at EU level, to be activated in the case of large macroeconomic shocks (European Commission 2015). Two years later in the Commission Reflection Paper on the Deepening of the Economic and Monetary Union (European Commission 2017), three options for a macroeconomic stabilisation function for the Eurozone were floated, including a European Unemployment Reinsurance Scheme. While this idea gained partial support in the European Parliament and later in the ECB, the process was far from being linear and has not yet been politically codified outside Brussels. Similarly, at the onset of the pandemic, the Banking Union was incomplete, notably lacking a common European Deposit Insurance Scheme (EDIS), while the EMU still has no common fiscal capacity.

To sum up, the EU entered the pandemic crisis in an institutional and ideational context substantially different from that of the financial crisis. On the institutional side, the EU was better prepared and disposed of manifold tools to – at least partially – face a crisis. On the ideation side, the austerity paradigm was eroding. Two months before the outbreak of the pandemic, the Commission issued a Communication[33] in which it listed the limits of current EMU economic governance, including the lack of a common fiscal capacity, the lack of fully-fledged counter-cyclical policies, little attention paid to public investments (low use of the flexibility clause), strong attention paid to annual fiscal adjustment and compliance assessment at the expense of long-term budgetary

32. COM(2016) 727 final.
33. COM(2020) 55 final.

planning. In addition, the Communication highlighted the insufficient differentiation between Member States' different fiscal positions and sustainability risks (the one-size-fits-all approach), the Macroeconomic Imbalance Procedure's (MIP) focus on current account deficits but not on current account surpluses, and the overall weak interaction between the EMU macroeconomic surveillance mechanism and emerging economic (e.g. climate change and environmental pressure) and social challenges.

3. Towards a more solidaristic EU?

The EU response to the financial crisis can be dubbed 'contain and prevent'. Most measures were aimed at containing at all costs the risk that idiosyncratic shocks arising in individual Member States would spill over to other countries, putting the whole monetary union construction at risk. Other measures were aimed at designing institutional reforms and tools that could prevent a similar-natured crisis. The preservation of the integrity of the monetary union was the overarching and underlying objective of most measures, not leaving much room for solidarity. On the contrary, it gave rise to many internal divisions, discord and social discontent. As public expenditure accounts for large parts of national budgets, fiscal consolidation unavoidably translated into lower public investment and welfare retrenchment.

While four (plus Spain) Eurozone countries were bailed out and received hundreds of billions of euros in financial assistance from the other Eurozone partners, no solidarity was seen. The conditionality attached to the assistance did not leave space for ownership of the changes adopted or for a proper dialogue with local institutions. Furthermore, the political discourse around the assistance was somewhat built on a judgemental and 'punitive' sentiment, distorting narratives, poisoning relations among Member States and undermining trust in EU institutions.

By contrast, since the onset of the Covid crisis, despite some political tensions and initial opposition from a group of Member States (the so-called Frugal Four), solidarity appeared a key underlying feature of the EU response. This may signal an important lesson learnt. But the difference goes beyond this. Annus horribilis 2020 ushered in the unthinkable. The European welfare state resurfaced as the newly praised hero to tackle the consequences of the pandemic. Covid-19 has strengthened the political salience of public health, social security, poverty relief, work-life balance, lifelong learning and macroeconomic stabilisation as collective goods. This was also reflected in the swift EU intervention to support Member States' fiscal efforts in preserving employment, strengthening their healthcare systems and cushioning the social consequences of the crisis.

How to make sense of this decisive watershed?

As argued at the beginning of this chapter, the pandemic nature of the crisis made the debate about a common EU response easier. Covid-19 constituted an immediate existential threat to health in nearly every country, spurring a collective assessment of values and aspirations. The lack of reckless creditors or reckless debtors allowed

EU policymakers to pursue an alternative policy agenda, without precedent in terms of speed, size and time horizon. Yet – as discussed by Hemerijck and Corti (2021) – the existential nature of the crisis alone cannot explain the EU response. While the experiential legacy of the Great Recession left EU institutions better equipped to face a second crisis (though of a different nature), the European Commission and the ECB in particular had learned from past errors.

All in all, the combination of existential crisis and experiential learning led EU policymakers, with the Commission and the ECB at the helm and with strong support from the European Parliament, to adopt a more solidaristic approach to respond to the Covid-19 crisis. Four main innovations can be identified.

The ECB was the first to innovate by lending at a rate below the deposit rate and to announce the new Pandemic Emergency Purchases Programme (PEPP), a flexible instrument compared to the usual ECB capital keys approach.

The second innovation was the resort to so-called 'social bonds' to finance projects and initiatives which aim to achieve greater social benefits. A case in point is SURE, a programme explicitly allowing EU borrowing to support public expenditure on short-time work schemes and similar measures to preserve employment.

The third innovation regarded the temporary suspension of the Stability and Growth Pact rules through the activation of the General Escape Clause, at a very early stage of the crisis. This allowed Member States to do 'whatever it takes' to tackle the impact of the pandemic.

Fourthly and more importantly, the EU Covid response broke a major taboo: the issuance of common EU debt. EU borrowing is being used to provide loans to support Member States' expenditure for short-time work schemes (under SURE) and will finance loans and grants under the long-term recovery strategy (RRF).

That said, while the EU response to the pandemic has certainly evidenced a shift from ex-post to ex-ante solidarity (Gros et al. 2021), this has not (yet) been accompanied by progressive steps to strengthen the institutional framework of the Eurozone. This remains formally unchanged. While the Eurozone still lacks its own fiscal capacity, the crisis set a precedent in terms of common fiscal effort in times of exceptional needs. Put differently, while Eurozone governance has not changed, its politics – at least in Brussels and Frankfurt – have been transformed. For this transformation to be completed, political codification outside Brussels and Frankfurt is needed. However, this requires political consensus to be gained in national capitals. In this respect, strategic consensus between Brussels and Frankfurt cannot seal a paradigm change for the EU as a whole. Member State governments have to come round half-way.

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Annex

Table A1 **NGEU and MFF 2021-2027 allocation per Member State**

	NextGenerationEU					MFF 2021–2027					
	RRF (€bn)	React-EU (€bn)	EARDF (€bn)	JTF (€bn)	NGEU grant % GDP annua-lised	ESF Plus (€bn)	ERDF (€bn)	CF (€bn)	JTF (€bn)	JTF (€bn)	Δin%
Belgium	5.6	0.2	0.0	0.1	0.2%	1.0	1.0		0.1	0.5	0.1%
Bulgaria	5.8	0.7	0.2	0.7	2.0%	2.3	5.1	1.5	0.5	1.8	2.6%
Czechia	6.5	1.2	0.2	0.9	0.7%	2.4	9.3	7.4	0.6	1.7	1.4%
Denmark	1.4	0.2	0.1	0.0	0.1%	0.1	0.1		0.0	0.5	0.0%
Germany	23.6	1.8	0.7	1.3	0.1%	5.8	9.7		1.0	7.0	0.1%
Estonia	0.9	0.2	0.1	0.2	0.8%	0.4	1.5	1.0	0.1	0.6	1.9%
Ireland	0.9	0.1	0.2	0.0	0.1%	0.5	0.4		0.0	2.0	0.1%
Greece	16.5	2.1	0.3	0.4	1.9%	5.2	10.2	3.5	0.3	3.6	2.0%
Spain	64.2	12.7	0.7	0.5	1.2%	9.9	20.9		0.3	6.9	0.5%
France	36.3	2.9	0.8	0.5	0.3%	5.9	8.0		0.4	9.4	0.1%
Croatia	5.8	0.7	0.2	0.1	2.3%	1.8	4.7	1.4	0.1	1.9	2.9%
Italy	63.7	14.4	0.8	0.5	0.8%	12.9	23.6		0.4	8.7	0.4%
Cyprus	0.9	0.1	0.0	0.1	0.9%	0.2	0.4	0.2	0.0	0.2	0.7%
Latvia	1.8	0.3	0.1	0.1	1.3%	0.6	2.2	1.2	0.1	0.8	2.4%
Lithuania	2.1	0.3	0.1	0.1	0.9%	1.0	3.1	1.6	0.1	1.3	2.1%
Luxem-bourg	0.1	0.1	0.0	0.0	0.1%	0.0	0.0		0.0	0.1	0.0%
Hungary	6.6	1.1	0.3	0.1	1.0%	4.9	11.8	3.0	0.1	2.7	2.4%
Malta	0.3	0.1	0.0	0.0	0.6%	0.1	0.4	0.2	0.0	0.1	1.0%
Nether-lands	5.6	0.4	0.0	0.3	0.1%	0.4	0.4		0.2	0.5	0.0%
Austria	3.2	0.2	0.3	0.1	0.2%	0.3	0.5		0.1	3.3	0.2%
Poland	22.2	2.1	0.9	2.0	0.9%	13.2	42.0	10.8	1.5	8.5	2.1%
Portugal	12.9	2.2	0.3	0.1	1.3%	6.7	10.2	3.9	0.1	3.5	1.7%
Romania	13.2	1.8	0.6	1.1	1.3%	7.3	15.1	4.1	0.8	6.2	2.2%
Slovania	1.6	0.3	0.1	0.1	0.8%	0.6	1.4	0.8	0.1	0.7	1.1%
Slovakia	5.9	0.8	0.2	0.2	1.3%	2.1	7.2	1.9	0.2	1.7	2.0%
Finland	1.9	0.1	0.2	0.2	0.2%	0.5	0.8		0.2	2.3	0.2%
Sweden	3.1	0.3	0.1	0.1	0.1%	0.6	0.8		0.1	1.4	0.1%
Total	312.5	47.5	7.5	10.0		86.8	190.7	42.4	7.5	77.6	

Note: NGEU includes also €5 billion for Horizon Europe, €1.9 billion for RescEU and €5.6 billion for InvestEU.

Chapter 3
The European Green Deal: opportunities and prospects after the Covid-19 crisis

Hans Bruyninckx, Gülçin Karadeniz and Jock Martin

Introduction

In 2013, with the adoption of the Seventh Environment Action Programme (7th EAP), the European Union (EU) endorsed its long-term sustainability goal and turned it into a vision with a horizon of 2050 to guide its environmental action:

> 'In 2050, we live well, within the planet's ecological limits. Our prosperity and healthy environment stem from an innovative, circular economy where nothing is wasted and where natural resources are managed sustainably, and biodiversity is protected, valued and restored in ways that enhance our society's resilience. Our low-carbon growth has long been decoupled from resource use, setting the pace for a safe and sustainable global society' (European Commission 2013).

This vision of long-term sustainability was also enshrined in the European Green Deal (EGD) presented by Commission President Ursula von der Leyen in December 2019. Almost two years after the EGD was presented, this chapter makes the case for the fundamental transformations towards sustainability needed across European societies and how the roadmap for EGD implementation can help to achieve that.

In parallel, the socio-economic consequences of the Covid-19 pandemic have led the European Union to embark on an ambitious recovery plan that, inter alia, supports short-term economic recovery as well as the longer-term economic transformation and socially just transition objectives of the Green Deal. The chapter also reflects on the opportunities and trade-offs between the immediate economic and social measures undertaken to mitigate the impact of the pandemic and the longer-term socio-economic-ecological objectives of the EGD. It explores practical ways to maximise opportunities to achieve fundamental transformations to sustainability over coming decades while minimising such trade-offs.

1. Fundamental transitions are needed to achieve sustainability

The environmental and sustainability challenges that Europe faces today are rooted in global developments stretching back over decades. Now known as the 'Great Acceleration' (Steffen et al. 2011, 2015), the period after the 1950s is unique in human history, marked by unprecedented and accelerating human-induced global change. During this period, the Great Acceleration of social and economic activity, or liberal globalisation, has transformed humanity's relationship with the environment. The Great Acceleration has undoubtedly delivered major benefits, alleviating suffering and enhancing prosperity in many parts of the world by lifting more than a billion people out of absolute poverty. Yet, the same developments have also caused widespread damage to the climate and nature's ecosystems because they were based on fundamentally unsustainable economic practices.

Many global and European assessments warn of being very close to tipping points, urging us to use this narrow window of opportunity in the next decade to scale up measures to protect nature, lessen the impacts of climate change and radically reduce our consumption of natural resources. Our planet is experiencing an exceptionally rapid loss of biodiversity, with more species threatened with extinction than at any point in human history (IPBES 2019). Many of the changes in the global climate system observed since the 1950s are similarly unprecedented over decades to millennia (IPCC 2018). The recent Intergovernmental Panel on Climate Change (IPCC) report, issuing a code red for climate, asserts that climate change is affecting every region in the world, with the average global temperature likely to reach or exceed 1.5 degrees of warming (IPCC 2021).

Similar concerns are voiced with regards to global resource use. According to the International Resource Panel, current global natural resource use and management are unsustainable, while implementing resource efficiency and sustainable consumption and production policies can generate stronger economic growth, improve well-being and support a more equal distribution of income (IRP 2019).

The overarching challenge of the 21st century is to achieve global sustainability that balances socio-economic, environmental and climate considerations. Over the past 70 years, advanced economies in Europe and elsewhere in the world have achieved high levels of human development (living well) but at the expense of poor environmental sustainability (not within the environmental limits of the planet). As developing countries catch up economically, this situation is expected to worsen, manifesting itself in accelerating climate change, degradation of nature and increased pollution, with manifold impacts on people's health and well-being (EEA 2019c). The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) aim to serve as 'an action plan for people, planet and prosperity' (UN 2015).

Europe and sustainability

Europe has always played a pivotal role in global changes and policies. Today, it continues to consume more resources and contribute more to environmental degradation than many other world regions. To satisfy these high consumption levels, Europe depends on resources extracted or used in other parts of the world, such as water, land, biomass and other materials (EEA and FOEN 2020 and EEA 2019d).

The European Environment Agency's report 'The European environment – State and Outlook 2020' (SOER) shows that incremental changes have resulted in progress in some areas but not nearly enough to meet our long-term goals. To achieve long-term sustainability, key production and consumption systems such as food, mobility and energy need to be made sustainable, and Europe has the knowledge and technologies to reduce the environmental impacts of our activities as well as the policy tools to increase the uptake of such solutions and facilitate their upscaling (EEA 2019a). Our future well-being and prosperity depend on these, as well as on our ability to harness society-wide action to bring about change and create a better future.

A key finding of SOER 2020 is that environment policies have been more effective in reducing environmental pressures (such as emissions of pollutants from various sources or extraction of raw materials) than in protecting biodiversity and ecosystems, human health and well-being. For example, EU legislation has helped achieve significant reductions in pollutant emissions to air and bathing water, resulting in cleaner air and bathing water. Yet despite the successes of European environmental governance, persistent problems remain and the outlook for Europe's environment in the coming decades is discouraging.

The persistence of major environmental challenges can be explained by a variety of related factors. First, environmental pressures remain substantial despite progress (in Europe) in reducing them. This implies a need to go beyond incremental efficiency improvements and to substantially strengthen the implementation of environmental policies and their integration into socio-economic policies to achieve their full benefits. The complexity of environmental systems can also mean that there can be a considerable time lag between reducing pressures and seeing improvements in climate, biodiversity and natural systems, such as oceans.

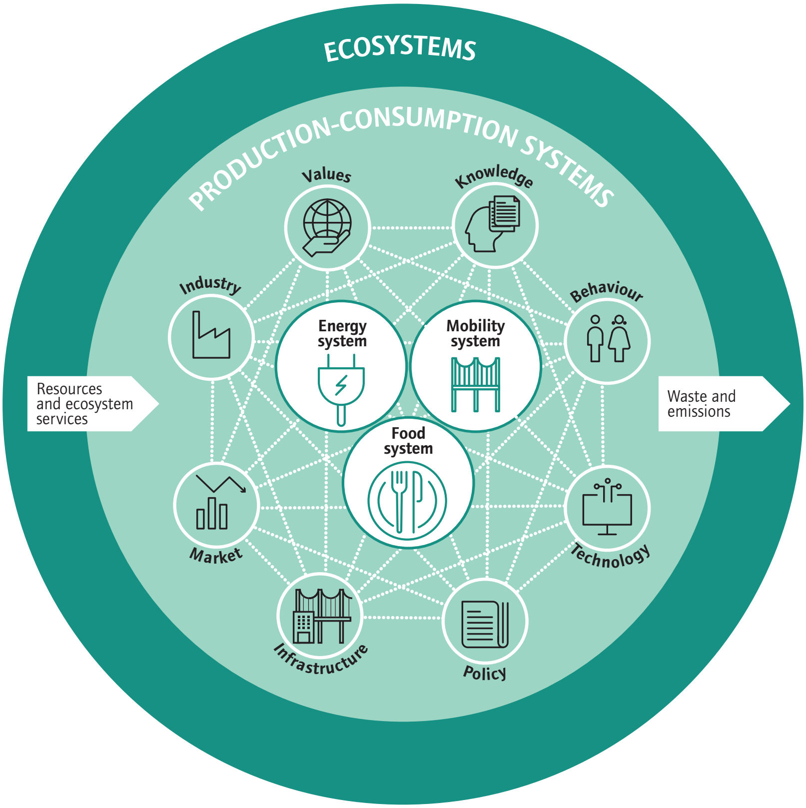
But perhaps the most important factor is that the challenges are inextricably linked to lifestyles and economic activities, in particular those providing Europeans with necessities such as food, energy and mobility (Figure 1).

The current decade has a pivotal role to play in putting the EU on the trajectory towards achieving sustainability by 2050. The 2020s have to be the decade where ecological-economic-social considerations are addressed together when designing and implementing policies and fostering innovation. It is also the decade where we need to ensure that Europe invests in trajectories that deliver fundamental change, such as carbon neutrality, and avoid lock-ins and outdated carbon technologies. And this needs to happen with the goal of strengthening social capital and societal resilience across Europe.

These multiple transformations – social, technological, economic – are set to pose societal challenges as well as opportunities in coming decades. They need to be navigated together, while maintaining economic development and employment, and ensuring that the costs and benefits of transformative change are equally distributed across society.

The EU has achieved unprecedented levels of prosperity and well-being in recent decades, with its social, health and environmental standards ranking among the

Figure 1 **Ecosystems and production-consumption systems**



Source: SOER 2020 (EEA 2019a).

highest in the world (EEA 2019a). Maintaining this position does not necessarily have to depend on economic growth. The key question is whether our societies can develop and grow in quality (e.g., purpose, solidarity and empathy) rather than quantity (e.g., material standards of living) and in a more equitable way (EEA 2021a). And *can a policy framework, the European Green Deal for example, become a catalyst for EU citizens to create a society that consumes less and grows in other than material dimensions?*

2. The European Green Deal: Europe's response to environmental, climate and societal challenges

Since the 2010s, public awareness of environment- and climate-related concerns has been increasing in Europe. Extreme weather events — heat waves, floods, forest fires — and pollution affect millions of Europeans. According to the latest opinion polls, European citizens identify climate change as the single most serious problem facing the world (European Commission 2019a). Europeans, and youth in particular, have increasingly been calling for more decisive and effective action on climate change and environmental degradation (European Commission 2020i). Small, local demonstrations have turned into global inter-generational movements facilitated through digital tools. Europeans young and old have taken to the streets, calling for European leaders to step up ambitions and actions.

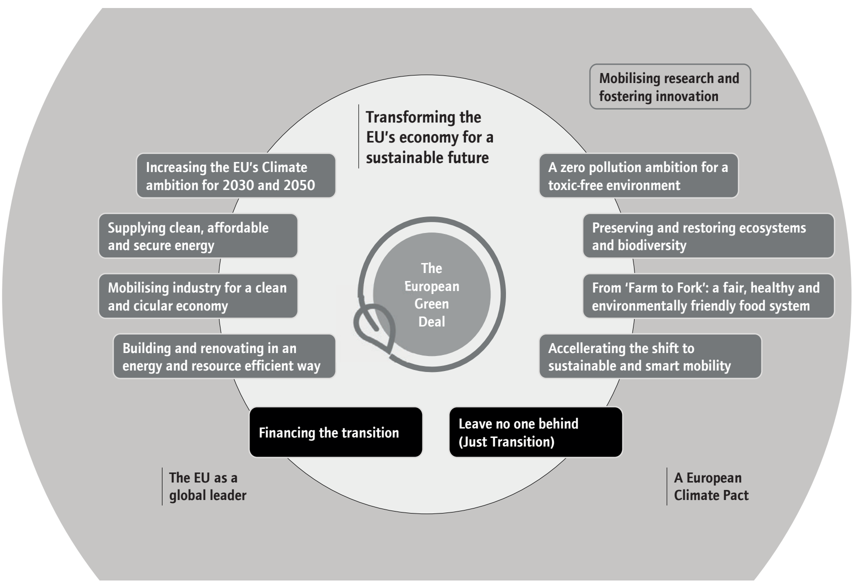
The European elections of May 2019 took place against this backdrop. The outcome and the distributions of the seats reflected public concerns over environmental degradation and climate change (Euronews 2019; Financial Times 2019). Against this same backdrop, Ursula von der Leyen, President of the European Commission, was given the mandate to put together a team and assign responsibilities in November 2019 (Euractiv 2019; Schiermeier 2019).

The European Green Deal announced by the von der Leyen Commission is the European Union's response to environmental, climate and socio-economic challenges.

> 'It is a new growth strategy that aims to transform the EU into a fair and prosperous society [our emphasis], with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.' (European Commission 2019b)

The European Green Deal Communication structures the work areas to be covered by the European Green Deal as follows (Figure 2):

Figure 2 **European Green Deal elements**



Source: European Commission 2019b.

With its different work areas, the European Green Deal offers a comprehensive and integrated policy approach and sets goals and ambition levels with milestones within a timeline setting 2030 as a steppingstone to 2050. In addition to an initial roadmap for policies and measures needed to achieve the European Green Deal, the Communication states that 'all EU actions and policies will have to contribute to the European Green Deal objectives.' The Communication recognises that the transition towards sustainability requires significant investments, with both public and private funds needing to be directed towards climate and environmental action. Additional funds through new financial instruments and approaches to sustainable finance are identified as key to financing the green transition.

It also recognises the need for global coordination and action, stating that the European Green Deal is 'an integral part of this Commission's strategy to implement the United Nations' 2030 Agenda and the Sustainable Development Goals'.

As such, the European Green Deal provides the most comprehensive, coherent and ambitious policy framework in the world to achieve sustainability by 2050. It is an impressive vision for the European Union and its 450 million citizens in 27 Member States. This trajectory towards sustainability requires cooperation and implementation across multiple policy areas as well as governance levels spanning the coming decades.

Policy proposals under the European Green Deal[1]

The objectives listed in the European Green Deal Communication have been translated into a series of policy packages, such as the EU Biodiversity Strategy for 2030 and the Farm to Fork Strategy for food. Published by the European Commission in May 2020, the EU Biodiversity Strategy for 2030 (European Commission 2020a) is a long-term plan to protect and reverse the degradation of ecosystems. It represents a significant shift from previous strategies as it puts the focus on resilience and tackles the key drivers of biodiversity loss, such as the unsustainable use of land and sea, overexploitation of natural resources, pollution, and invasive alien species.

The Biodiversity Strategy was presented together with the Farm to Fork Strategy, as the food system including agricultural land use impact ecosystems. It is also true that nature conservation and reversing current trends cannot be achieved without the agricultural sector. The food system with its farming and production practices needs to be a part of the solution. Several studies, including the Dasgupta Review and the EEA report State of Nature in the EU, also point out that, to halt environmental degradation and biodiversity loss, concrete actions need to be taken outside nature conservation areas both globally and in Europe (Dasgupta 2021; EEA 2020a).

The Farm to Fork Strategy (European Commission 2020b) aims to reduce the environmental and climate footprint of the EU food system and strengthen its resilience, protecting citizens' health and ensuring the livelihoods of those dependent on the

1. This subsection presents only a selection of key policy initiatives and proposals under the European Green Deal.

food system. The strategy sets concrete targets, including reductions in pesticide and fertilizer use, and an increased share of agricultural land under organic farming.

These actions are complemented by another key pillar of the European Green Deal, namely the Zero Pollution Action Plan for water, air and soil in May 2021 (European Commission 2021b). This plan plays an instrumental role in connecting the dots. European action on pollution will no longer be limited to a specific medium (air, soil or water) or to the pollutant and its source. It will be seen as a whole, moving from one medium to another. A series of actions will be taken to reduce pollution and pollutant releases to the environment, amending existing legislation such as the Bathing Water Directive and coming up with new strategies such as the Soil Strategy. The Zero Pollution Action Plan builds on the EU Chemicals Strategy which aims to better protect citizens and the environment and boost innovation for safe and sustainable chemicals (European Commission 2020g).

Unsurprisingly, the European Green Deal foresees action in other sectors linked to the production and consumption system. Presented in March 2020 as a further component of the European Green Deal, the Circular Economy Action Plan (European Commission 2020c) is key to reducing pressures on the environment and climate. The plan includes a wide range of actions addressing product design, circular economy processes, sustainable consumption and waste prevention.

These efforts are enhanced by the European Industrial Strategy (European Commission 2020d), presented in March 2020 the day before the World Health Organization (WHO) upgraded Covid-19 to a pandemic. Updated in May 2021 to factor in Covid-19 implications, the Industrial Strategy aims to deliver on three key priorities: maintaining European industry's global competitiveness and a level playing field (at home and globally) making Europe climate-neutral by 2050 and shaping Europe's digital future. A dedicated strategy will help SMEs in this 'twin transition' towards sustainability and digitalisation (European Commission 2020e).

Ambitions and actions are currently most pronounced on the climate change side, where the von der Leyen Commission has put forth key pieces of EU legislation, in particular the European Climate Law. With this legislation, climate neutrality by 2050 turned from a political aspiration into a legally binding commitment for the EU (European Commission 2020f). It also recognises that the 2020s are a make-or-break decade for the EU to meet its commitments under the 2015 United Nations Paris Agreement. The EU is leading by example in setting targets for reducing net greenhouse gas emissions by 55% by 2030 compared with 1990. To achieve these targets, the EU is putting in place an extensive set of policy measures ranging from effort sharing, emission trading, land use and forestry to transport fuels (the so-called 'Fit for 55' package (European Commission 2021c). The package is also expected to create new opportunities for innovation, investments and jobs across the EU economy.

The ambitious targets need urgent and immediate action in many domains, including transport, energy and buildings. The energy efficiency of buildings will need to be increased. Public transport will need to be enhanced. The share of renewable and clean energy sources will need to increase further. The way we plan and connect cities, build or renovate buildings, move goods and people, and manage our forests and seas all need to be addressed. In February 2021, another vital piece of legislation, the EU Climate Adaptation Strategy, was presented. This aims to enable smarter, faster and more systematic adaptation (European Commission 2021a). These proposals received wide support in the European Parliament and the Council of the European Union. The signal sent to Member States and economic sectors is unequivocal: get ready to pick up pace.

Financing the twin transition

Without appropriate funding this green and digital transition cannot happen. Transition will require change and new investments, some of which will affect people and sectors dependent on certain activities. The most common example is for coal-producing regions. Phasing out coal mining will affect jobs and the workforce in these regions. But the transition needed is far from being limited to a handful of sectors like energy or the automotive sector. In fact, our entire economy with all its activities will need to be redesigned. Not only will new jobs need to be created, but the workforce will also need to acquire new skills for these jobs. It will also require research, innovation and the adoption of new technologies.

To facilitate this transition, the von der Leyen Commission proposed a Sustainable Europe Investment Plan, also referred to as the European Green Deal Investment Plan (European Commission 2020h). To achieve the goals set by the European Green Deal, the plan will mobilise at least €1 trillion in sustainable investments over the next decade. As part of the plan, the Just Transition Mechanism, will target a fair and just green transition, mobilising at least €65 billion until 2027 to support those affected the most by the transition.

> 'To achieve the ambition set by the European Green Deal, there are significant investment needs. The Commission has estimated that achieving the current 2030 climate and energy targets will require €260 billion of additional annual investment,[2] about 1.5% of 2018 GDP.[3] This flow of investment will need to be sustained over time. The magnitude of the investment challenge requires mobilising both the public and private sector.' (European Commission 2019b)

The estimates mentioned in the European Green Deal take into account only a fraction of the funds needed for the transition. They do not cover social costs or adaptation needs, not to speak of the costs of inaction. In the face of the fundamental transitions needed, it is clear that EU funds will need to be complemented by both national and private funds.
For private investors to direct funds into sustainable activities, agreement needs to

2. Communication 'United in delivering the Energy Union and Climate Action - Setting the foundations for a successful clean energy transition', COM/2019/285.

3. These estimates are conservative, as they do not consider, for instance, the investment needs for climate adaptation or for other environmental challenges, such as biodiversity. They also exclude the public investment needed to address the social costs of the transition and the costs of inaction.

be reached on what activities are considered sustainable. The European Commission initiated work in the sustainable finance domain in 2017, establishing a high-level expert group as part of the follow-up to the 2015 Paris Agreement. The main outcome of these efforts so far is an EU Taxonomy Regulation that, inter alia, contains a common categorisation system for establishing a list of activities considered sustainable. Though this highly technical work may not be the most visible part of the European Green Deal packages, it is set to play a crucial role in enabling the transition.

A first set of activities related to climate mitigation and adaptation objectives was published in April 2021. Transition technologies such as nuclear energy and gas will be kept under expert review and their inclusion in the taxonomy addressed in follow-up legislation as needed. The taxonomy will be extended in coming years to cover the other four environmental objectives under this policy agenda – biodiversity, water, the circular economy and pollution prevention –, with a view to facilitating sustainable investments beyond climate.

Furthermore, by the end of 2021, the European Commission is committed to publishing a report on the provisions for a social taxonomy. This is part of wider efforts targeting a more inclusive EU sustainable finance framework that includes empowering retail investors and small and medium enterprises to access sustainable finance (European Commission 2021d).

The implementation challenge: from policy proposal to change on the ground

The policy packages mentioned above are just a selection, with many other proposals included under each strategy or action plan. Some have already been presented, others will be put forth in coming months. As a whole, the European Green Deal umbrella offers a coherent and ambitious policy framework, outlining a common trajectory for the EU towards 2050.

Every time a new policy proposal is announced, one question comes up repeatedly: *is it enough? Are the targets set in the proposal ambitious enough?* The simple answer is 'more can be done'. However, this would mean ignoring the complexity of the issues we face. To bring about the multiple transformations needed, policies and measures need to be not only implemented fully, but also be implementable.

Setting unachievable and unrealistic targets, whether in Europe or globally, or without the tools to monitor progress or achieve them, only undermines trust in these processes. On the other hand, according to science, ambitious policies are what we need. We need policies that stimulate the speeding-up and scaling-up of the breakthrough solutions. Our greenhouse gas emissions assessments, for example, already shows that significant additional effort is needed to cut emissions (EEA 2021b). While we have already reached some targets in designating protected areas in the marine environment, essential biodiversity concerns remain. The key question is not necessarily whether the target is ambitious enough or whether we need to do more of the same, but what we will do differently to make sure we achieve it.

Policy proposals by the European Commission are merely a first step in a long journey towards sustainability. These proposals need to go through the European legislative processes and be adopted by the European Parliament and the Council. In most cases, Member States then need to transpose the EU law into their national legislation and translate the policy goals into concrete actions.

Another factor is time. Sustainability cannot be achieved overnight. It requires time and a coherent series of policies and measures — all of which need to be aligned towards the same goal. The cost of inaction or delayed action should be factored into the decision-making process. The links between the European Green Deal actions need to maximise synergies, while reducing trade-offs and delivering desired social outcomes. Against this backdrop, crafting the appropriate policy packages, with the need to speed up systemic change, will be central.

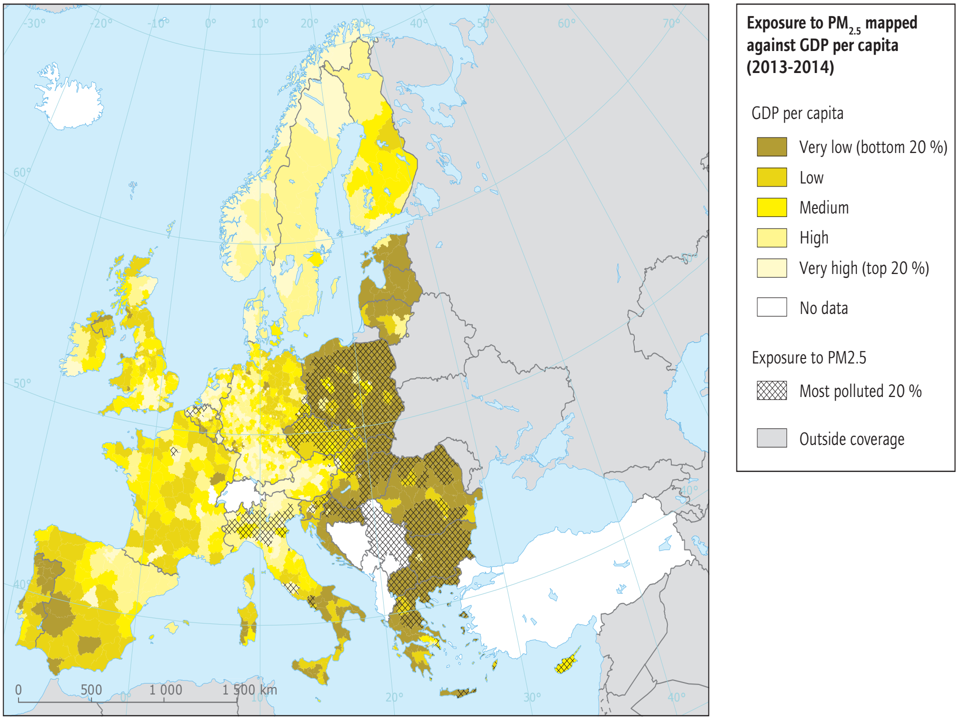
The social dimension

It is also clear that this transition towards a sustainable Europe will affect some groups more than others — just as the coronavirus or environmental hazards, air pollution or climate impacts do. Lower-income regions and communities are more exposed to environmental health hazards, such as air pollution (EEA 2019b). Similarly, some groups are more likely to be affected by and are more vulnerable to a broad scope of environmental issues. The social dimension needs further defining and more precise targets to play a central role in the policy-driven transition efforts, with policies framed across different political levels to address important social inequalities (Figure 3).

The key to achieving sustainability will depend on Europe's ability to tackle social inequalities and to provide 'help' or rather levers to those affected by the transition, and more broadly to those who are marginalised in a variety of ways in the current economic-social model. The Just Transition Mechanism and its investment instruments will help mobilise funds to this end. Nevertheless, these funds need to trickle down to areas and groups where this kind of support is needed the most.

Against this policy backdrop, Covid-19 was declared a pandemic in early 2020. The sustainability challenge was already immense, requiring a fundamental transition of key socio-technical systems in our economy. Covid-19 was a global shock exposing not only our health vulnerability but also our capacity to cope with such massive shocks. Almost one and a half years into the pandemic, we are still faced with a (physical and mental) health crisis, an economic crisis and a corona-fatigued society.

Figure 3 **Exposure to fine particulate matter (PM2.5)* mapped against GDP per capita**



Note: * Fine particulate matter are fine inhalable particles found in the air, with diameters that are generally 2.5 micrometres and smaller.
Source: EEA 2019b.

3. Covid-19, the environment and climate change[4]

Covid-19 came with a huge social and economic cost. The pandemic hit many economic sectors hard – tourism, cultural activities, horeca – as well as the livelihoods of those dependent on them (Dauderstädt, this volume). From our social interactions to daily routines – how and where we work or attend classes – many aspects of our lives have changed. It has, in other words, come at a very serious cost to society.

The pandemic has also highlighted, yet again, the interconnected nature of our planetary systems, from the zoonotic origins of disease and their relation to our natural environment and food systems, to the greater vulnerability to disease resulting from social inequality, poor air quality, pollution and other environmental factors. It has shed light not only on the weaknesses of our current systems but also on the opportunities for future innovation and lifestyle changes.

4. This section is based on an EEA briefing (EEA 2020b) on what we know about the short-term effects of Covid-19 on our environment. Its aim was to support decision-making in the post-Covid recovery plans.

Biodiversity, food systems and zoonotic diseases

Evidence points to Covid-19 being a zoonotic disease, with the emergence of such zoonotic pathogens linked to environmental degradation and related human interaction with animals in the food system. About 60% of human infectious diseases are of animal origin (Woolhouse and Gowtage-Sequeria 2005), while three-quarters of new and emerging infectious diseases are transmitted to humans from animals (Taylor et al. 2001). These include viruses responsible for significant global mortality, such as the human immunodeficiency viruses (HIV) HIV-1 and HIV-2; the Rift Valley fever virus and influenza viruses such as bird flu and swine flu.

More than 50% of zoonotic infectious diseases that have emerged since 1940 have been associated with measures to intensify agriculture (Rohr et al. 2019). The intensive production of animal protein involves rearing concentrated populations of genetically similar animals in close proximity, often in poor conditions, fostering vulnerability to infection (UNEP 2020).

Covid lockdown measures have also given us a glimpse of how animal and plant species react to less human disturbance. Less disturbance in both urban and remote areas (less recreational tourism) gives ecosystems and habitats a chance to recover and provides new spaces and niches for species to occupy.

Greenhouse gas emissions: short-term benefits and lessons for the future

Covid-19 has had a direct impact on energy use and greenhouse gas (GHG) emissions at both global and EU levels. Due to the effect of Covid-19 on the economy in 2020, we expect a significant reduction in GHG emissions in the EU compared to 2019.

The transport sector, a key source of GHG emissions, has been particularly affected by the pandemic. Demand for passenger transport has declined as a result of international travel restrictions and reduced commuting, tourism and business travel. The International Road Transport Union (IRU) expects a 57% decline in turnover from road passenger transport activity in Europe for 2020 compared to the previous year. As for air transport, figures from the International Air Transport Association (IATA) show a 65.2% drop in air passenger kilometres in Europe for the year-to-date ending July compared to the same period in 2019 (IATA 2020). These figures point to a significant decline in transport-related GHG emissions in 2020.

According to initial estimates from the International Energy Agency (IEA) (IEA 2020), global energy demand in 2020 could fall by around 6%. The strong contraction in GDP and energy use might play a role in the EU achieving its 20% renewable energy target and its objective to improve energy efficiency by 20% in 2020, in addition to the effects of policies dedicated to reaching these objectives.

While the short-term reductions may make the EU's 2020 targets achievable, achieving any longer-term goals will continue to require political decisions to prioritise recovery measures contributing significantly to climate change mitigation. Unsurprisingly, a more recent IEA report (IEA 2021) explores whether the rebound in activity often linked to recovery measures risks pushing CO_2 emissions to a new high and to what degree new policies will be able to curb a rebound in emissions.

Air quality, noise and (un)healthy environments

One of the most evident short-term effects of Covid-19 lockdowns has been the dramatic improvement in air quality, especially in some of the world's most polluted cities. Although air quality levels appear to be returning to near-pre-lockdown levels in many parts of the world as strict lockdown measures are lifted, this period has revealed some of the benefits achievable through a lasting and sustainable reduction in air pollution.

The EEA's air quality and Covid-19 viewer[5] tracks average weekly and monthly concentrations of nitrogen dioxide (NO_2) and particulate matter (PM_{10} and $PM_{2.5}$). Data shows that concentrations of NO_2 — a pollutant mainly emitted by road transport — fell sharply in many European countries where lockdown measures were implemented in the spring of 2020.

Concentrations of PM_{10} also fell across Europe in this period, though decreases were less pronounced. Whereas NO_2 emissions are largely attributable to road transport, PM concentrations are influenced by emissions from natural sources as well as man-made sources such as residential heating, agriculture and industry, which are less likely to have been affected by lockdown restrictions.

Exposure to air pollution is associated with cardiovascular and respiratory disease, both pre-existing health conditions identified as fatal risk factors for Covid-19 patients (Yang et al. 2020). As such, long-term exposure to air pollution might be expected to increase humans' susceptibility to Covid-19, with previous studies having demonstrated, for example, exposure to particulate matter as playing a role in worsening the impact of respiratory viruses (Sciomer et al. 2020).

Recent studies have explored the evidence for links between air pollution and high Covid-19 mortality rates. An Italian study has argued that, since long-term exposure to air pollution, including PM, ozone (O_3) and sulphur dioxide (SO_2), weakens the immune defences of the upper airways, this would facilitate the entry of the SARS-CoV-2 virus into the lower airways resulting in infection with Covid-19 (Conticini et al. 2020). However, as there are significant limitations in early studies, these findings must be interpreted with care.

Meanwhile, exposure to hazardous chemicals has been indirectly linked to vulnerability to Covid-19. In this context, a recent study has suggested that long-term, low-dose exposure to mixtures of chemicals may lead to immunodeficiency in the face of epidemics and pandemics (Tsatsakis et al. 2020).

5. eea.europa.eu/publications/themes/air/air-quality-and-covid19/air-quality-and-covid19

Environmental noise levels are reported over a prolonged period of time, as health effects – for instance sleep disturbance and heart problems – appear when exposure is long-term. However, the short-term reduction in noise during lockdown has allowed many people to experience the immediate benefits of quieter cities, with possible implications for future behaviour and policy.

Consumption and resource use

Some existing strategies to reduce resource use such as the sharing economy and mass or shared transport solutions have virtually collapsed during the Covid-19 crisis. After the 2008 financial crisis, material use decreased, mainly as a consequence of the breakdown of the construction sector in several countries. This has not been the case in the Covid-19 crisis. Indeed, recovery packages targeting building renovation and infrastructure development may lead to higher material consumption.

The ongoing IT-intensive technological revolution may well be intensified and/or accelerated by the Covid-19 crisis as, for example, options for physical communication are reduced, IT-based practices such as teleworking are extended, and systems designed to track people in response to contagion are deployed. This may have long-term effects on travel patterns.

Lower levels of economic activity during lockdowns are likely to lead to lower emissions to water from industry, while emissions from schools and workplaces are likely to shift towards households. There may be less water stress in specific areas in Europe depending on the impacts on agriculture and energy production. Reduced tourism is also likely to lead to lower emissions to water along European coasts and at other tourist destinations.

The downturn in economic activity coincided with sharp falls in global oil prices, making it significantly cheaper for manufacturers to produce plastic from virgin, fossil-based materials rather than using recycled materials. The economic viability of the European and global plastics recycling market has come under significant pressure. Lower market demand for recycled plastics has also complicated the efforts of many of Europe's local municipalities to manage their waste sustainably.

While disposable plastic products have played an important role in preventing the spread of Covid-19, in the shorter term, the upsurge in demand for these items may challenge EU efforts to curb plastic pollution and move towards a more sustainable and circular plastics system.

Social inequalities in the spotlight

Similar to environmental hazards like air and water pollution, Covid-19 is not affecting all socio-economic groups equally (Dauderstädt, this volume). Several factors may have increased the vulnerability of those with low socio-economic status. These groups are more likely to live in poor-quality overcrowded accommodation, and thus less likely to be able to follow social distancing recommendations. They are also more likely to have jobs that cannot be carried out from home, such as working in healthcare, care homes, supermarkets, factories and public transport. In addition, the same group is more likely to endure unstable working conditions and to face financial uncertainty due to the job cuts linked to Covid-19. Such individuals are under significant pressure to continue working even when they fall ill, in order to safeguard household incomes.

Beyond the higher risk of transmission under such conditions, sustained stress also weakens the immune system, increasing susceptibility to a range of diseases (Patel et al. 2020). Lower-income communities in urban areas are likely to be exposed to higher levels of air pollution and noise, associated with respiratory and cardiovascular diseases, and hypertension, respectively (EEA 2019b). These conditions are all fatal risk factors for Covid-19 (Yang et al. 2020), suggesting that people with a low socio-economic status have greater susceptibility to Covid-19 mortality (Patel et al. 2020).

Urban life

More than three-quarters of European citizens live in cities, and city life has changed dramatically due to Covid-19. Cities around the world already face multiple challenges, including the need to adapt to a changing climate. Recovery plans need to seize the opportunity to align environmental and climate objectives to society's resilience to current and future shocks.

New research is looking into how urban nature areas increase the resilience of cities, maintain well-being in urban populations, while also enabling social distancing. Cities around the world need to find ways to function better during such disturbances. Thus, maintaining or increasing space for nature in cities and keeping it accessible to the public should be part of the sustainability agenda as a priority.

Digital innovation will play a key role in helping authorities and communities to shape tomorrow's cities. For example, data from the Copernicus European Earth Observation programme will help to measure progress and monitor environmental policies, as well as to formulate future policies by providing models and outlining future climate impacts.

4. Looking ahead: from vulnerability and uncertainty towards recovery and resilience

The multiple crises faced by Europe and the world over almost 15 years – the Great Recession, financial debt, climate change, biodiversity loss, Covid-19 – point to a new reality: the challenges we face are huge, systemic, inter-connected and have different dynamics, timescales and societal impacts. These crises have also increased social inequalities and undermined social cohesion and resilience. Addressing their associated challenges requires inter-linked responses of similar magnitude, ambition and urgency. The 2019 European Green Deal is a prime example of such responses, connecting as it does the social, economic, environment, climate and governance dimensions of sustainable development.

More recently we have seen other examples of ambitious policy responses. For example, to tackle the economic crisis triggered by Covid-19, in 2020 the European Commission proposed to complement the long-term EU budget with a recovery plan – NextGenerationEU (see Alcidi and Corti, Verdun and Vanhercke, both this volume). Together, they constitute the largest stimulus package ever financed in Europe: a total of €1.8 trillion (in 2018 prices) to help rebuild a post-Covid-19 Europe. The extra resources are also aimed at achieving a greener, more digital and more resilient Europe.

Through 2020 and into 2021, the European Union and its Member States have been adopting policy proposals and taking action to implement recovery plans set to play a vital role in determining the path Europe will follow in the decades to come and whether Europe will achieve its environmental, economic and social objectives in the aftermath of the Covid-19 shock. As governments try to plot courses out of the pandemic, with a particular reliance on significant stimulus packages, a focus on reshaping our unsustainable production and consumption systems is vital, especially for food, mobility, energy and housing.

A study by the German Federal Environment Agency (Burger et al. 2020) evaluated 130 scientific studies and relevant policy statements on the design and effectiveness of green economic recovery programmes. According to the study:

> 'There is broad consensus across the studies analysed that the billion-euro economic recovery programmes for overcoming the economic crisis are a unique opportunity to pave the way for more climate protection, the conservation of ecosystems and the preservation of resources. Should this opportunity be missed, and the economic recovery programmes revert to the status quo ante, for example by promoting fossil fuel activities, destroying natural habitats or wasting resources, it will become impossible to achieve the Paris climate targets. We will also be laying the foundations for future crises caused by climate change and the overexploitation of our planet, with even more catastrophic consequences, especially for future generations.' (Burger et al. 2020)

These recovery packages will need to be flanked by other measures such as sustainable finance markets and sustainable fiscal reform to maintain the transition momentum until 2050 and ensure that the benefits of transformation are shared more equally across society.

5. Conclusion

Achieving the EU's 2050 sustainability vision is still possible, but it will require a decisive shift in the character and ambition of actions (EEA 2019a). That means both strengthening established policy tools and building on them with innovative governance approaches. There are multiple pathways to achieve sustainability by 2050, and the EEA does not have all the answers. Nevertheless, we believe that the EU can go a long way towards meeting its 2050 ambitions, by implementing its EU and global commitments up to 2030.

Furthermore, the EGD provides the basis for developing more systemic, long-term policy frameworks and binding targets on issues like the food system, chemicals and land use. Moreover, Europe cannot achieve its sustainability goals in isolation. The EU has significant diplomatic and economic influence which it can use to promote the adoption of ambitious agreements in areas such as biodiversity and resource use.

More effort is needed to foster innovation throughout society to trigger new ways of thinking and living. Scaling up investments and reorienting finance will be key to achieving sustainability transitions, Europeans stand to gain hugely from this – both because of the avoided harm to nature and society, and because of the economic and social opportunities that they create.

Societal resilience and cohesion can be enhanced by better risk navigation and by ensuring a socially fair transition. Policies have an essential role in achieving 'just transitions'. Linking better knowledge with action will require new knowledge, drawing on multiple disciplines and types of knowledge production. This includes evidence about the systems driving environmental pressures, pathways to sustainability, promising social initiatives, and barriers to change.

The European Green Deal, the Covid-19 shock and its ongoing financial crisis together point to an increasingly Vulnerable, Uncertain, Complex and Ambiguous (VUCA) world that Europe needs to navigate. This in turn raises questions about how we manage social vulnerability as well as design the future socio-economic model to steer the multiple transformations underway in Europe.

The European Green Deal with its green and digital agendas provides a robust starting point and must be further developed beyond 2024 to address the challenges linked to this VUCA world. Tackling the social dimension of this transition will be the key to ensuring continued support for these multiple transformations beyond five-year political cycles.

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Chapter 4
Europe's digital agenda: people-centric, data-centric or both?

Aída Ponce Del Castillo

Introduction[1]

In its *Digital Compass: How the EU prepares for the Digital Decade*, the EU Commission describes its vision of a digital Europe empowering citizens and businesses by 2030. Nine years from 2030, digital tools are already profoundly embedded in the daily life of European citizens, used for work, communication, education or for accessing public and private services. However, the digital evolution of society raises issues of fairness, reflecting pre-existing deep social, economic, generational and geographical inequalities. The Covid-19 pandemic has spotlighted this situation all the more. Two contrasting views of digitalisation coexist: one, put forward by the European Commission, considers that digital technologies, automation, artificial intelligence[2] (AI) and data will improve productivity and work efficiency and create new opportunities for both the European economy and its citizens. This is the message that European Commissioners Vestager and Breton[3] try to convey when they communicate about AI, data and skills. They consistently use the concepts of 'Ecosystem of Trust' and 'Ecosystem of Excellence', claiming that, as digital technology becomes an ever more central part of every aspect of people's lives, people should be able to trust it, and that trustworthiness is also a prerequisite for its uptake (European Commission 2020a). In a nutshell, the EC considers that, insofar as safeguards are put in place to avoid the most damaging effects of digitalisation, a wonderful world – or market – will develop and Europe will be able to succeed in a digital transformation that is considered unavoidable.

The other view, defended among others by the trade union movement, errs on the side of caution, denouncing the social risks associated with digitalisation, primarily in the field of work. From this perspective, the digital revolution will lead to the disappearance of a significant number of jobs – not all offset by the creation of new ones – and a transformation of work processes in many others. It may trigger a general polarisation of work, with a split between formal regulated employment on the one hand and

1. The author would like to thank Robin Williams, Institute for the Study of Science, Technology and Innovation, University of Edinburgh, for his useful advice and his help in reviewing this chapter.
2. Russell and Norvig (2002) define artificial intelligence as 'the study of agents that receive percepts from the environment and perform actions'. For regulatory purposes, the EC in the AI Act refers to 'AI systems' as 'software that is developed with one or more of the techniques and approaches listed in Annex I and can, for a given set of human-defined objectives, generate outputs such as content, predictions, recommendations, or decisions influencing the environments they interact with'. The techniques in Annex I are, among others, machine learning, supervised, unsupervised and reinforcement learning, logic- and knowledge-based approaches as well as Bayesian estimation.
3. Margrethe Vestager is the Executive Vice-President for A Europe Fit for the Digital Age and Competition, European Commission. Thierry Breton is the EU Commissioner for the Internal Market.

deregulated platform employment on the other, with the associated emergence of an 'underclass' of gig-workers. With digitalisation, the very concepts of work, the employer-worker relationship and workplace are changing, with the Covid-19 pandemic acting as an accelerator.

Beyond the world of work, digitalisation is transforming society. Here again, some, including privacy groups and defenders of fundamental rights, are in favour of a cautious approach. In an effort to improve public services and increase democratic participation, public authorities are using information and communication technologies (ICTs) to change the way people access – or do not access – public services, health, education and justice. States are also facing new challenges, in particular the need to educate citizens so that they become digitally literate, but also the need to re-invent the way they interact with powerful foreign tech giants. *How can states and private players use online services provided by American digital giants like Amazon, Microsoft and Google, but retain control over their data? How can national sovereignty be maintained and democracies protected against election interference?* Taxation is another challenge: *what should be done when tech giants that make huge profits in the EU pay little tax and do not contribute to the financing of social systems?*

More worryingly, the advent of AI-based systems, coupled with increasingly powerful data processing capabilities, may disrupt the way we make decisions and behave. Presenting her College of Commissioners to the European Parliament (EP), Ursula von der Leyen acknowledged that with every click we feed the algorithms that then influence our own behaviour (von der Leyen 2019).

The EU is at a crossroads, and it appears essential to implement a European policy and regulatory framework able to push the digital cursor towards responsible, social and inclusive digitalisation, rather than towards the fragmentation and polarisation of society. Using content analysis, Section 1 of this chapter describes the impressive series of regulatory initiatives[4] launched by the von der Leyen Commission in 2020 and 2021, describing those likely to have the biggest social impact. Section 2 presents the critical views and perspectives of selected civil society stakeholders and social partners. It also touches on the role of digital activists and hacktivists as emerging players. Section 3 concludes with some lessons learned and challenges.

1. A deep dive into the digital package: a description of the main regulatory initiatives

The basis of the EC's digital strategy is the Communication *Shaping Europe's Digital Future* (European Commission 2020b). It sets three objectives: a) technology that works for people; b) a fair and competitive economy; and c) an open, democratic

4. The Artificial Intelligence Act; the Digital Education Action Plan; the European Strategy for Data; the Data Governance Act; the Digital Services Act, the Digital Markets Act; the Consumer Agenda; the Industrial Strategy Package; the European Democracy Action Plan; the Skills Agenda for sustainable competitiveness, social fairness and resilience; a social partner consultation on improving working conditions in platform work; and a circular electronics initiative.

Table 1 **Summary of the main digital regulatory initiatives by the EU Commission**

Shaping Europe's digital future 2020–2025			
Objective 1: Technology that works for people	**Objective 2: A fair and competitive economy**	**Objective 3: An open, democratic and sustainable society**	**The international dimension – Europe as a global player**
2020			
White Paper on Artificial Intelligence. European Strategies on Quantum and blockchain. Action Plan on 5G and 6G. **Digital Education Action Plan.** **Skills Agenda**. Youth Guarantee.	**European Data Strategy.** **Data Governance Act.** **Digital Services Act package, ex ante rules.** Industrial Strategy Package. Communication on Business Taxation for the 21st century. New Consumer Agenda.	**New and revised rules to deepen the Internal Market for Digital Services**. Revision of eIDAS Regulation. Media and audiovisual Action Plan. **European Democracy Action Plan**. Promotion of electronic health records based on a common European format.	Strategy for standardisation. White Paper on an instrument on foreign subsidies. Digital for Development Hub. Mapping of opportunities and action plan to promote the European approach in bilateral relations and multilateral fora.
2021			
EU governments interoperability strategy. **Initiative to improve labour conditions of platform workers**. **AI Package** (includes the **AI Act** and new Machinery Regulation)		Destination Earth	Global Digital Cooperation Strategy.

Note: In bold, the initiatives discussed in this chapter.
Source: Author's elaboration.

and sustainable society. Table 1 shows the three key objectives plus the international dimension, highlighting in bold the key initiatives addressed by this chapter.

1.1 The three main objectives of the digital agenda

Technology that works for people

The aim of the EC's first objective, 'technology that works for people', is to build the technological/digital ecosystem/infrastructure (including AI, 5G and 6G) and to promote education and skills acquisition.

The most significant and widely discussed legislative initiative under this heading is the *Artificial Intelligence Act* (European Commission 2021a), the first-ever legal framework related to AI systems. The Commission has opted not to regulate AI itself as a technology, but to focus on AI systems, understood as software that can generate outputs such as content, predictions, recommendations or decisions (see AI Act Art. 3), and to use a layered risk-based approach. Some uses of AI lead to unacceptable risk and are prohibited; others create high risk and are allowed if their providers meet certain requirements and conduct an ex-ante conformity assessment. Uses considered as low or minimal risk are simply allowed.

AI uses harmful to fundamental values are considered as unacceptable risks. These are systems that deploy subliminal techniques, exploit vulnerabilities to distort human behaviour, or are used for algorithmic social scoring. Finally, the use of 'real time' remote biometric identification of people in public spaces is considered particularly intrusive and is in principle prohibited.

Low-risk AI uses, such as spam filters, are allowed. Minimum-risk AI uses, such as chatbots or deepfakes, must inform the user that they are interacting with an AI system or with manipulated content.

From a social point of view, the heart of the regulation is the list of eight specific high-risk uses found in Annex III. These touch on important aspects of people's lives: the biometric identification and categorisation of persons; management and operation of critical infrastructure; education and vocational training; essential private and public services (eligibility for benefits, creditworthiness etc); law enforcement; migration, asylum and border control management; administration of justice and democratic processes; and, crucially, employment, worker management and access to self-employment. This last category includes AI systems used to recruit, select, screen or evaluate candidates for jobs, and those used for making decisions on promotion, 'termination of work-related contractual relationships, for task allocation and for monitoring and evaluating performance and behaviour of persons in such relationships'.

The second major policy initiative under this objective is the *Digital Education Action Plan* (2021-2027). The Commission's ambition is to 'reset education and training for the digital age' (European Commission 2021b). Two priority areas are defined: first, to foster the development of a high-performing digital education ecosystem. This includes targeting 'infrastructure, connectivity and digital equipment; effective digital capacity planning and development, including up-to-date organisational capabilities; digitally competent and confident teachers and education and training staff; and high-quality learning content, user-friendly tools and secure platforms which respect e-privacy rules and ethical standards'. Second, to enhance digital skills and competences for the digital transformation, which means ensuring that all citizens acquire basic digital skills and competences from an early age or, in other words, become digitally literate. The Plan also cites the need for advanced digital skills which produce digital specialists, as well as ensuring that girls and women are equally represented in digital studies and careers. The Commission's consultation process on this initiative during 2020 showed that almost 60% of the respondents had not used distance and online learning before the crisis and that 95% considered that the Covid-19 crisis had marked a turning point in how technology is used in education and training.

The third initiative under this objective is the *European Skills Agenda for sustainable competitiveness, social fairness and resilience* with its twelve concrete actions targeting skills for jobs, including upskilling, reskilling and lifelong learning. Ambitious targets are set, such as 'by 2025, 230 million adults should have at least basic digital skills, which covers 70% of the adult population in the EU' (European Commission 2020c). One key action is the July 2020 proposal for a Council Recommendation on Vocational Education and Training (VET). Modernising Union policy on VET and confirming the central role of VET in the lifelong learning continuum are presented as essential, particularly given how the Covid-19 pandemic has disrupted learning activities.

The Commission also establishes a clear connection between the *European Skills Agenda* and the *EU's Recovery Plan* (see Verdun and Vanhercke, this volume). In the words of Margaritis Schinas, Vice-President for Promoting the European Way of Life at the EC, 'it is time to join hands and unlock a skills revolution, leaving nobody behind' (European Commission 2020d).

A fourth initiative focuses on improving the working conditions of platform workers. In the Commission's view, platform work is developing rapidly, throwing up challenges relating to employment status, working conditions, algorithmic management, access to social protection and benefits, and to collective representation and bargaining. According to Nicolas Schmit, Commissioner for Jobs and Social Rights, 'We cannot lose sight of the basic principles of our European social model (...) and social partners' views on this will be key in finding a balanced initiative for platform work in the EU' (European Commission 2021c). The EC held a two-phase consultation of European social partners on 'Improving the working conditions of platform workers' (European Commission 2021c). A Resolution on fair working conditions, rights and social protection for platform workers was adopted by a very large majority of the EP (2021b) in September and the EC will now propose a legislative initiative in December.

Through the consultation, the EC identified four challenges: the employment status, the algorithm-based business model, the cross-border nature of platform work and the existence of regulatory gaps at EU level. Although nothing is confirmed at this stage, the EC's legislative initiative will possibly propose new rights – including improved information for workers on the way algorithms manage work –, internal procedures for human oversight and accountability, redress mechanisms, information and consultation rights on algorithmic management systems, the right to privacy while off duty and effective application of other relevant General Data Protection Regulation principles (European Commission 2021d).

A fair and competitive economy

The second objective of the EC's digital agenda, 'a fair and competitive economy' focuses on building a single market for data, enabling businesses and start-ups to access high-quality data, while strengthening the responsibility of online platforms and clarifying the rules for online services.

The first key strategy here is the *European Strategy for Data* or *Data Strategy* (European Commission 2020e). Its aim is to create a single European data space, in which data, as the lifeblood of economic development, can flow smoothly and seamlessly. The rationale is that personal and non-personal data, including sensitive business data, sensitive data in public databases (e.g. health data) and industrial data, if made accessible to private and public players, will result in the development of applications beneficial to citizens in sectors such as healthcare or transport, and in reduced costs for public services.

As part of the Data Strategy, a *Regulation on European Data Governance* or the *Data Governance Act* (DGA) (European Commission 2020f) has been proposed to govern this data space where data will flow freely. The regulation will set conditions for making data available, clarify how certain categories of data held by the public sector will be re-used, and look at the role of intermediaries in data sharing. Crucially, it introduces the concept of *data altruism*, defined as 'the consent by data subjects to process personal data pertaining to them, or permissions of other data holders to allow the use of their non-personal data without seeking a reward, for purposes of general interest, such as scientific research purposes or improving public services.' This concept serves to encourage citizens to share their data for the common good.

The second action, key to ensuring a fair and competitive economy, is the proposed *Digital Markets Act* (DMA) which, together with its sister regulation, the *Digital Services Act* (DSA) described in the next section, make up the *Digital Services Act Package*. The DMA regulates the behaviour of 'gatekeepers', defined by Art. 3 as platforms that have a significant impact on the internal market, serve as an important gateway for businesses to reach consumers, and have an entrenched and durable position in the market (European Commission 2020g). Gatekeepers act as intermediaries between businesses and users and, due to their size, have what amounts to a dominant position. Among the current best-known gatekeepers are Amazon, Apple, Google, Facebook, WhatsApp, Microsoft, SAP and Alibaba. The objective of the DMA is to ensure fair market conditions, guaranteeing that consumers have a free choice of services and preventing gatekeepers from controlling the market by excluding others.

An open, democratic and sustainable society

The third objective of the EU digital agenda, 'an open, democratic and sustainable society', is about creating trust in technology through ensuring that European values, ethical rules, social and environmental norms apply in the digital space and that European digital society is fully inclusive, fair and accessible for all.

The first key action here is the *Digital Services Act* (DSA) which revamps the e-Commerce Directive of 2000. In the words of European Commissioner Thierry Breton, the DSA is about ensuring that 'everything that is allowed offline should be authorised online; and everything that is forbidden offline should be banned online' (Breton 2020). To ensure a safe and transparent online environment, in other words to tackle the Wild West of the internet, the DSA harmonises liability exemptions and provides new rules aimed at ensuring a competitive Single Market for digital services, as well as fair and contestable platform markets. Its obligations apply to all digital services that connect consumers to goods, services or content, including intermediary services, hosting services, online platforms and very large online platforms (with at least 45 million users in the EU).

The logic is that the larger the platform, the more obligations it has. Additionally, the DSA introduces rules to ensure accountability on how platforms moderate content, on advertising and on their algorithmic processes.

The second key action is the *European Democracy Action Plan* (EDAP) (European Commission 2020h), the aim of which is to empower citizens and build more resilient democracies by promoting free and fair elections, strengthening media freedom and countering disinformation. To promote free and fair elections, the EDAP sets out legislation for greater transparency in political advertising, revised rules on the financing of European parties and measures to counter threats to electoral processes, including cyber-attacks. To strengthen media freedom and pluralism, it proposes a recommendation on the safety of journalists, projects to provide them with assistance in the EU and abroad, and measures to support media pluralism and transparency of media ownership. Finally, to counter disinformation, misinformation and foreign interference, all of which destabilise democracy and undermine citizens' trust, the EDAP proposes new tools and an overhaul of the EC's Code of Practice on Disinformation launched in 2018.

The international dimension

The EU Commission wants the EU to become a global digital role model – an objective which implies cooperating and working on numerous subjects with countries such as the USA, Russia and China, a country which has perhaps taken the lead in this field. The latter is a major investor in technology and digitalisation (Ghiretti 2021). Through its 'Internet+' and its national strategy, the 'New Generation Artificial Intelligence Development Plan of China' (2015-2030), the country is investing heavily in AI, with a view to building a competitive AI industry and using it to foster its domestic economic and technological development.

Academically, China aims to achieve an academic breakthrough in basic AI theory (Roberts et al. 2021). The country has also made specific investments in facial recognition technology, gait analysis to monitor people's movements and behaviour, and even in DNA collection. As Qiang (2019) puts it, 'China's tech giants have shown willingness to share users' personal data with the state as part of a tacit bargain that allows them to expand with minimal regulatory interference'.

Beyond its technology agenda, China is, like the EU, also setting standards for digital rights, privacy and data protection. Khalil (2020), Qiang (2019) and Zeng (2020) warn that China wants to win not only the AI technological race but also the ideological competition, and that it aims to use AI to strengthen its surveillance network, state control and techno-authoritarian model.

Interestingly, the chosen approach has been to give free rein to internet companies, in order to encourage innovation, then to intervene to counter any emerging negative effects, and finally to reap the benefits of innovation for its own security forces, the exact opposite of what has been done in the EU.

1.2 The European social partners framework agreement on digitalisation

One important initiative complementing the EC's digital regulatory catalogue presented above is the *European social partners framework agreement on digitalisation* (European Social Partners 2020). An autonomous initiative, it is the result of tough negotiations between the European Trade Union Confederation (ETUC), BusinessEurope, the European Centre of Employers and Enterprises providing Public Services and Services of general interest (CEEP) and the Association of Crafts and SMEs in Europe (SMEunited). Negotiated just before the Covid-19 crisis and signed in June 2020, the agreement represents a shared commitment of the European cross-sectoral social partners to optimise the benefits and deal with the challenges of digitalisation in the world of work.

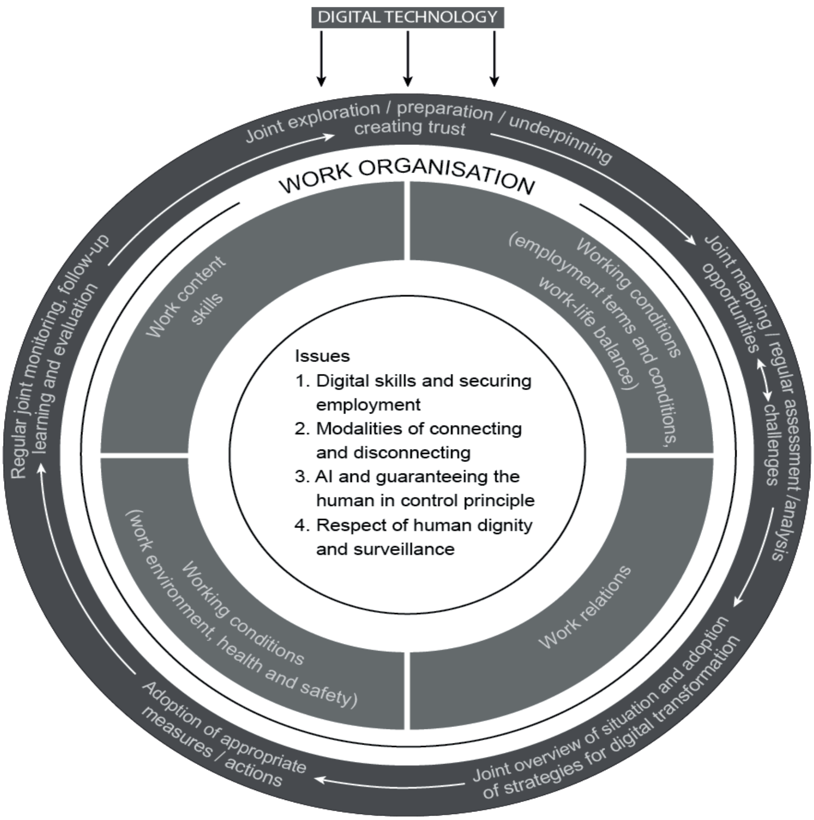
As shown in Figure 1 below, the underlying rationale of the agreement is that digital technologies impact four interrelated dimensions: work content (skills), working conditions (employment terms and conditions, work-life balance), working conditions (work environment, health and safety) and work relations. To understand the nature of this impact, four issues need to be considered:

a) digital skills and securing employment: the challenge is to determine which digital skills and process changes are necessary, thereby allowing adequate training measures to be organised, and to foster digital transformation strategies in support of employment;
b) modalities of connecting and disconnecting;
c) artificial intelligence (AI) and guaranteeing the human-in-control principle;
d) respect of human dignity and surveillance.

The deadline for implementation of the Framework Agreement is June 2023, giving national social partners sufficient time to tailor it to their national, sectoral and/or enterprise situations and industrial relations systems. Importantly, within the first year following the agreement's signing, social partners have focused their efforts on raising awareness and improving the understanding of the opportunities and challenges resulting from the digital transformation. At the time of writing (July 2021), national social partners across Europe are in the dissemination phase of the agreement and in search of good practices, organising seminars and training courses. In France, for example, they addressed the subject of telework and signed a national cross-sector agreement on the topic.

Interestingly, it appears that the Framework Agreement could trigger legislative proposals. In January 2021, the EP invited the Commission to recognise the right to disconnect as a fundamental right. Workers would then have the right, outside working time, to switch off work-related digital tools, not to engage in work-related activities, not to respond to employers' requests or communications, with no risk of adverse consequences. Despite the EP initiative, the political signals coming from the EC remain unclear.

Figure 1 **Digitalisation partnership process**



Source: BusinessEurope 2021a.

2. Searching for the 'social' in the digital agenda: critical perspectives from civil society organisations and social partners

While Section 1 described the main features of several key digital legislative initiatives, the objective of Section 2 is to answer the key question *'Does this particular initiative contribute to a more or a less social Europe?'*. Social Europe is here understood as a space in which individuals are empowered to fully participate in society and live a fulfilling life, in all their diverse personas: worker, citizen, consumer, voter, user of social media, producer of online content, spectator, employer, etc., knowing that these personas blend together in the digital world. To do so, the author took into account the perspectives of the social partners and ten specialised civil society organisations active at European level and focusing on these personas. These perspectives were collected from opinion papers, responses to EC consultations, online meetings (held between

June 2020 and July 2021), organised and discussed around four subject areas: data and AI; digital services and markets, including platform work; education and skills; and democracy. Moreover, the specific role of digital activists and hacktivists as emerging players was considered.

2.1 Data and AI

Data, as the raw material of digitalisation, is the common denominator of all the EC's digital legislative initiatives. By 2025, the data economy is set to be worth EUR 829 billion (5.8% of EU GDP) (European Commission 2020e). The EC's underlying narrative is that data should be available, flow and be shared freely. Unable to exist without data, AI is presented by the EC as a technology that citizens should trust and a sector in which the EU should become a global leader.

The prevailing opinion among civil society organisations and social partners is that the *Data Governance Act (*DGA) is mainly designed to enable data to flow freely and be easily accessible to industrial players, through public-private partnerships. Little in the DGA is geared towards protecting citizens' rights or enhancing the social dimension. The European Consumer Organisation (*Bureau européen des unions de consommateurs*, BEUC) criticises the fact that 'consumers often cannot control how the data that they generate is used' and insists on the need to ensure that the re-use of data held by public authorities should only apply to non-personal data (BEUC 2021a). According to European Digital Rights (EDRi), the governance approach is framed 'in terms of theoretical economic benefits', which 'puts aside the civil society's goals of walking towards a people's centric internet, all in favour of private companies' (EDRi 2020a, 2021). EDRi also considers that the DGA may end up undermining protections ensured by the General Data Protection Regulation through creating a *lex specialis* which private entities and public institutions could use to avoid protections in place for personal data. Together with Access Now they are calling for the removal of personal data from the scope of the DGA (Access Now 2021a; EDRi 2020a, 2021).

BusinessEurope considers that harnessing data will lead to significant economic growth and respond to some of Europe's greatest challenges while improving its day-to-day societal conditions. It regrets the existence of technical, legal and economic obstacles to voluntary data sharing, access and re-use (BusinessEurope 2021a).

In the author's opinion, the DGA fails to address the labour dimension: it revolves around making public sector data available for re-use, raising concerns about the possible lack of protection for public sector workers' personal data at work. 'Sharing is caring', or making data re-usable on altruistic grounds, may limit the control citizens have over the use of their personal information.

The *AI Act* is in general welcomed by civil society organisations as a needed legislative initiative and an attempt by the EU to set the tone globally; however, it has generated less enthusiasm than other regulatory initiatives, such as the DSA. Although the EC recognises that certain practices that contravene union values are unacceptable and should not be allowed, the use by law enforcement institutions of 'real-time' remote biometric identification systems in publicly accessible spaces is allowed in certain circumstances. This sort of exception is seen as a threat to citizens' rights. Real-time biometric mass surveillance, in particular, is not clearly banned, a fact denounced by EDRi and Access Now (2021c) but also by several MEPs (Breyer 2021).

Article 19, a UK-based human rights organisation, criticises the AI Act as not based on a human rights approach and that there are few safeguards for unintended consequences or uses of AI systems that may have a detrimental impact on human rights (Article 19 2021). In the words of SOLIDAR, AI can exacerbate existing discrimination, biases and violations of human rights, and a thorough impact assessment must be made by both public authorities and private stakeholders before introducing AI (SOLIDAR 2020).

From the outset, BusinessEurope called for a risk-based approach to AI, which is indeed the approach chosen by the EC. ETUC considers that the proposed AI Act fails to address the workplace dimension. Given the imbalance of power between employers and workers, it insists on the need to involve workers' representatives in the building of AI at work, with a view to achieving a robust AI framework guaranteeing the protection of workers' rights, quality jobs, and investment in workers' AI literacy. ETUC also requests that, at a minimum, the conformity assessment of AI systems used for employment, workers' management and access to self-employment (one of the 8 *ad hoc* uses listed in the Act) must be carried out by an authorised third party (ETUC 2021a).

In the author's view, the AI Act, though a highly expected legislative initiative, has disappointed many and triggered criticism, especially among those who hoped for legislation with a primary focus on AI's impact on human beings. Critics in particular express doubts about the way the AI Act classifies risks, the possibility to extend the list of high-risk AI systems (Annex III) in the future, and the fact that the Act seems to give more importance to building an AI market than making AI useful for society.

2.2 Digital services and markets, including platform work

Civil society organisations and social partners acknowledge that updating the *e-Commerce Directive* of 2000 was necessary, as the digital environment and market reality have changed and new risks have emerged. In the words of BEUC, 'monopolisation of services such as social networks and search tools can lead to locked-in consumers being deprived of meaningful choice' (BEUC 2021b). As a package, the DSA/DMA is seen as a relevant instrument to regulate this new digital reality, since it covers all platforms, including gatekeepers (e.g. Google, Facebook, Alibaba and Amazon), and has an extraterritorial dimension.

As expressed by Access Now (2020a), the most worrisome shortcoming of the DSA/DMA Package is that 'the European Commission delegated the development of human rights and due diligence safeguards for users' fundamental rights to private companies'. In the same vein, ETUC (2021b) insists that the DSA must empower users and ensure their human rights both online and offline, adding that private censorship and removal by default are not acceptable ways to deal with content flagged as potentially illegal or harmful.

Supporting the DSA, BusinessEurope (2021b) considers platforms should be encouraged to carry out their own investigations to actively remove illegal content online, but also considers that harmful (yet not illegal) content should not be covered by the DSA and therefore not be subject to removal obligations. As EDRi (2020b) points out, some policymakers are pushing for the removal of legal content that disturbs them, by qualifying such content as illegal. The network insists that the context matters, as what is legal or harmful in one Member State may not be in another. Online platforms should not determine by themselves what is illegal, as this is key to ensuring freedom of expression (ibid.).

Related to freedom of expression, disinformation, fake news and hate speech are other phenomena on the increase, with dangerous consequences in society. EDRi (2020b) explains that 'platforms financially benefit from the spread of disinformation through increased ad revenue', adding that 'disinformation takes mostly the form of polarising or shocking content that generates engagement and thus, profiling data that can be sold to advertisers'.

According to Article 19 (2021), the DMA, in targeting gatekeeping platforms, focuses on the relationship between platforms and their business users from a competition perspective, overlooking the negative impact on individual users' civil rights. Instead of stimulating the emergence of alternative platforms, thereby encouraging the emergence of an open and free digital environment respectful of individual rights, it focuses on creating conditions for more competition at the business user level, leaving gatekeepers untouched.

As BEUC (2021b) points out, the platform network effect – the fact that the value of a product, service or platform increases with the number of buyers, sellers, or users – is a key feature of platforms' business models, in particular for social networks and instant messenger services. If interoperability is not guaranteed, it can result in people being locked into one service (Article 19 2021).

Platform work

According to the author, the Commission has focused its approach on the market, with the DSA/DMA Package overlooking the issue of employment and the protection of workers' rights, particularly platform workers.

Instead, the Commission is tackling platform work through a social partner consultation on working conditions. The central question raised by platform work is that of employment status. BusinessEurope's opinion is that an EU definition would not be appropriate or effective, as it would not be able to respect the different models in each Member State. A presumption of employment relationship, it argues, would make it more difficult for the most vulnerable to enter the labour market. BusinessEurope claims that 'the common perception that all platform workers are part of a vulnerable "digital working class" that needs to be protected from exploitative tech giants, is not the reality'

(BusinessEurope 2021c). In its view, it would not be appropriate to introduce one-size-fits-all rules, and an EU definition of who is a worker and who is self-employed would be neither appropriate nor effective. Instead, it invites the European Union to ensure that the development of new, innovative business models, including platforms, is not stifled.

The ETUC (2021c, 2021d) rejects the creation of a third status, in between employees and the self-employed. It insists that there should be a presumption of employment, as platforms are not just intermediaries but actual companies and employers. It also demands a reversal of the burden of proof: it should be the platforms' responsibility to prove that there is no employment relationship, not the worker's task to demonstrate there is one. ETUC also insists on the need to achieve rights for non-standard workers, whether they work online or offline.

Another contentious issue is algorithmic management, a topic which will be addressed by the EC in the second phase of the consultation, with more specific proposals. From the responses to the first phase of the consultation, the EC recognises that a lack of sufficient information, consultation and redress surrounds algorithmic management, that it is not always clear who is responsible for decisions reached by algorithms, and that the extent of this control could potentially surpass what is possible under human supervision (European Commission 2021d).

The European Parliament is involved in the debate. It published an own-initiative report on 'Fair working conditions, rights and social protection for platform workers', stating that the European framework is unsatisfactory and does not cover all platform workers. It also calls for a new directive on platform workers in order to guarantee them a minimum set of rights, regardless of their employment status (European Parliament 2021a). In a draft motion for a resolution on the rights of platform workers, the EP also highlights the fact that workers are at risk of being misclassified, preventing them from enjoying the rights inherent to their status and putting them at risk of obtaining less favourable work opportunities and rewards. It mentions that cases of misclassification are most prevalent on digital labour platforms dictating, directly or by means of an algorithm, the conditions and remuneration of platform work.

2.3 Education and skills

In a society that is becoming increasingly digital, education is essential in order to remain fully involved in society and avoid becoming socially excluded. The *Digital Education Action Plan* (DEAP) and the *European Skills Agenda* are not only desirable but very much needed, as evidenced by the recent increased dependency on digital tools that has been a feature of the Covid-19 pandemic.

To have access to education and knowledge, access to infrastructure has become a prerequisite. Access to the internet, computers and broadband still varies widely in the EU, thereby limiting access to education and skills. More than one in five young people across the EU fail to reach a basic level of digital skills (European Commission 2021b). As highlighted by SOLIDAR, the Action Plan acknowledges the need to equally involve all stakeholders in digitalisation and ensure everyone obtains basic digital skills. SOLIDAR also considers that the Plan places great importance on the need to prevent 'widening the unjust gap between those most disadvantaged in society and those with sufficient resources to engage in digital skills development' (SOLIDAR 2021).

However, as noted by the European Trade Union Committee for Education (ETUCE), social partners are not mentioned in the Digital Education Action Plan, which relies on the private sector: 'Digitalisation should not become the Trojan horse of privatisation' (ETUCE 2020). As Europe becomes increasingly green and digital, learning new skills and adapting to a digital work environment will be an absolute necessity for millions of citizens. The ETUC emphasises that there is a social and economic responsibility in this process, which is why national and company-level skills strategies are needed. Employers have responsibilities and the recently signed European Social Partners Framework Agreement on Digitalisation is an expression thereof (ETUC 2020). Correctly targeting educational strategies is a concern, and SOLIDAR points out, critically, that acquiring digital knowledge should benefit learners, not only tech companies, and that digital education should not preclude people from an education focused on the personal development of all learners (SOLIDAR 2021).

2.4 Democracy

As evidenced during the Brexit referendum and the US presidential elections, election interference has become a key concern for EU institutions, states and citizens, as are digital disinformation, fake news and the polarising effect they have on society. According to the Eurobarometer (2019), 83% of Europeans consider that fake news is a threat to democracy. The European Democracy Action Plan (EDAP) is an important initiative which, as recognised by the European Federation of Journalists, should contribute to more journalistic editorial freedom, security and pluralism. Guaranteeing the independence of journalists and, in the same way, press freedom, quality working conditions and social protection are also fundamental in democratic systems (European Federation of Journalists 2020).

In a recent conference organised by the European Economic and Social Committee (EESC 2021), the ETUC signalled that EDAP fails to recognise the crucial importance of social dialogue in a healthy democracy.

Though digital platforms, in particular social media, now play a role in our democracies, as the European Citizen Action Service points out, 'the lack of transparency around political ads' threatens the credibility of our electoral processes. A key question is whether EDAP will address the fact that digital platforms decide what is political advertising and what is not, hence what is and what is not subject to their transparency regimes (European Citizen Action Service 2020).

Access Now and BEUC raise another issue that EDAP will have to address, namely the fact that platforms – whose objective is to engage with users and thus increase

Box 1 **Digital activists and hacktivists: emerging players in the digital transformation**

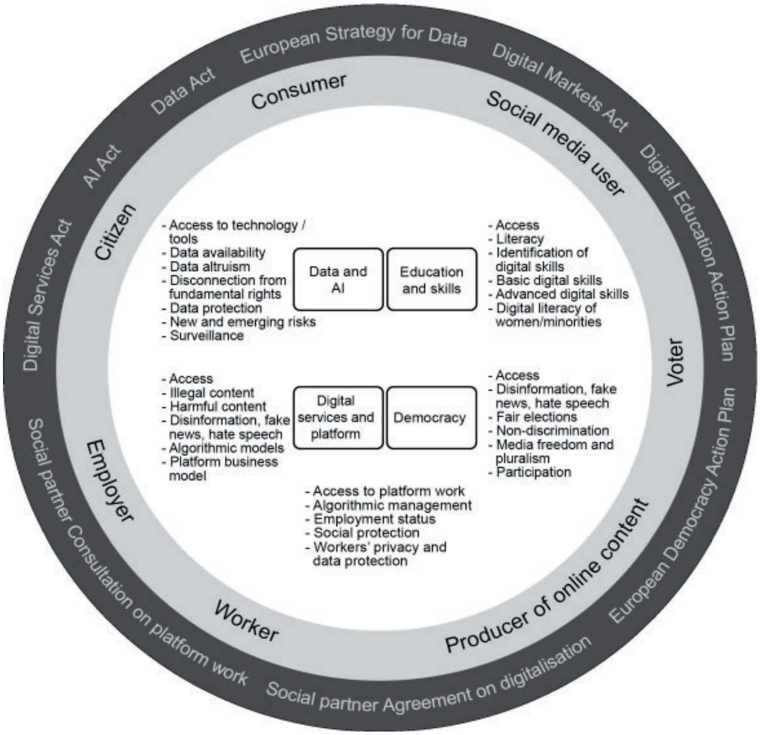
Social policies have traditionally been debated and negotiated between traditional social players, notably social partners and civil society stakeholders, some of whom are mentioned in this chapter. The digital field is opening the door to new movements and players whose action deserves a mention here. Focusing on technology as a starting point, digitally mediated social activism (George and Leidner 2019) and hacktivism, understood as the use of hacking principles to change the social or the political (Jordan 2008) are increasingly influencing the social debate. Although some of them are known for cyber-attacks and 'denial of service' (DoS) attacks, most digital activists and hacktivists make up communities working on the linkages between the technical and political dimensions of tech and contributing to the social debate with expert knowledge. Claiming that technology can be used for new or unexpected uses (Jordan and Taylor 1998), they express a desire for social change, can organise collective action (Dikme 2013), and try to present a new opportunity for social participation through connective action (George and Leidner 2019). Their work may be reflected in the position papers of civil society stakeholders, and they sometimes influence policymakers within EU institutions.

The 'Free, Libre and Open Source Software' (FLOSS) movement, one of the first 'online communities' using the internet in order to develop free and open source software as its core activities, lobbied the EC against the directive on the Patentability of Computer-Implemented Inventions, opposing the introduction of software patents in the EU (Breindl 2010). Founded in Germany and present in several European countries, the 'Chaos Computer Club' (CCC), the largest hacker group in Europe, is calling for more transparency in government, freedom of information, and the human right to communication, based on a set of hacker-ethical principles. The CCC (2020) has warned of and provided technical expertise on the socially adverse aspects of contact-tracing apps in Europe. The Italian 'Tracking Exposed' group believes that we should, as a society, 'consciously build our own algorithms, change them whenever we want, and not have to delegate this decision to a commercial entity, with opaque functioning and objectives' (Tracking Exposed 2021). It has developed a framework that analyses the stories published in Facebook's Newsfeed, demonstrating how the Facebook algorithm works to direct users' attention in line with Facebook's goals. This framework has also been applied to YouTube's recommendation engine, unveiling how users are being tracked, profiled and influenced by algorithms.

'Computer Professionals for Social Responsibility' is another activist group worth mentioning. It has a global presence, promotes the responsible use of computer technology and aims to educate policymakers and the general public on a wide range of tech and internet issues. In Germany, the 'Forum Computer Scientists for Peace and Social Responsibility' works on the social effects of information technology. 'Netzpolitik.org', a blog platform, covers digital freedom rights and their political implementation.

Source: Author's elaboration.

Figure 2 **Key social issues organised by subject areas in the EC's digital agenda**



Source: Author's elaboration.

profit – use behavioural surveillance, algorithms and content recommender systems to personalise the content that individual users will see or not see, in turn having a detrimental impact on democratic discourse and the diversity of information (Access Now 2020b).

Finally, as expressed by the European Women's Lobby, a key question is whether EDAP will be able to deal with online violence against women and girls, ensuring that they are safe in online spaces, able to express their views and to participate in democratic life (European Women's Lobby 2020).

Though we have described issues and their remedies sequentially, there are deep links between these aspects. These are best presented visually in Figure 2. The four main subject areas of the digital agenda are at the centre, surrounded by two layers, one for the various personas every individual can 'be' in a digital society, the other for the regulatory initiatives, strategies and plans set to shape digital Europe. The key social issues, derived from the views expressed by social partners and the ten civil society organisations, are attached to each subject area.

Conclusion: lessons learned and challenges in building a social digital Europe

To identify the social challenges raised by digitalisation, the author's approach has been to filter the recent digital legislative initiatives through a guiding question: *does this particular initiative, strategy or plan contribute to making Europe more social?*

The Commission's efforts to set global criteria in the field of digitalisation are generally welcomed by most civil society organisations and social partners. Published in the Digital Compass, the EC's macro vision promising a digital Europe in 2030 that empowers citizens and businesses and promotes values such as solidarity, prosperity and sustainability, is seen as positive. However, important hurdles remain, potentially limiting the construction of a Europe that is both digital and social. Indeed, there appears to be little conversation between the digital and the social agenda: the digital agenda sees digitalisation as a way to build a digital infrastructure at the service of the economy, at best with a neutral impact on social Europe, at worst with increased digital-led inequalities, uncertainties and disruption to people's work and wellbeing.

One recurring problem identified throughout the EC's digital proposals is the fact that employment is systematically overlooked. The focus is on the market and not on protecting workers' rights: platform work is addressed through a social partner consultation; the AI Act classifies AI systems used in employment as a high-risk use case but establishes weak requirements for providers; workers are increasingly under algorithmic surveillance with no clear provisions in place to limit the use of algorithmic management.

The digital agenda is about more than just technology: its effects reach much further and affect not only the economy, but also politics, culture and social dimensions, in the EU and globally. The EC's legislative proposals can bring benefits to society by limiting the domination of large digital platforms, helping citizens to acquire necessary digital skills, facilitating their access to certain public and private services, and protecting our democratic processes. Essentially, they should ensure that citizens are engaged and able to exercise agency in their various personas, on- and offline.

The Commission's narrative revolves around notions such as 'trust', 'values', 'ethics', 'technology made for people', 'altruism', 'sharing', etc. The legislative initiatives propose few concrete ways to translate these concepts into reality, focusing instead on competition, data-sharing and technology deployment. The EU Commission may have fallen into the trap of considering that digital technologies are so powerful and innovative that they can solve social concerns. Genuine protective measures, including redress mechanisms, prevention or provisions to strengthen fundamental rights, are often weak or absent.

In addition, the author notes the lacking interconnection between the various digital legislative initiatives. The Digital Services Package is not linked to the social partner consultation on platform work. The AI Act makes no reference to the possibility of regulating algorithmic management, nor to social partners. Also, a self-regulatory approach permeates the initiatives. The AI Act, with its focus on high-risk AI systems, an approach based on self-assessment and limited requirements for AI providers, falls short of the mark.

All of this may be a symptom of a deep flaw in how the Commission develops technology governance. In regulating digital matters, the Commission relies on experts, voluntary codes of conduct, standards and regulatory sandboxes, leaving out the principles of prevention and precaution essential to build Social Europe. Building on literature on anticipatory governance and science policy (Kuhlmann and Rip 2019; Guston 2014) and on the importance of 'social robustness' in policymaking (Nowotny 2003), the Commission should give more space to the necessary anticipation of social issues, the inclusion of different perspectives, the genuine participation of social partners, or public engagement, as key ingredients of an accountable, inclusive, socially shaped and human-centred technology governance.

In the catalogue of digital initiatives, four challenges situated at the intersection of the social and digital spheres will require further attention: access, algorithms, digital platforms as employers, and the agency of social players, social partners and other digital activists.

With the increased reliance on digital channels and tools, access to the digital world means access to the real world. Lack of access, whether due to insufficient infrastructure or skills, means an increased risk of social exclusion and, for vulnerable groups – the long-term unemployed, the elderly, persons with disabilities and the homeless – the inability to benefit from much-needed public services, job opportunities, education or information.

The abuse of algorithmic power is another issue that is not adequately addressed by the AI Act, the DSA/DMA and the European Democracy Action Plan. Algorithms are not living entities, they do not self-generate and act on their own. Instead, they are built and owned by individuals and organisations which ultimately remain in control and should be held responsible for their use. Algorithms will orient you towards certain TV series, expose you to targeted ads while chatting on Facebook. They can also 'decide' whether or not you are the right candidate for a job, push you into buying certain products, or even into voting for a certain candidate. They can dismiss you automatically if you are a platform worker, assign you a 'risk level' in your workplace, 'inform' you that vaccination is not a good thing. If you are at work, intrusive surveillance practices may be used to monitor your behaviour and emotions as you read this – and these rely on algorithms.

Digital platforms are not unmanned websites that evolve in an autonomous technological architecture. They are actual companies with infrastructural power and important network effects – the more users a platform collects, the more potential it has to extract and generate value from its users and their engagement (Gawer 2011; Srnicek 2017). Platform work, as an attempt to create a new form of work organisation and labour outsourcing, deprives workers of a clear status, leaving them without access to social security, training, health and safety protection and workers' rights, including the right to organise and bargain collectively through a trade union.

The contribution of societal stakeholders and social partners to the EC's digital agenda remains limited and marginal. As experts in social matters, their agency could and should be better integrated. For some, their influence can be noticed, such as in the case of BusinessEurope. The positions it expresses in its position papers are recognisable in the structure of the legislative proposal, particularly for example in the logic and narrative of the AI Act.

For digitalisation to contribute to a strong Social Europe, where people benefit from the highest standards in working conditions, broad social protection and safeguards against inequality and exclusion, the Commission's digital regulatory package needs to shift its focus towards people, in all their personas, rather than the market. The European social model is unique and should not only bring opportunities but also ensure protection to all, irrespective of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Given these challenges and the difficulties social players have in resisting the push of big tech and their lobby power, strategic coalitions involving trade unions, privacy and human rights groups are an avenue to further explore, as they can lead to cross-fertilisation, the sharing of expertise and increased influence.

Though the challenges described across this chapter are real, several years may pass before the final version of the legislative texts are adopted. This leaves social players sufficient time to influence the process and socially shape the way the EU regulates data, technology and digital markets.

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Chapter 5
Are (some) social players entering European recovery through the Semester back door?

Amy Verdun and Bart Vanhercke

Introduction[1]

In summer 2020, in an unprecedented move, the EU offered its Member States help to cope with the fall-out of the Covid-19 pandemic. To do so, it drew on the EU long-term budget (2021-2027) and created a new temporary support system referred to as 'NextGenerationEU' (NGEU). Formally established in February 2021, the so-called 'Recovery and Resilience Facility' (RRF) at the core of the NGEU provides financial support to Member States, notably through a combination of grants and loans (European Parliament and Council of the EU 2021). The EU has issued debt to finance this expenditure, the size and scope of which are unparalleled and break with longstanding taboos (Alcidi and Corti, this volume). Yet even so, not all scholars agree that this situation represents a sea change (e.g. Howarth and Quaglia 2021). The European Commission insisted on attaching strings to these funds, i.e., that they be spent on the digital transition, the energy transition and on stimulating social and inclusive growth benefiting the next generation. Member States need to submit detailed national Recovery and Resilience Plans (RRPs) to access the funds.

While some reporting templates are new, others draw on the European Semester (henceforth 'Semester') – the EU macro-economic policy coordination framework. Examining how and why the Semester became part of RRF governance, this chapter asks, *to what extent did this new set-up change the power balance among key players* (e.g., financial and economic players versus social affairs players)? The chapter distinguishes between 'EU institutional social players' and 'social stakeholders'. The former consist of the DG Employment, Social Affairs & Inclusion (DG EMPL) of the European Commission, the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council formation and the EU Employment and Social Protection Committees (EMCO and the SPC).[2] 'Social stakeholders' comprise both EU and national social partners[3] (representatives of worker and employer organisations) and civil society

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2. For a discussion of the European Parliament's role, and notably its Committee on Employment and Social Affairs (EMPL), in the negotiations surrounding the RRF Regulation, see Vanhercke et al. (2021).
3. The European social partners are engaged in European social dialogue, as provided for under Articles 154 and 155 of the Treaty on the Functioning of the European Union (TFEU).

organisations (CSOs). Wherever relevant, we distinguish between players' involvement at EU and domestic level.

The research done for this chapter draws on extensive document analysis and 32 semi-structured high-level interviews conducted by the authors from October 2020 to November 2021. Interviewees hold senior positions, e.g. in various European Commission Directorates General (DGs) and European social partner organisations, or representing Member States in various EU Committees.[4]

This chapter is structured as follows. Section 1 examines how the RRF has been designed to work in the context of the Semester. Section 2 looks at how the Semester has been adapted to become part of the new institutional set-up. Section 3 discusses the extent to which RRF governance has given a prominent place to social affairs players, while Section 4 explores whether the Semester is set to become a bit 'harder' in the new RRF environment. The final section revisits the research question, reflecting on winners and losers of the revised macro-economic governance architecture.

1. The Semester as a 'Goldilocks' mode of governance for the Recovery Facility

1.1 Not too hot, not too cold: just the right temperature

The European Semester is a mode of governance integrating many societal players. Based on Country Reports and non-binding (even if Treaty-based) Country-specific Recommendations (CSRs) initially proposed by the European Commission, the final adoption of the latter remains formally in the hands of Member States through the Council. The Semester has evolved over time to be 'not too soft and not too hard', leaving ample room for manoeuvre regarding the choice of policies to be implemented. Countries of the 'North' and of the 'South' have been given different recommendations in this regard, with Germany and the Netherlands encouraged to increase wages whereas the recommendation for the 'South' is to keep tabs on wage increases (D'Erman et al. 2022).

Since its inception in 2011, the effectiveness of the Semester has been mixed, as witnessed by the modest compliance with CSRs (Hagelstam et al. 2019). It also has not been clear whether the EU has pushed for more or less state intervention or market orientation, or – as some have argued – for more fiscal discipline versus investment (Haas et al. 2020). It was therefore not immediately obvious to the authors of this chapter that the Semester would become the cornerstone of the new macro-economic governance architecture, even being identified as a mode of governance that seeks to achieve various

4. We refer to each interview with a dedicated code, adopting abbreviations to reflect the general institutional affiliation of the respondents, while guaranteeing confidentiality. The abbreviations are BUSINESS (BusinessEurope), COM (European Commission), CSO (Civil Society Organisation), EMCO (Employment Committee), EESC (European Economic and Social Committee), ETU (European Trade Union representative), MEP (Member of the European Parliament), NOF (National Official) and SPC (Social Protection Committee). See the Appendix for more details about the interviews (institutional affiliation, position, date and in-text code).

objectives. Verdun and Zeitlin (2018) point to achieving balances between economic and social objectives, between supranational and intergovernmental tendencies, and between technocratic and democratic governance modes. Some assessments of the Semester's effectiveness focus on particular issues tackled by the CSRs and provide case studies, whereas others take stock of overall compliance with the overarching CSRs (D'Erman and Verdun 2022). Direct causality remains difficult to establish – i.e. how much influence the CSRs have actually had on domestic policies (interviews COM6, NOF2, NOF3, NOF5, NOF7; D'Erman et al. 2022; van der Veer 2022). Ultimately, responsibility for domestic policies lies with each Member State, while the aim of the Semester is to guide EU-wide coordination.

We have argued elsewhere that the Semester served as a 'Goldilocks' (Mure 1831/2010) mode of governance (Vanhercke and Verdun 2022). In analogy to the children's story 'The Three Bears' – in which a young girl named Goldilocks tastes three different bowls of porridge and finds she prefers the one that is not too hot nor too cold, but has just the right temperature – the Semester provides structure and direction, while not being overly intrusive. Those more in favour of EU-level intervention find the Semester insufficient because it is *not stringent enough* (Bokhorst 2022); those more dismissive of top-down rule from the EU to the Member States find that the EU is *interfering too much* (Schout 2021).

In the context of RRF governance, the Semester is perceived as appropriately situated between these two extremes – allowing a balance to be struck between providing sufficient constraints, while leaving considerable leeway for Member States to choose and implement their preferred domestic policy options. The latter is essential, since many of the issues addressed in the context of the RRF are distinctly national competences and since a significant part of the newly available funding consists of loans to countries.

1.2 The Semester and the RRF: intrinsically linked

How has the alignment between the Semester and the RRF become institutionalised? The embedding of the RRF into the Semester can be understood through various EU documents. The European Commission paved the way in its May 2020 Communication on the CSRs, underlining that a 'close alignment between the EU budget and the Semester is essential' and pointing to the continued importance of the (refocused) Semester, notably to guide 'reforms and investments' (European Commission 2020d: 15-16). While the July European Council (2020) left unsettled the detailed governance of the recovery instrument (Fabbrini 2022), it played an important role in cementing the role of the Semester. Though not at all certain at the outset, the European Council (2020: §17) conclusions endorsed the stronger link between the EU budget and the Semester, but also the need for further implementation of the European Pillar of Social Rights and equal opportunities for all. These views are reflected in the RRF Regulation of February 2021, which stipulates that 'At union level, the European Semester for economic policy coordination (European Semester), including the principles of the European Pillar of Social Rights, is the framework to identify national reform priorities and monitor their implementation' (European Parliament and Council of the EU 2021: recital (4)).

The alignment between the Semester and the RRF is explained in the Regulation as occurring along three lines. First, RRPs will contribute to addressing 'all or a significant subset of' challenges identified in the relevant CSRs or in other relevant documents officially adopted by the Commission in the Semester. Second, in order to streamline the content and the number of documents requested, Member States *may* submit their National Reform Programme (NRP) and their RRP in a *single integrated document*. Third, twice-yearly reporting on the progress made in achieving the investment and reform commitments will take place *in the context of the Semester* (European Parliament and Council of the EU 2021, emphasis added).

The final RRF Regulation also confirmed that the criteria related to a) the CSRs; b) the strengthening of growth potential, job creation and economic, social and institutional resilience;[5] and c) the implementation of the European Pillar of Social Rights (EPSR) 'should require the highest score of the assessment'. In addition, 'effective contribution to the green and digital transitions should also be a prerequisite for a positive assessment' (European Parliament and Council of the EU 2021: 21). Each RRP will have to include a minimum of 37% of expenditure related to climate and a minimum of 20% related to digital. By contrast, no explicit 'social' targets were included in the RRF Regulation agreed between the Council and the EP. This lack of explicit social targets occurred despite the EPSCO Council formation's request to set social targets, notably in the context of the Pillar Action Plan. The Social Platform (2020a), for its part, had called for the 'inclusion of a 25% earmarking for social investment, as well as bringing back the implementation of the EPSR to the forefront of the European Semester'.[6]

The *Annual Sustainable Growth Strategy* (ASGS) 2021 highlights why domestic and EU policymakers decided that the Semester and the RRF were to become 'intrinsically linked' (European Commission 2020a: 12): the Semester provides a well-established (i.e. predictable and encompassing) framework for the coordination of economic and employment policies to guide the EU and the Member States through the challenges of the recovery and twin transition (European Commission 2020a: 5). The Semester offers important informational and signalling advantages for the identification of priority areas when drawing up RRPs covering a wide variety of policy initiatives, while timeframes for identifying complex and multifaceted national reform agendas are very tight. As some interviewees argued, by building on Semester tools and practices, the Member States have a chance to get reform and investment priorities 'right' from the very beginning, especially given the one-off nature of the formulation of the RRPs (interviews COM5, ETU2, MEP1; see also Moschella 2020: 9; 20). It should be noted that the fact that *all* CSRs are deemed relevant further adds to the challenge that RRPs are expected to be consistent with multiple priorities, making it difficult for the

5. The RRF Regulation defines 'resilience' as 'the ability to face economic, social and environmental shocks or persistent structural changes in a fair, sustainable and inclusive way' (European Parliament and Council of the EU 2021: Art. 2 § 5)..

6. https://www.socialplatform.org/wp-content/uploads/2020/10/Call-to-reinforce-the-social-dimension-of-the-European-Semester-the-RRF-and-the-NRRP.pdf

Commission to steer the planned reforms and investments (interviews COM6, EMCO2, ETU2, NOF4, NOF5). Thus, rather than inventing a totally new system to deal with macroeconomic coordination and country assessments, the instruments developed within the context of the European Semester were used.

1.3 Managing the EU's recovery: the European Commission in pole position

The above-mentioned EU documents provide a broad-brush view of how the RRF is managed in procedural terms. Implementation of the RRF and coordination of the Semester are steered centrally within the newly established Recovery and Resilience Task Force (RECOVER), established in August 2020 within the European Commission's Secretariat-General (SECGEN). Working in close cooperation with the Directorate General for Economic and Financial Affairs (DG ECFIN), the Task Force reports directly to the Commission President. A formal role has been assigned to the Economic and Finance Committee (EFC), even if much of the actual deliberations take place in the 'technical' Council preparatory bodies (Coreper II). The Commission is supposed to ask the opinion of the EFC, which has the right to pull the 'emergency brake' if a Member State has not achieved the milestones (linked to qualitative achievements) and targets (linked to quantitative results) set in its RRP – the basis for the assessment of payment requests. In this unlikely case, the matter may be referred to the European Council.

While the emergency brake can theoretically slow down disbursement of funds, some argue that the RRF 'has placed the [European Commission] in the driving seat to steer and monitor the use of funding' (Corti and Núñez Ferrer 2021: 4). One interviewee confirmed this: Member States 'will have to heavily, heavily rely on the Commission', as smaller countries in particular 'will have difficulties to really challenge the Commission assessment' (interview COM6), especially because the satisfactory achievement of milestones and targets will be the key to unlocking the money (interviews NOF6, NOF7, COM11). It would indeed seem that by a) encouraging Member States to 'interact with its services to informally and bilaterally discuss the draft plans' as early as possible when preparing them (European Commission 2020a: 13); and b) providing Member States with (initial and updated) guidance on how best to present their Recovery and Resilience Plans (European Commission 2020b and 2021a), the Commission immediately picked up the glove in a new context where it does much more than manage the practical implementation of RRF governance. The Commission can now raise funds and run a supranational economic policy, while its negative assessments (or a threat thereof) can block their disbursement. Some might argue that a negative assessment is very unlikely, as all parties involved want the RRF to be a success (and want to spend the money without delay) . Yet, the so-called Frugal Four started off criticising the disbursement of funds without some form of checks and balances. The Commission will need to remain sensitive to these opposing pressures (Lofven 2020; Verdun 2022).

This institutional set-up for managing the RRF has given rise to considerable concern among EU institutional players and social stakeholders alike. Many of our interviewees were worried about (a) the inclusion of social affairs players; and (b) the incorporation of social priorities in the key RRF decisions. The initial concern was that these gradual gains achieved during past Semester cycles had been abandoned in the initial RRF setup. However, by the end of 2020 the tide was turning, with various EU-level institutional social players managing to have their voices heard again in the Semester, and through it, in the RRF. As we discuss further in Section 3.3 below, the involvement of social stakeholders (social partners and civil society organisations) has been insufficient, especially at domestic level.

2. Temporary Semester adaptions to the RRF: EU economic governance 'on hold'?

How did the inclusion of the Semester in the RRF change economic policy coordination in 2020-2021? Some aspects of the Semester remained largely unaffected, whereas others were interrupted due to the pandemic. When they were implemented, it was not always clear to stakeholders whether these changes were temporary and would break with past practices or would eventually trend back to the usual processes.

2.1 Continuity: the Semester 2020 Autumn package

What remained the same was that the European Commission published its Semester Autumn Package, as planned, on 18 November 2020, basing it, as usual, on its Autumn 2020 Economic Forecast. The package includes the *Opinions on the Draft Budgetary Plans* (DBP) of Euro Area Member States for 2021 and the *Euro Area recommendation* (European Commission 2020c), adopted by the Council in January 2021. The Autumn Package provides policy guidance on the short-term priorities that Euro Area Member States should pursue in their RRPs to address the pandemic.

The Semester Autumn Package also includes the *Alert Mechanism Report* (AMR) with its finding that increased risks of imbalances are evident in the twelve Member States already experiencing imbalances before the Covid-19 pandemic. The package also contains a proposal for a *Joint Employment Report* (JER), which shows that the groups hardest hit by the Covid-19 crisis are young people – making up a major share of non-standard and self-employed workers – as well as women. Through its in-depth analysis, the JER has helped Member States identify priority areas for reforms and investment to include in their RRPs.

Multilateral surveillance between Member States, one of the slowly built cornerstones of the Semester, has, in the months following the announcement of the RRF in May 2020, been continued, albeit via a largely written procedure in very difficult (pandemic) circumstances. While more emphasis was put on bilateral dialogue between the Commission and individual Member States about the reforms and investments proposed in the framework of the RRF, there 'was a clear intention not to lose what had been built up in terms of multilateral surveillance during the previous years' (interview SPC1). Both the peer reviews organised in the context of the 'Mutual Learning Programme' of the European Employment Strategy and those relating to social protection and social inclusion (SPC) continued, even if stakeholders seem to have been given a less prominent role (CSO3). Figure 1 compares the timeline of the 2021 European Semester cycle with the usual cycle.

2.2 Temporary transformation: the end of the Semester as we know it

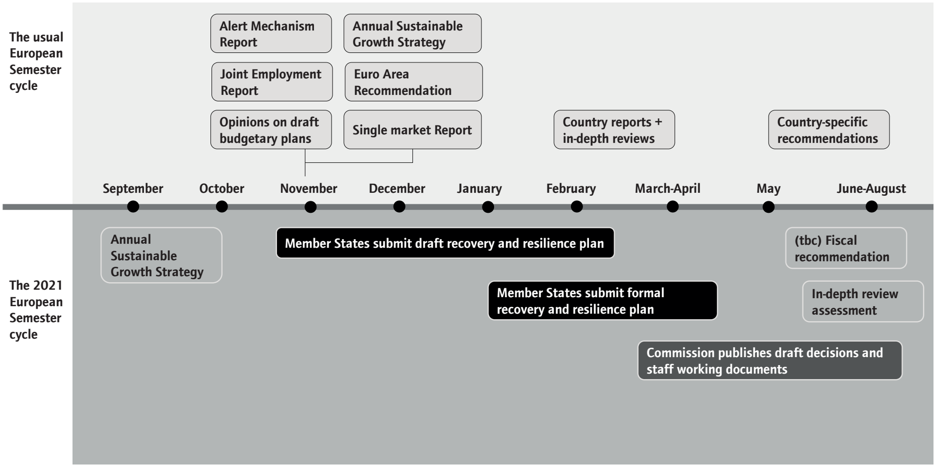
Some other components of the Semester, by contrast, were transformed very quickly, with a view to aligning them with the RRF. Consequently, many of our interviewees felt that key aspects of the Semester were 'on hold', 'frozen' or 'hanging in the background', while others referred to a 'lightening' or 'streamlining' (interviews COM5, COM6, SPC1, TU2) of the Semester to decrease the reporting burden for national and EU administrations, uphold consistency in the key messages coming from the EU, and channel the money to the Member States as soon as possible. For instance, the Annual Sustainable Growth Strategy (ASGS) 2021 was published two months earlier than scheduled (in September 2020, see also Figure 1 below), without the usual involvement of social players at national or EU levels. This lack of consultation caused tensions with, among others, the European social partners (interviews COM4, ETU1, BUSINESS), as it took many by surprise. As demonstrated above, the document was transformed into strategic guidance to the Member States for implementing the RRF (European Commission 2020a).

An even more significant change pertains to the *Country Reports*, which were not adopted by the European Commission in 2021, in the absence of the Semester 'Winter Package': Country Reports were replaced as the Semester's main analytical reference documents (also constituting the basis for the annual CSRs) by the Commission's assessments of the RRPs during summer 2021. Member States were asked to submit these reports between 15 October 2020 (draft plans) and 30 April 2021 (final plans), though the large majority submitted later. The assessments were published, in staggered batches,[7] in the form of Staff Working Documents, together with Commission proposals for Council implementing Decisions.[8]

Reflecting the Covid-19 pandemic circumstances, the most notable change in the 2021 Semester cycle is that no new Country-specific Recommendations (CSRs) were issued to Member States presenting an RRP, except on fiscal matters in the context of the Stability and Growth Pact (SGP).[9] For 2021, all earlier CSRs remain valid and are supposed to steer the reforms and investments proposed by the Member States in their RRPs. In practice, however, this process has its limitations: as the European Court of Auditors (2020) pointed out in its opinion on the RRF, 'in certain cases, the CSRs contain a mix of issues, and generally lack clear timeframes and costs'. It can be expected that Member States will endeavour to spend the new funds according to their domestic preferences, while the Commission will seek to ensure that each RRP

7. Depending on the respective delivery of the recovery and resilience plans and the finalisation of the Commission's assessments.
8. For the Commission assessment of the Recovery and Resilience Plans see: https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/recovery-and-resilience-plans-assessments_en
9. The general escape clause remains in place for as long as it is deemed necessary to allow Member States to implement measures to contain the coronavirus outbreak and mitigate its negative socio-economic effects.

Figure 1 **Aligning timing: the 2021 European Semester cycle**



Source: European Commission (2021b).

contains the required expenditure related to climate (37%), digital transition (20%) and employment and social policies (i.e. linked to the EPSR Action Plan). Initial analysis of the RRPs indeed confirms that spending priorities have been closely linked to the last cycle of CSRs in several Member States (Corti et al. 2021; Pilati 2021). Several interviewees also pointed out that the EPSR Action Plan was published too late to impact the RRF objectives obtained by the EP during the negotiations on the Regulation (see Section 1.4): in the absence of quantitative social targets, Member States seem to have had a largely free hand to choose to what extent they also want to invest in social reforms and investments. However, ongoing research by Eihmanis (2021) suggests that the European Commission has been strategically using the RRF to push for long-term structural social reforms (*and perhaps bolster the scant welfare states?*), based on long-standing CSRs, in the economically liberal Baltic countries for instance in long-term care and health care.[10] In Latvia, for example, the European Commission seems to have been pushing for a higher guaranteed minimum income: the Commission's Staff Working Document analysing the Latvian RRP stipulates that

> '[d]espite the recent increase in 2021, the guaranteed minimum income remains significantly below the poverty threshold and lacks a clear indexation mechanism. As a result, the share of people at risk of poverty or social exclusion and the poverty gap both remain wide. Income inequality is associated with unequal access to healthcare, which is significantly more difficult for low-income groups, who cannot afford private healthcare' (European Commission 2021c: 10).

Another illustration of ongoing changes relates to *the players involved* in the Semester and the RRF. Both the European Trade Union Confederation (ETUC) and the Social

10. A very similar thing happened during Latvia's balance of payments (BoP) assistance programme (Eihmanis 2018 and private correspondence with Edgars Eihmanis).

Platform (2020b) were concerned about the lack of involvement of social stakeholders in the design and adoption of the RRPs. They pointed out that at national level prime ministers, finance ministers and ministers responsible for cohesion policy were the ones mainly steering RRP decision-making (while previous National Reform Programmes were largely bureaucracy-driven). Therefore, social stakeholders, including civil society representatives, needed to develop new national and EU networks – an undertaking that takes more time than was available under the tight deadlines of the newly created instrument (interviews BUSINESS, COM9, CSO1, CSO3, EESC, NOF 4, NOF5, TU2). This situation, in turn, made it attractive for powerful industrial lobbyists to seek to influence the drafting of the RRF Regulation (interview MEP2), while the European Parliament scrutinised the role of the 'Big Four' consultancy firms in providing 'technical assistance' to Member States to prepare structural reforms.

3. The Recovery Facility: social players strategically in search of a place at the table

As highlighted above, an element that raised concern following the summer 2020 European Council was whether those players traditionally involved in the Semester would now also be part of the renewed macroeconomic policy coordination. *Would social players perhaps have a smaller role to play?*

3.1 Initial fears: social affairs territory contested (again)

Nearly all our interviewees (for example, COM2, COM3, COM4, COM7, CSO1, CSO1, EMCO1, ETU1, NOF1, NOF5, SPC1) explained that, in the first weeks following the decision to launch the RRF, the 'social affairs players' felt that they had lost much of the voice they had acquired slowly but surely through the 'socialisation'[11] of the Semester (Zeitlin and Vanhercke 2018). Importantly, however, several of our respondents underlined that, in their view, the side-lining of social players was not the result of a deliberate decision to rule out social players, but rather the result of 'crisis policymaking' and 'improvisation' during a 'storm from all sides' when 'everything was happening at the same time' (interviews COM4, NOF4, NOF5). The fact that the 'territory' gained by social affairs players over the past decade again seemed to be contested is nevertheless striking, since the RRPs were supposed to 'contain measures that aim to strengthen social cohesion and social protection systems' (European Parliament and Council of the EU 2021: 6§2.3). This attention placed on social issues is also reflected in the RRPs approved by the Commission (interview COM9), the analysis of which shows that around 30% of their total expenditure will be directed towards social policy (Agence Europe 2021).[12] In other words, while RRPs include essential social investments and

11. Socialisation comprises a) a growing emphasis on social objectives in the Semester's policy orientations; b) intensified monitoring, surveillance and review of national reforms by EU social and employment policy players; and c) an enhanced role for these players relative to their economic policy counterparts in drafting, reviewing and amending the CSRs (Zeitlin and Vanhercke 2018).

12. The source of the 30 per cent seems rather elusive at the time of writing (see Vanhercke et al. 2021 for further discussion).

reforms that are, for some countries, linked to unprecedented EU funding,[13] social affairs players have so far obtained few formal entry-points to the RRF decision-making process.

3.2 Social affairs players' agency: getting a foot in the door through Semester practices

Despite the apparent side-lining of social players, in the summer and autumn of 2020 there were indications that the practices institutionalised during the past decade would, in the end, prove to be quite robust (see also Vesan et al. 2021). Some interviewees indicated that there had been an inclination to return to the more 'normal' Semester practices as of late 2020 and early 2021.[14] Most of our respondents hoped for a quick return to 'business as usual', even though they appreciated that key changes to the Semester need to be made (interviews COM4, COM5, COM11, NOF5, NOF7, EMCO2, ETU2 and SPC1).

Pushed by the federal Minister for Labour and Social Affairs (Hubertus Heil) and ultimately supported by the Minister of Finance (Olaf Scholz), both belonging to the Social Democratic Party (SPD), the German Presidency of the Council of the EU (July-December 2020) played a pivotal role in seeking to involve the EPSCO Council in RRF decisions. In their Council Conclusions of 23 November 2020, Social Affairs Ministers took the unprecedented step of explicitly invoking Article 148 TFEU. The Council 'tasks the Employment Committee to examine – pursuant to Art. 148(3) and 148(4) of the TFEU and in light of the employment guidelines – the implementation of the relevant policies of the Member States as set out in their National Reform Programmes, *including* their National Recovery and Resilience Plans, to cooperate with the Social Protection Committee where relevant, and to inform the Council of such an examination' (Council of the EU 2020: §20; italics added). By underlining that the Recovery and Resilience Plans are *part of* the National Reform Programmes – which both the Employment Committee (EMCO) and the Social Protection Committee (SPC) have reviewed in the past – the EPSCO Council is clearly attempting to leave its stamp on these strategic documents. Consequently, the EMCO Secretariat – which is provided by DG Employment, Social Affairs & Inclusion (DG EMPL) of the European Commission – used the annual review and update of its multilateral surveillance activities to ensure a place for EMCO, in collaboration with the SPC, in the RRF process (for a detailed discussion, see Vanhercke and Verdun 2022). Whether these committees, and by extension the EPSCO Council formation, will be able to have an actual impact on the new governance architecture remains to be seen.

13. For Member States such as Bulgaria and Croatia, the financial contribution will be above 10% of Gross Domestic Product (GDP), while for at least five other countries the injection will be between 5% and 10%.

14. The EPSCO Council formation, in November 2020, called on the Commission 'to propose appropriate arrangements for the return to a fully-fledged European Semester process as soon as possible, including its governance' (Council of the EU 2020: §19). The 2022 Annual Sustainable Growth Strategy (November 2021) will outline the governance framework of the upcoming European Semester cycle, which will probably be a move away from the one-size-fits-all Semester of the past decade, in view of the fact that the RRF means very different things, in terms of budget and timelines, for different countries.

The role of the Commissioner for Jobs and Social Rights (Nicolas Schmit) and his administration – DG EMPL – previously a key player in the Semester's 'Core Group' of four European Commission DGs (Zeitlin and Vanhercke 2018) – seems to have been significantly pruned, at least formally. Commissioner Schmit is not on the Steering Board of the European Recovery Plan, leaving his cabinet formally removed from access to the internal work of the Commission on this dossier.[15] Key respondents across the Commission confirm, however, that, in practice SECGEN and DG ECFIN work in close cooperation with their counterparts in DG EMPL – for example, in the 'RECOVER ECFIN Country Teams' made up (despite its name) of Commission officials from different DGs. DG EMPL also participates in the 'technical' bilateral meetings with Member States, even if these are chaired by counterparts from RECOVER or ECFIN. The reason is quite straightforward: DG EMPL's country intelligence (on social policy and labour market issues) is needed to assess the significant 'social' parts of Member State RRPs. Whether this kind of cooperation will be effective, and DG EMPL can re-establish its voice in the process, will largely depend on the RRF's *ad hoc* implementation and monitoring procedures.

DG EMPL's know-how in managing EU cohesion policy (through the European structural and investment funds, ESIF) should give the Social Affairs directorate additional leverage over the RRPs. Under Article 28 of the RRF Regulation these funds are being negotiated (between the Commission and the Member States) in a coherent package (in terms of planning and execution) that includes, amongst others, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and Cohesion Fund Operational Programmes.

3.3 Stakeholder consultation under the RRF: is the glass half-empty?

The European Commission's (2020a) initial RRP guidance stipulates that it 'will be crucial that Member States engage as soon as possible in a broad policy dialogue including social partners and all other relevant stakeholders to prepare their recovery and resilience plans'. The final RRF Regulation goes even further, requiring:

> 'for the preparation and, where available, for the implementation of the recovery and resilience plan, *a summary of the consultation process*, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, and *how the input of the stakeholders is reflected* in the recovery and resilience plan' (European Parliament and Council of the EU 2021: Article 18 §4.q, emphasis added).

These rather detailed requirements contrast with the more general stakeholder consultation stipulations in force for the European Semester since 2011. Regulation (EU) No 1175/2011 on the strengthening of the surveillance of budgetary positions

15. The Steering Board is composed of the three Executive Vice-Presidents – Margrethe Vestager, Valdis Dombrovskis and Frans Timmermans – and the Commissioner for Economy, Paolo Gentiloni.

and the surveillance and coordination of economic policies (European Parliament and Council of the EU 2011) stipulated that ‘relevant stakeholders, in particular the social partners, shall be involved within the framework of the Semester, on the main policy issues where appropriate, in accordance with the provisions of the TFEU and national legal and political arrangements’ (Article 2a, §4).

The German Presidency of the Council of the EU and the EP, co-legislators of the RRF Regulation, both played important roles in ensuring that stakeholders would be heard in the RRF — at least on paper (interviews MEP1, NOF5). The above-mentioned RRF Regulation requirements go beyond the 2011 Semester Regulation in two important ways. First, Member States are not only asked to provide ‘a summary of the consultation process’, but also to report on ‘how the input of the stakeholders is reflected in the recovery and resilience plan’. Second, while the 2011 Regulation only lists the ‘social partners’, the RRF Regulation considers a much broader group of stakeholders, including local and regional authorities, civil society organisations (CSOs), youth organisations and other relevant stakeholders (European Parliament and Council of the EU 2021). Our interviewees pointed out that, even if the practical effects of the consultation clause in the RRF Regulation so far seem strictly limited (also because it was not an assessment criterion of the RRPs), it should be considered an important step forward. The clause may indeed provide legal ground for stakeholders to obtain involvement in the monitoring and implementation of the RRP (interviews BUSINESS, ETU1, ETU2, ETU3, CSO1), even if others raise serious doubts in this respect (CSO2, CSO3).

These consultation requirements are ‘more than has been achieved during the Semester’ (interview ETU2), even if strong opposition from both Council and Commission prevented a stronger formulation of this requirement. For instance, the RRF Regulation (Article 18 §4.q) refers to consultation ‘in accordance with the national legal framework’; while the emphasis is on consultation during the *preparation* of the RRPs: when it comes to their *implementation*, a summary of the consultation process is required only ‘where available’. At the same time, the language is flexible (e.g. the way the consultation should be organised is left open), enabling a mix of speed and the ability to tailor RRPs to different national circumstances: not all Member States have equally institutionalised roles for social partners and other stakeholders (interviews BUSINESS, COM9, ETU1, ETU3). Whether this new clause in the RRF Regulation will have practical effects will depend on the existing channels which social partners and other social stakeholders possessed to influence the different stages of previous Semester cycles (see Sabato 2020).

Using this new opportunity, ETUC began to inform its affiliates about the most appropriate ‘entry points’ for national trade union organisations in the RRF and upgraded its ‘Semester Toolkit 2.0’ to include a ‘Real Time Monitoring Tool’ (RTMT) tracking trade union involvement in the drafting and implementation of RRPs[16] and

16. ETUC Real Time Monitoring Tool (RTMT): https://est.etuc.org/index.php. ETUC drew up an initial list of countries where, based on experience in the Semester, trade unions risk not being involved in the RRF. ETUC will actively support these countries.

'naming and shaming' low trade union involvement in the drafting of RRPs by national governments (e.g. Romania, Slovakia and Slovenia were flagged[17]). Several EU-level CSOs (e.g. Civil Society Europe,[18] the ERGO Network,[19] the European Social Network (ESN)[20] and Eurodiaconia[21]) followed a similar approach, producing guidance notes for their national members and partners with a view to enhancing their understanding of the RRF and the procedures to follow, and encouraging their proactive participation. The involvement of these EU-level CSOs themselves in the RRF process seems however to have been minimal: 'our consultation has been non-existent, *ad hoc* in places, occasionally strong but mostly weak' (interview CSO1). Another respondent confirmed this: 'at EU level, I don't think that there was any engagement with civil society [...]. I don't think there has even been an attempt to pretend as if we were involved' (interview CSO2). This is confirmed by another civil society respondent: 'only when we knocked on the door to highlight the concerns of our members, the Commission attended meetings. It seemed that they wanted to gain information from our members as to whether [and how] they were being involved in the national RRF process' (interview CSO3). Several factors can explain the lack of CSO involvement in the RRF: the compressed timeframe, the relative side-lining of DG EMPL combined with the lack of well-established ties (especially compared to corporatist players) with SECGEN and ECFIN, and the many procedural changes that occurred in the 2021 Semester cycle. Other explanatory factors are that social dialogue has stronger institutional foundations than civil dialogue, and the limited capacity (human resources) of CSOs to engage meaningfully in the process. Moreover, the process of planning the RRPs has taken place mainly at domestic level, providing EU-level umbrella organisations with fewer chances to have their say (interviews CSO1, CSO2, CSO3).

Did the timespan between the first formulation of RRPs and their official submission (as of April 2021) *effectively provide a window of opportunity for social and economic players to engage with the content of the draft RRPs?* ETUC (2021) has already announced that, despite the formal progress made, it will continue to advocate a binding rule for more structured consultations, looking towards a long-awaited reform of the EU's economic governance. As several interviewees highlighted, the consultation process was largely determined by the existing culture of consulting the social partners (at least in some Member States), and to a lesser extent CSOs (interviews NOF5, CSO1, CSO2, CSO3). This situation arose in part due to the fact that the consultations took place in a context of crisis management, with speedy action to tackle the consequences of the pandemic of utmost importance.

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17. ETUC Recovery & Investment website: https://est.etuc.org/?page_id=42

18. Guidance notes for Civil Society Organisations to engage with national authorities on the preparation of the EU National Recovery and Resilience Plans, December 2020. https://civilsocietyeurope.eu/wp-content/uploads/2021/01/Guidance-Note-for-CSOs-to-engage-with-the-National-Recovery-and-Resilience-Plans_updated-1.pdf

19. https://ergonetwork.org/2021/02/support-note-on-engaging-with-the-national-recovery-and-resilience-plans-nrrps-2021/

20. ESN replaced its Semester Reference Group by an EU Funding Working Group and organised meetings between its members and the European Commission: it was felt that the Commission would engage in this way, in view of its interest to find out what was happening nationally.

21. https://www.eurodiaconia.org/2021/05/national-recovery-and-resilience-plans-where-are-the-roma/

The involvement of national social stakeholders in the 2021 Semester cycle and thus their overall impact on the RRF will probably be limited. Drawing on an EU-wide survey conducted in January 2021, the European Economic and Social Committee (EESC) concluded that formal RRP consultation processes with the social partners and CSOs had indeed taken place: while some mechanisms were new, 'Member States have also used and built on mechanisms established for consultation within the ordinary European Semester procedure' (§4.1.2).[22] The EESC held that, in most Member States, consultation processes with social stakeholders 'are far from satisfactory in relation to the justified demands of civil society and even in relation to the terms set out in the RRF Regulation' (EESC 2021 §5.1), even if it is 'acknowledged that progress has been made compared to the usual European Semester procedures' (ibid §1.8). Unsurprisingly the EESC report also found that 'the social partners are included on a more structured, institutionalised and permanent basis whereas the remaining CSOs are instead consulted in an *ad hoc* and informal manner' (ibid §4.2.1), even if some (mostly large) proactive national CSOs (e.g. from Italy, Portugal and Spain), presented themselves as spenders, securing significant RRF funding (interview CSO2, CSO3). In a joint opinion, EMCO and SPC (2021:14) also acknowledged that 'significant concerns remain as regards practical aspects of social partners' consultation in terms of transparency, timeliness, and meaningfulness, as well as with regard to its real impact on policymaking'.

Based on Commission assessments of RRPs, a recent 'in-depth' analysis of the involvement of stakeholders[23] produced by the EP (2021) confirmed that all Member States undertook a public consultation, at least to some extent, during the preparation of their RRPs. However, the intensity and breadth of such consultation varied greatly. The Commission Staff Working Documents (SWDs) on the national RRPs show that many Member States (including Austria, Belgium, Czechia, Germany, France, Cyprus, Italy, Latvia, Lithuania, Malta, Portugal, Greece, Croatia and Slovakia) reported a quite extensive consultation process. Fewer Member States, however, referred to specific stakeholder proposals being reflected in the RRPs (but see Austria, Czechia, Cyprus, Germany, Latvia, Portugal and Slovakia).

Preliminary results of ongoing research by Eurofound (2021 and 2022) about effective national social partner involvement (i.e. timely and meaningful consultation) in social dialogue does not provide grounds for too much optimism: generally speaking, social partner involvement in the drafting of the RRPs was weak[24] in many Member States, even in countries with strong social structures. Social partners were only marginally involved in Austria, for instance (Templ 2021). Drawing on interviews (carried out by Eurofound's network of national experts, mainly during May-July 2021) with no less than 143 national social partners and government representatives,[25] the EU agency

22. The mechanisms include submission of written proposals, high-level meetings with responsible ministers, evaluating purposely designed and returned questionnaires and round table discussions between representatives of the government and CSOs (EESC 2021: § 4.1.2).

23. Defined as relevant EU-level bodies, relevant national, regional and local authorities, social partners, CSOs, youth organisations and other relevant stakeholders, as per the RRF Regulation.

24. Eurofound looked at the specific involvement of social partners in 217 relevant policy measures in national RRPs.

25. Interviews with 60 trade union representatives, 48 employer organisation representatives and 35 government representatives.

positively assessed the quality[26] of the involvement solely in the Nordic countries, Belgium, Czechia and Spain and (to a lesser extent) Bulgaria, Cyprus and France. All other countries recorded only 'low-quality' social partner involvement, signaling shortcomings and deficiencies regarding timeliness and meaningfulness (lack of feedback) of the consultation during this exceptional 2021 cycle: complex structure of the RRP; different national authorities leading the process; variety of mechanisms, including e-consultation platforms (Eurofound 2021; for a detailed discussion of the need for quality involvement in the RRF, see Vanhercke et al. 2021).

Nevertheless, several of the trade union representatives interviewed for this study indicated that they felt that EU-level officials (in the various DGs of the European Commission) were in fact more receptive than before to social issues and social players' views. Such consultations took place at different levels of the European Commission – from the highest level (the Commissioners themselves) to the country desk officers (interview COM9). One trade union representative found it 'difficult to remember that level of involvement of senior Commission staff before, in any previous Semester cycle or physical meeting' (interview ETU3). Several pointed out that this change started under the Commission headed by Juncker (see also Sabato 2020). The online meeting culture of 2020-2021 further facilitated access and consultations – with a broader range of European Commission DGs and reaching more senior officials. This situation was leveraged by social partner representatives (interviews BUSINESS, COM9, ETU1, ETU2, ETU3). It should be noted, however, that several of our interviewees suggested that these outreach efforts and meetings were often lacking in actual content and did not involve CSOs consulted in previous Semester cycles (interviews CSO1, CSO2, CSO3).

In other words, more work is needed to ensure that such involvement is translated into operational practice and is not merely 'a kind of a ritual' (interview ETU2; Moschella 2020: 20-21). Whether and how social stakeholders will become involved in the monitoring and implementation of the RRF remains to be seen. It should be noted that, according to the European Parliament (2021: 3), several Member States (e.g. Denmark, Ireland, Croatia, Luxembourg and Austria) did not provide any information on how stakeholders would be involved or consulted during RRP implementation. Only a few Member States (e.g. Belgium, Cyprus and Greece) made a general commitment to continue to reach out to social partners and civil society during the implementation phase. The European Parliament will therefore have an important role to play in this regard, including in the context of the newly established 'Recovery and Resilience Dialogue' held every two months between the EP and Commissioners Dombrovskis and Gentiloni: this will allow for a high frequency of EP involvement in the process, even if the dialogue does not foresee any binding power for the EP.

26. Quality is measured against four main indicators based on social partners' and national authorities' assessments: a) time allotted for consultation; b) degree of consultation, understood as social partners' opportunities to contribute to the development of the RRP and receive feedback from the government; c) both social partners consulted on an equal footing; and d) transparency and visibility of the contributions made by social partners i.e. the extent to which RRPs include a summary of the consultation process and their views.

4. Carrots and sticks: hardening the Semester?

As a result of the linkage between the RRF and the Semester, the latter is likely to gain new prominence. Indeed, it may well fundamentally change in character from being a non-binding structure for policy coordination to a potent vehicle for driving Member State economies (Crum 2020; van der Veer 2022; D'Erman and Verdun 2022). As with the RRF's governance framework, domestic ownership of the Semester could be reinforced, allowing Member States to identify the relevant targets, milestones and timetables against which implementation efforts will be assessed and providing financial incentives for structural reforms (i.e., reforms as mentioned in the CSRs). These developments have the potential to increase CSR implementation, as the CSRs may be taken more seriously by Member States and stakeholders alike (interviews COM9, ETU2, NOF6, MEP1; see also Moschella 2020; Wieser 2020).

Given that the overall number of (implicit and explicit) 2020–2021 social CSRs is the highest ever registered (around 80% higher than usual),[27] this link with the RRPs should, in principle, provide the Commission and national stakeholders with a powerful new opportunity to combine the 'sticks' of past CSRs with the 'carrots' of significant funding, also for social and labour market policies. The RRF thus 'upgrades' the Semester, in that it offers financial incentives in return for a coherent package of public investments and (potentially painful) reforms, thereby giving European governments additional means to overcome domestic institutional resistance in the face of Semester tools and recommendations. The German trade union DGB pointed out recently that it felt that, with the new rules, the principle of 'money for reforms' seemed to apply, possibly further exacerbating the perceived lack of legitimacy of the EU's economic governance (DGB 2021).

Monitoring RRP implementation is jointly coordinated by the Recovery and Resilience Task Force (RECOVER) within the Secretariat General and DG ECFIN. In addition, the newly created DG REFORM[28] provides detailed technical support – to those Member States who request it – for drafting, implementing and monitoring the RRPs, inter alia through promoting the upscaling of existing policies and the exchange of best practices both among and within Member States (interviews COM8, COM11). *Do these bodies have the technical capacity and human resources to take care of monitoring and implementation, also in view of the risk of political pressure being put on the Commission?* Indeed, pressure to agree that there has been positive implementation may be significant (Wieser 2020: 8). Since EMCO, the EPC and the SPC have become key players in monitoring, reviewing and assessing national reforms within the Semester (Zeitlin and Vanhercke 2018), it would seem important to include them in the monitoring, alongside the Economic and Finance Committee (EFC). They could assist the Commission in its task of monitoring RRP milestones and targets (including judging whether sufficient progress has been made to warrant payment).

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27. The proliferation of social CSRs is likely to be an effect of the EU Commission's reaction to the socioeconomic crisis triggered by Covid-19 (Rainone 2020: 4).

28. In January 2020, DG REFORM took over the mandate previously carried out by the Structural Reform Support Service established in 2015 within SECGEN.

Scholars have warned against rushing through the RRPs needlessly, risking waste and misdirected long-term investment: good projects are hard to find quickly, and national governments have limited capacity to channel very large amounts of public investment (Alcidi et al. 2020; Alcidi and Corti, this volume). Scrutiny of spending and reform plans is far from apolitical and therefore cannot be done in a mechanical way. By funding certain investments and reforms, and not others, the EU will get, in the words of one of our interviewees, 'under the skin' of the Member States, which may be 'extremely complicated' to manage (interviews COM5, COM6). In the absence of a clear negotiation mandate, the risk exists that the EU will become captured in national political discourses – especially when reform conditionality (i.e., reforms demanded in order to obtain loans or grants) is applied to sensitive policy domains –, while it cannot account for the consequences of the reforms.

Despite the end of April 2021 target date, not all Member States had submitted their recovery and resilience plans by late 2021.[29] Early assessments of those submitted (in terms of their contribution to 'green', 'digital', and 'other' spending) are not even easy to make, as the plans differ greatly (see for instance Darvas et al. 2021). Nevertheless, the European Commission has indicated that it will be flexible, with Member States being given until mid-2022 to submit their plans. While the 2021 timing has been aligned, this 'exceptional cycle' (European Commission 2021b) is set to end once economic growth returns to normal. The EU institutions will thus need to decide how to reintroduce their usual deadlines and procedures, thereby marking the gradual end of the exceptional period – although the autumn IMF *World Economic Outlook* still mentions 'the continued grip of the pandemic on global society' (IMF 2021: xiii). Indeed, assuming things get back to relative normality, scholars are starting to wonder what role there might be for national parliaments going forward (Bekker 2021; Woźniakowski et al. 2021).

Conclusion

This chapter has evaluated socio-economic governance in the EU in response to the Covid-19 crisis, in particular the establishment and operation of the Recovery and Resilience Facility. Although the novelty was to attract new funds in the financial markets, some of the older institutional structures were also deployed. To manage the RRF, the European Council used some existing institutional structures, namely the EU budget as well as the Semester. We contend that the latter was used as a foundation, in part because of its 'Goldilocks' characteristics (i.e., being *not too soft* and *not too hard*). We learned that the EU players did not want to reinvent the wheel, as the Semester was already doing what the Commission and EU Member States wanted to do going forward, namely to provide annual assessments and recommendations – linking them back to previous CSRs. In relying on this macroeconomic policy coordination instrument, it did not seem to matter that many assessments of the Semester pointed to low compliance with the CSRs.

29. The Netherlands held off submitting its plans due to ongoing government coalition negotiations, while Bulgaria was very late to submit.

We also examined to what extent the linkage between the RRF and the Semester might fundamentally change the latter – given the creation of a larger budget. We reviewed the path that led to the RRF, including its link with the Semester. In terms of the players involved, our assessment is that initially EU institutional players and social stakeholders lost some of the prominence previously gained in the Semester. Their role was not taken for granted when the RRF was launched: in the early stages much of the emphasis was on speed and thus on reducing the number of players involved. From late 2020 until the summer of 2021, some of these players managed to reclaim their position in the evolving architecture once the immediate urgency had subsided. EU institutional social players (DG EMPL, the EPSCO Council and its advisory Committees) gradually returned to adopting previous Semester practices, having stayed in position, ready to jump in at the first opportunity. This result confirms that the governance processes of the Semester continue to offer variegated opportunities and resources for strategic agency by contending groups of players, also with a view to reshaping pre-existing power balances (Zeitlin and Vanhercke 2018: 169).

EU civil servants were also willing to engage with the social partners (on both sides of industry), taking advantage of the online meeting opportunities presented by Covid-19. Elsewhere, we argue that, while the European Parliament obtained important substantive changes to the RRF Regulation, it remains excluded from the governance of the Facility (Vanhercke et al. 2021). EU CSOs have remained largely sidelined in the RRF process. Similarly, in most Member States, consultation with domestic stakeholders (social partners and CSOs) has been insufficient. To explain the limited effective consultation, we point to the lack of detailed requirements in the consultation process, combined with the change of 'driving seat' for the RRF, even in countries that had established avenues for consultation under the European Semester.

This study finds that the increased use of 'carrots' and 'sticks' might make the Semester more effective, as it becomes a 'harder mode of soft governance'. Given that earlier assessments of the Semester point to a lack of compliance with CSRs, in part because of their limited enforceability, embedding the RRF firmly into the Semester framework and having more carrots and sticks may significantly increase Semester effectiveness. Despite the increased potential of the Semester, Member States have however also gained opportunities. Using the national reform programmes and stability or convergence programmes, they may seek support for specific domestic needs. Finally, in terms of the inter-institutional division of power, the jury is still out as to who, in the end, will gain or lose most in terms of influence. The Semester may end up becoming more effective due to the changes invoked by the attempt to embed the RRF within an otherwise soft mode of governance that the Semester was before the onset of the Covid-19 pandemic.

Such dynamic changes are even more important at a time when the European Commission has announced the relaunching of the European Semester with the 2022 cycle. This renewed use of the Semester includes the 'standard' autumn package (including the Annual Sustainable Growth Survey (ASGS) 2022 and the Commission proposal for the 2022 Joint Employment Report), resumed publication of 'streamlined' Country Reports, Country-specific Recommendations covering emerging challenges not covered by RRPs, and new bi-annual National Reform Programmes integrating reporting on RRPs and the EPSR. The 2022 Annual Sustainable Growth Strategy (ASGS) outlines the governance framework of the upcoming European Semester cycle. One can only hope that the ASGS 2022 will contain the necessary guidance to Member States, allowing social stakeholders to seize their legitimate place in the RRF, rather than having to sneak in through the backdoor of the European Semester.

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Appendix

Interview details

This chapter relies on extensive document analysis as well as 32 semi-structured high-level interviews between October 2020 and November 2021. We conducted five interviews with two respondents (rather than a single interviewee) and five follow-up interviews with the same respondents (conducted at the beginning and end of this one-year period). As can be seen in Table 1, most of them have senior positions (such as director, chair, confederal secretary, head of unit, principal advisor or rapporteur) in their organisations. Interviews lasted 45 minutes on average, ranging between 35 and 80 minutes.

Respondents work in different Directorate General (DGs) of the European Commission (DG ECFIN, EMPL, REFORM and SECGEN) and the Cabinet of Commissioner Nicolas Schmit, as well as with European social partner organisations: BusinessEurope, the European Trade Union Confederation (ETUC) and the European Public Service Union (EPSU). Other interviewees have institutional roles in the European Parliament (as (co-)rapporteur), the European Economic and Social Committee, the Employment Committee (EMCO), the Social Protection Committee (SPC), national (employment or social affairs) administrations or the permanent representation of their country to the EU.

All interviews took place through online video conference programs (e.g., Teams, Zoom), with most conducted jointly by the two authors. Many of them were recorded (after consent from the interviewee) and transcribed. Each interview was given a dedicated code, to which we refer in the body of the text as appropriate. We used abbreviations to reflect the general institutional affiliation of the respondents, while guaranteeing anonymity. The abbreviations are as follows: BUSINESS (BusinessEurope), COM (European Commission), CSO (Civil Society Organisation), EESC (European Economic and Social Committee), EMCO (Employment Committee), ETU (European Trade Union representative), MEP (Member of the European Parliament), NOF (National Official) and SPC (Social Protection Committee).

Table 2 **Interview details (in chronological order)**

No.	Institutional affiliation	Position	Date	Code
1.	Employment Committee (EMCO)	Member	20/10/2020	EMCO1
2.	DG EMPL, European Commission	Head of Unit	21/10/2020	COM1
3.	European Trade Union Confederation	Head of Institutional Policy	23/10/2020	ETU1
4.	Federal Public Service Social Security, BE	Advisor	28/10/2020	NOF1 (Nat. official)
5.	DG EMPL, European Commission	Policy officer	17/11/2020	COM2
6.	DG ECFIN, European Commission	Advisor	18/11/2020	COM3
7.	Dutch national parliament	EU advisor	9/12/2020	NOF2
8.	Eurogroup	Former Chair	26/01/2021	NOF3
9.	Cabinet of Euro Commissioner Nicolas Schmit	Member	12/02/2021	COM4
10.	DG ECFIN, European Commission	Advisor	5/03/2021	COM5
11.	European Trade Union Confederation (ETUC)	Confederal Secretary Head of Institutional Policy	10/03/2021	ETU2
12.	DG ECFIN, European Commission	Director	17/03/2021	COM6
13.	Employment Committee (EMCO)	Member; Secretary	18/03/2021	EMCO2
14.	Social Protection Committee (SPC)	Member	01/04/2021	SPC1
15.	European Public Service Union (EPSU)	Policy officer	11/05/2021	ETU3
16.	DG EMPL, European Commission	Head of Unit	17/05/2021	COM7
17.	BusinessEurope	Director	21/05/2021	BUSINESS
18.	European Parliament	Member	25/05/2021	MEP1
19.	DG REFORM, European Commission	Head of Unit	09/06/2021	COM8
20.	Recovery and Resilience Task Force (RECOVER), Secretariat General, EC	Director	23/06/2021	COM9
21.	Permanent Representation of Portugal to the EU	Counsellor Attaché	24/06/2021	NOF4
22.	European Parliament	Member	30/06/2021	MEP2
23.	Fed. Min. of Labour and Social Affairs, DE	Director; Advisor	05/07/2021	NOF5
24.	DG ECFIN, European Commission	Principal administrator	10/09/2021	COM10
25.	European Economic and Social Committee	Member Group II, Workers	14/09/2021	EESC
26.	DG ECFIN, European Commission	Director	20/09/2021	COM11
27.	Min. of Social Affairs and Employment, NL	Policy advisor	27/09/2021	NOF6
28.	Perm. Rep. of Portugal to the EU	Counsellor	30/09/2021	NOF7
29.	European Foundation for the Improvement of Living and Working Conditions	Research Manager	26/10/2021	EUROFOUND
30.	Platform of European Social NGOs	Secretary General Senior Policy and Advocacy Officer	26/10/2021	CSO1
31.	European Federation of National Organisations Working with the Homeless	Director	27/10/2021	CSO2
32.	European Social Network	Chief Executive Officer	18/11/2021	CSO3

Source: Authors.

Chapter 6
Covid-19 as a catalyst for a European Health Union: recent developments in health threats management

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Introduction: the momentum for a European Health Union

The enduring Covid-19 crisis has shed light on the thorny question of the role of the European Union (EU) in managing health threats. Micro-organisms do not know borders and with free movement of persons guaranteed by the EU treaties, one might well assume that these same treaties should be protecting freedom of movement from its inherent negative externalities (Greer 2006). Yet, health prerogatives (with minor exceptions related to epidemiological monitoring) remain to this day a simple coordinating competence in the EU. As the Covid-19 crisis unfolds, the question of a European Health Union is increasingly structuring the conversation around the future of European integration alongside other key issues such as the future of the EU's macro-economic governance. Such questions have a tremendous resonance in the context of the Conference on the Future of Europe, which opens a new space for participative democracy to address the EU's future and could lay down the basis of future treaty reforms. A key proposal shaping the debate is the 'stronger European Health Union' advocated by European Commission President Ursula von der Leyen in her first State of the Union speech (16 September 2020). Though this can be seen as a strong new narrative from the EU in this sensitive policy area, it is unclear what form a European Health Union may ultimately take.

There is evidence that a first step in building the European Health Union is to further the institutionalisation of the current EU health threats management system. Indeed, on 11 November 2020, the European Commission published a Communication on 'reinforcing the EU's resilience for cross-border health threats', accompanied by three legislative proposals aiming to strengthen Europe's health agencies and setting up a health task force, to be deployed quickly within the EU and in third countries. This is supported by the new EU4Health programme adopted on 24 March 2020 (European Union 2021b), the primary aim of which is to develop capacity across the EU, especially with regard to the development of surveillance, preparedness and the availability of medicinal products in Member States.

But the ambition of a fully fleshed European Health Union can hardly be satisfied by the development of its technical and scientific features (Greer and de Ruijter 2020; Brooks et al. 2020). Indeed, evoking a 'European Health Union' conveys the image of an integrated health policy in the EU, with binding effects on Member State health systems, a move not allowed under current Treaty provisions.

While the Commission's proposal is no 'big bang' for the European Health Union, it is very much in line with the stealth development (Martinsen 2012; Vollaard and Martinsen 2017) of a common health policy in the EU — a development which crises tend to accelerate (Boin et al. 2013; Lamping and Steffen 2009; Greer and Mätzke 2012; Deruelle and Engeli 2021). This chapter focuses on health threats management, a core area of public health, i.e. the protection of the general population from health risks. Unlike healthcare, which focuses on the treatment of patients and has remained the preserve of Member States (Hervey and Vanhercke 2010), public health is a coordinating competence of the EU. Starting with the Maastricht Treaty, there has been an incremental development of a public health policy in the EU which includes capacity building with the creation of European public health agencies and policy instruments based on mutualisation such as the joint procurement of medical devices. Nevertheless, the historical tension between the desire of Member States to maintain their prerogatives over public health competences and the need to develop a coordinated and coherent response mechanism for (present and future) health crises has resulted in political blockages.

These dynamics, however, changed as the Covid-19 crisis unfolded. Academic publications (Brooks et al. 2020; Pacces and Weimer 2020) have pointed out that the logic of 'every man for himself' which used to prevail in public health has given way to a sense of solidarity among the 27 Member States. In a policy area in which the EU does not have binding instruments and where coordination is – for now – the only way forward, solidarity is no trivial matter.

Solidarity is not merely the expression of the 'class bases of the European welfare state' (Baldwin 1990), but a founding principle guiding Member States on their path towards integration. Jones (2012) defines solidarity as a form of commonality, whether based on interests, sympathies, aspirations or a combination thereof. Crucially, solidarity-based relationships involve responsibilities and rights that define action which, in the EU, will differ ostensibly upon the area (Jones 2005). In the EU, public health policy is not about creating an *acquis communautaire*, but about coordinating national risk reduction measures. As such, solidarity promotes equality of opportunity and efficient allocation of resources (Myrdal 1956) in the face of common health threats, and thus incentivises cooperation and coordination between Member States.

Solidarity-based governance is thus a way forward in the coordination of health threats management, in the absence of a coercive legal basis. The central question of this chapter is therefore: *has the Covid-19 crisis led to a paradigm shift towards a solidarity-based European Health Union?*

Mounting evidence indeed points to a paradigm shift: in the face of crisis, Member States have acknowledged their interdependence and the need for solidarity and coordination. This shows that the EU is engaging in the path towards this 'stronger European Health Union'. But lessons are still being learned regarding its ultimate shape. Coordination and solidarity have limits, as exemplified by the controversies surrounding joint vaccine procurement, as well as the Porto Social Summit where a large group of Member States demonstrated their hostility towards overlarge steps towards a health union.

The chapter is structured as follows: Section 1 describes recent institutional developments in the governance of this 'stronger European Health Union'. Section 2 discusses the challenge to solidarity posed by solidarity-based instruments, such as vaccine procurement and the recent EU4Health programme. The third section concludes the chapter by examining the capacity of the European institutions and Member States to cultivate this paradigm shift in order to secure the development of a fully realised European Health Union.

1. The governance of health threats management in the EU: the Covid-19 crisis as a paradigm shift

The governance of health threats management in the EU bears important specificities. *Health threats management* in the EU is characterised by a sharp division between risk assessment and risk management. *Risk assessment* involves the identification of risks through evaluating the magnitude, mechanisms and seriousness of threats to public health, a task performed by the European Commission (DG SANTE). This function requires important scientific work which the Commission delegates to an independent agency: the European Centre for Disease Prevention and Control (ECDC) created in 2004. The ECDC gathers epidemiological information from European Economic Area (EEA) health agencies. EU institutions are thus expected to take on a fire alarm role, framing epidemiological threats as transnational health problems. The counterpart to this is *risk management*: treatments such as vaccination and restrictions such as containment remain the prerogative of national authorities. At EU level, Member States meet in the Health Security Committee (HSC), a group formalised in the aftermath of the 2009 H1N1 ('swine flu') crisis and made up of national health ministries' representatives. The HSC is a forum meant to facilitate the coordination of national responses to health threats.

In effect, this governance system puts clear practical limits on the production of a coordinated response and relies on soft governance, which limits capacity for action. The objective of this system of disease control is, ultimately, limited to coordinating the regulation of health risks – the governmental interference to control potential adverse consequences to health (Hood et al. 2001: 3; Weimer and de Ruijter 2017; Greer and Jarman 2021). This objective is, however, not reached through a classic command-and-control approach to regulation (Baldwin et al. 2013; Koop and Lodge 2015; Drahos and Krygier 2017). Indeed, the control of communicable diseases in the EU does not set out conditions and restrictions of behaviour (Lowi 1972), nor is it based on the notion of a 'regulatory state' (Majone 1994; Peters 2016) in which regulation corrects market failures. The control of communicable diseases in the EU is, in effect, a form of risk regulation that is voluntary, cooperative (Coen and Thatcher 2007; Levi-Faur 2011) and, historically, in the hands of Member States.

This system is the result of more than 20 years of incremental institutional development throughout which Member States have demonstrated their reluctance vis-à-vis the development of common capacity at EU level. However, recent developments point to a paradigm shift towards greater coordination and solidarity.

1.1 The prudent development of health threats management in the EU

With the Maastricht treaty, the Union was granted coordinating competences in terms of risk management which paved the way for epidemic intelligence harmonisation (TFEU Art. 168). The European Commission started with a small project: in 1993 it provided funding to the 'Charter Group', a network of national public health institutions (Bartlett 1998). The *raison d'être* of this group was to proceed with an inventory of joint actions in epidemiological surveillance and training that were currently taking place in the European Union (Newton et al. 1999). This inventory shed light on important gaps in terms of surveillance (such as foodborne diseases which were not kept under active joint surveillance) and led, in September 1998, to the creation of the *Network for the Epidemiological Surveillance and Control of Communicable Diseases in the Community,* established by a Decision of the European Parliament and the Council of the European Union (European Union 1998).

In 1998, formal institutionalisation in the shape of a new EU agency was still one step too far. Charter Group members were reluctant to relinquish control over the different forms of scientific cooperation they had set up. This opinion was widespread within the scientific community: *The Lancet* featured an editorial titled 'Not another European Institution' (The Lancet 1998). Wary of Member States' reaction, the Commission thus sided with the Council of Ministers which also favoured a network approach (Deruelle 2016).

Views evolved in the early 2000s due to the persistence of health crises inherited from the 1990s (such as Bovine spongiform encephalopathy (BSE), aka the 'mad cow' disease) as well as the increasingly important question of bioterrorism (European Commission 2003a). In the face of concerns in this field, in late 2001 officials in the Directorate-General for Health and Consumers (DG SANCO, the pre-2014 DG SANTE) initiated informal meetings of health ministry representatives in the Health Security Committee (Greer and Mätzke 2012). With this marked focus on health threats in the Council, the creation of an agency able to identify health threats became more attainable. As early as June 2001, the possibility of a 'European Centre' was mentioned in the European Council conclusions (European Commission 2003b). In September 2002, Health Commissioner Byrne called for an agency that 'will bring together the expertise in Member States and will act as a reference and co-ordination point both in routine and in crisis situations' (European Commission 2002).

A few months later, in February 2003, the SARS-CoV-1 outbreak shook governments across the EU, leading to the European Commission rapidly putting forward the proposal to set up the ECDC on 2 August 2003. While its impact on the European continent remained limited, the SARS-CoV-1 crisis brutally placed the lack of preparedness of the Member States in the spotlight and convinced many of the urgent need for better EU-level coordination beyond the networks existing at the time (European Commission 2003b).

On 21 April 2004, the founding regulation of the ECDC (European Union 2004) entered into force. The then DG SANCO played a pivotal role in engineering the proposal

(Deruelle 2016; Greer and Löblöva 2016). The ECDC was built on the Network for Epidemiological Surveillance, a network focused on detecting the emergence of health threats (such as the SARS crisis) and monitoring threats over time (for diseases such as AIDS). But the Commission was careful to explicitly prohibit the ECDC from advising Member States on risk management (Council of the EU 2004). Indeed, the fine line between assessment and management was a contentious topic for Member States, to the point that the very wording was subject to debate: for instance, as the term 'guidelines' was considered too coercive, the term 'guidance' was preferred. Moreover, all attempts to discuss risk management measures, such as vaccinations, were met with circumspection (Deruelle and Engeli 2021).

Things started to change with the 2009 outbreak of H1N1 influenza, a test for the newly established Centre to demonstrate its added value (Liverani and Coker 2012). In summer 2009, amid the pandemic, the Commission tasked the ECDC, together with the European Medicines Agency, to define a vaccination strategy (Greco et al. 2011). For the ECDC, this was a first venture into risk management. However, this was only possible due to the fact that Member States were, amid the crisis, meeting regularly in the HSC and had agreed on a limited level of coordination vis-à-vis vaccination strategies (Baekkeskov 2016). Lessons were drawn from the H1N1 pandemic: the ECDC actively disseminated new surveillance practices established in the early days of the crisis to key national institutions in October 2009 (ECDC 2010a, b, d; ECDC 2011). The role of the HSC was formalised in 2013 (European Union 2013), enabling it to decide quickly on the coordination of national responses without the endorsement of the Council of the European Union (Greco et al. 2011).

In the aftermath of the H1N1 crisis, the governance of health threats was thus further institutionalised. But this was a mere formalisation of the system already in place, rather than a substantial qualitative leap forward. Indeed, the H1N1 pandemic was not as severe as previously feared (Nicoll and McKee 2010) and the crisis did not lead to a paradigm shift in the management of health threats in the EU. Consequently, on the eve of the Covid-19 crisis, Member States exhibited staggeringly different levels of preparedness regarding personal protective equipment (PPE) and had uneven access to testing (Bayer 2020; Guarascio 2020).

1.2 Covid-19: solidarity, coordination and rising expertise

Since the beginning of the Covid-19 crisis, there has been a sizeable shift in Member State attitudes: more willing to coordinate (Pacces and Weimer 2020; Renda and Castro 2020), they have increasingly relied on coordinated action and expert input from the Commission and the ECDC. As highlighted by calls from the scientific community for a qualitative leap forward towards further integration in public health (Clemens and Brand 2020; Greer et al. 2020; Beaussier and Cabane 2020), the Covid-19 crisis has demonstrated Member States' commonality in the face of this health threat.

This realisation did not, however, happen overnight. In the early days of January 2020, Member States scrambled to come to terms with the scope of the crisis. The ECDC –

like numerous other public health agencies – struggled to assess the Covid-19 threat, as little data was available (HSC 2020a). But as soon as the risk of person-to-person transmission was confirmed, the ECDC re-assessed the potential impact of Covid-19 as high (HSC 2020b). This served as a reality check for Member States who started, under the coordination of the Commission, to request ECDC advice on risk management measures such as lockdowns and the use of personal protective equipment (PPE), despite the Centre's limited competences. The ECDC developed advice on management measures in February (ECDC 2020b) and published *guidelines* on non-pharmaceutical mitigation measures (ECDC 2020a). When the issue of PPE came to the fore at the end of January 2020 (HSC 2020b), the European Commission mandated the ECDC to prepare an assessment of PPE needs, an initiative welcomed by Member States (HSC 2020c) and highlighting the extent of the paradigm shift between the 2009 H1N1 crisis and the Covid-19 crisis.

On 9 March 2020, the Italian government imposed a national lockdown, following local lockdowns enforced since 21 February 2020. In a European Council videoconference on 10 March 2020, Member States undertook to further coordinate management measures. Containment[1] was part of the advice given by the ECDC as soon as clusters of human-to-human transmission appeared – a phenomenon that most Member States were already experiencing at the time (ECDC 2020c). This led to a domino-like coordinated entry into the first lockdowns: Slovakia, the Czech Republic enforced lockdowns on 12 March; the day after, Denmark, Poland, Latvia, Lithuania and Cyprus followed suit, while Germany, Spain and France initiated these restrictions on 16 March (HSC 2020f). ECDC guidance for discharge and ending isolation (ECDC 2020d) formed the basis for the 15 April European Commission communication on the *European roadmap to lifting coronavirus containment measures* (European Commission 2020c). Italy – the first Member State to have instituted a lockdown – lifted some containment measures on 4 May 2020, while France, Belgium, the Netherlands Germany, Austria, the Czech Republic, Greece, Bulgaria, Estonia, Finland, Ireland and Romania eased containment measures on 11 May 2020 (HSC 2020g). This was to be seen as a sign of sustained coordination: via the European Commission, the ECDC addressed strong and explicit messages on containment measures to Member States.

As the pandemic unfolded, the ECDC became the rising star of this new solidarity-based governance. Its advice not only informed Member States on surveillance or PPE, but also on containment. The Centre's contribution to the European Commission's advice on management gradually increased, specifically on the question of opening borders (European Commission 2020d). From May 2020 onwards, the ECDC was directly involved in the Council of the EU's Home Affairs working parties (HSC 2020e).The ECDC consistently advocated that closing borders had little impact on the management of Covid-19, due to its (already) global distribution and respiratory transmission (ECDC 2020e). This increased ECDC involvement led Member States to adopt Council Recommendations on a coordinated approach to limit the restriction of free movement

1. Containment involves tracking the dissemination of a disease within a community, and then using isolation and individual quarantines to keep people who have been infected by or exposed to the disease from spreading it. It may result in quarantines, the closure of schools, the cancellation of major events, etc. and ultimately lockdowns.

in response to the Covid-19 pandemic on 13 October 2020 and 28 January 2021 (Council of the European Union 2021).

The goal of this coordinated approach was to maintain free movement within the EU under safe conditions, by identifying measures applicable to persons moving between Member States, depending on the level of risk of transmission. The ECDC role consisted of mapping the risk of Covid-19 transmission and, together with the Commission, proposing adequate responses. The same coordinated approach prevailed when the Commission proposed on 10 May 2021 that Member States ease current restrictions on non-essential travel into the EU (European Commission 2021a) and develop a Digital Covid Certificate (previously known as the Digital Green Certificate), an information system ensuring freedom of movement for persons who are not at risk of spreading the disease. As of 1 July 2021, Member States are able to issue such certificates.

Amid the crisis, the health threats management system thus took a resolute shift towards a solidarity-based approach, under the auspices of the Commission and the ECDC. The balance of power is now altered, likely with lasting effects. ECDC has proven to be the rising star of the governance system for health threats management in the EU. Since the beginning of the Covid-19 crisis, ECDC scientific input is no longer confined to risk assessment. The Centre is now able to advise Member States on coordinated responses to health threats by producing explicit guidelines. This shows first and foremost that a paradigm shift has occurred: any such contributions from the ECDC would have been considered inappropriate by Member States before Covid-19. In this domain of high-level formal constraints, the role of crises was thus decisive in inciting (Boin et al. 2013; Lamping and Steffen 2009) and legitimising (Rhinard 2019; Vanhercke et al. 2020) collective action among EU Member States.

The ECDC is now *de facto* involved in coordinating risk management and will likely soon be involved *de jure*. On 18 May 2020, France and Germany jointly proposed setting up an EU 'Health Task Force' within the ECDC (Ministère de l'Europe et des Affaires étrangères 2020). This was followed by a plea from Denmark, France, Germany, Spain, Belgium and Poland on 10 June 2020 to widen the ECDC's mandate, allowing it to coordinate, together with national health authorities, prevention and reaction plans against future epidemics within a future EU health task force (Momtaz et al. 2020). On 28 May 2020, the European Commission presented its proposal for the next Health programme (European Commission 2020b) which mentioned a potentially stronger role for the ECDC in coordinating management. On 16 July 2020, this position gained consensus among Member States (Bundesgesundheitsministerium 2020). On 11 November 2020, the Commission announced a new legislative proposal in order to extend the ECDC's mandate (European Commission 2020f). This includes granting the ECDC the capacity to recommend measures for controlling outbreaks, thus providing risk management advice. While this was already the case in practice during the crisis, this measure would formally redefine the ECDC's role and reinforce the EU's health threats management system.

But if the ECDC is a winner of this process, are there also losers? Existing literature has analysed the institutional consequences of a crisis as empowering agencies at the expense of the Commission (Bickerton et al. 2015; Hodson 2015). The Covid-19 crisis presents a more blended story: the rise of the ECDC in the Covid-19 crisis seems to have actually benefited the Commission. The latter has not lost any voice and the two institutions are together stronger in fostering coordination and solidarity within the HSC. Member States have similarly not lost out: while they may have relinquished their sovereignty by accepting to play the game of coordination, they may at any moment decide to go their own ways.

Ultimately, the Europeam Union is still limited to coordinating management, with no means of regulating Member States' strategies to fight health threats. However, the governance system of health threats management in the EU is becoming a fully implemented system of coordination, taking full advantage of the legal basis in the Treaty and in which all institutions are cooperating much more than in previous crises. Nevertheless, while solidarity seems to have emerged as the new 'name of the game' in health threats management, the means to achieve a coordinated policy are still in their infancy.

2. Solidarity-based policy instruments and their limits

While the Covid-19 crisis has caused a paradigm shift in the extent to which Member States accept coordination on health threats, this shift remains limited, even when Member States show good-will. This came to the fore following the development of vaccines against the Covid-19 virus at the end of 2020. Here again, the 2009 H1N1 crisis offers a useful comparison: the main instrument of the health management system is the voluntary joint procurement of medical devices. Developed in the aftermath of the H1N1 pandemic, this allows Member States to pool their purchases of medical equipment (European Union 2013). Yet, because the H1N1 crisis was not as severe as expected (Nicoll and McKee 2010), the joint procurement mechanism was neglected in the years between H1N1 and Covid-19. This – at least partially – explains why Member States exhibited different levels of preparedness regarding PPE (Bayer 2020; Guarascio 2020). While Member States, under the stewardship of the Commission, have increasingly used this instrument during the Covid-19 crisis, the mere fact that this instrument relies on solidarity highlights its limits.

2.1 The controversies around vaccine roll-out and the limits of solidarity-based instruments

Once they grasped the salience of the Covid-19 crisis, Member States activated the mechanism of joint procurement of medical equipment on 28 February 2020 for PPE and on 17 March 2020 for ventilators (European Commission 2020a). Following the activation of the Civil Protection Mechanism, which does not help in purchasing but only in pooling Member States resources, a team of Romanian and Norwegian doctors and nurses was dispatched to Italy on 7 April 2020. These were signs that the paradigm shift evoked earlier was taking on a more concrete dimension in the management of the crisis. By relying on an instrument of mutualisation (McEvoy and Ferri 2020), Member

States were acknowledging that equality and efficient allocation of resources were seminal values for a coordinated exit to the Covid-19 crisis.

Turning to vaccines, coordination started months before they came into existence. In a health minister video conference held on 7 May 2020, many Member States expressed strong support for mandating the HSC to draw up a Covid-19 vaccination plan for the EU and EEA. They similarly expressed their interest in the possible joint procurement of Covid-19 vaccines (HSC 2020d). The question of equitable access was key here, as smaller Member States did not have sufficient purchasing power. However, solidarity was not yet in full swing, with Germany, France, Italy and the Netherlands joining forces to reach a deal with AstraZeneca on the supply of up to 400 million doses of its vaccine candidate. Taking place outside the EU framework (Deutsch 2021a), the negotiations did not include some smaller Member States which would have benefited the most from joint procurement.

To avoid a race for vaccines among EU Member States, the Commission presented a Communication on an EU strategy for Covid-19 vaccines on 17 June 2020 (European Commission 2020e). This emphasised that a coordinated approach ensured safety, as well as timely and equitable access to vaccines. To conduct negotiations, the EU set up a team of experts from all Member States to negotiate with vaccine makers the advance purchase of Covid-19 shots, with a budget of 2 billion euros fixed by Member States (Reuters 2021). Overall, from August 2020 until January 2021 the Commission signed so-called 'advance purchase agreements' with six different companies, for a total of 2.3 billion doses. The first deal signed was with AstraZeneca in August for 400 million doses, largely converting the agreement initially sealed by Germany, France, Italy and the Netherlands (Sánchez and Zalan 2021). In the second half of the 2020, the EU's joint procurement efforts were thus sustained.

Nevertheless, the timeliness of this coordinated approach was questioned in early 2021. While the joint procurement of vaccines prevented a race between Member States, the global race was only just beginning. Countries such as the United Kingdom and the United States aggressively purchased doses at higher prices (Deutsch 2021a). These governments were able to act quickly and reactively, a strategy hardly implementable in the EU, as Member States need to jointly agree the sum to invest in the purchase of vaccines. In an already complex situation, the issue of manufacturing bottlenecks added to the complexity of pinpointing the cause of the slow roll-out, with the question of AstraZeneca's vaccines at its core. The company was initially pencilled to provide between 80 million and 100 million doses by the end of March 2021. However, in January 2021 the company reduced the total to 40 million, citing manufacturing issues (Hirsch and Deutsch 2021). This issue is now at the centre of a legal action launched by the European Commission on 26 March 2021 (France 24 2021) and the larger problem of procurement was eventually overcome through the EU's gargantuan and historic purchase of 1.8 billion doses of the Pfizer vaccines in May 2021 (Deutsch 2021b). Nevertheless, the controversy has been instrumental in casting blame on the EU's strategy throughout the first months of 2021 and has shed a sobering light on the limits of the solidarity-based, coordinated approach that had prevailed.

Yet, difficulties in securing doses on the market are not sufficient to explain the slow vaccine roll-out. Mounting evidence shows that this was at least partially due to countries being unprepared to roll out vaccines quickly. This was highlighted by the European Commission on 19 January 2021, in a Communication calling on Member States to speed up the roll-out of vaccines across the EU (European Commission 2021b). Moreover, ECDC figures as of 7 March 2021 showed that most Member States had not used all shots available to them (ECDC 2021). This is another testament to the limits of solidarity-based governance. Unlike shared competences where the Commission is able to closely monitor and constrain Member States in the implementation phase, on the question of vaccines it can only raise the alarm and call for action. As such, the joint purchase of vaccines was ultimately a double-edged sword for the credibility of the EU. The Union was, in the public eyes, bearing the responsibility for rolling out the vaccines. However, once stocks were constituted and distributed among Member States, national authorities were in control of the process.

The issues and controversies surrounding the vaccine roll-out in the EU highlighted the limits of solidarity-based governance. The joint procurement of vaccines was meant to be the herald of solidarity-based measures, but it backfired and ultimately undermined solidarity. As a result, the controversy surrounding the slow vaccine roll-out in Europe has often been presented as a problem linked to the coordinated approach taken by EU Member States. This is correct, to the extent that the current solidarity-based instruments only offer limited leverage to develop coordinated action. The EU was particularly constrained by the mandate it was given by Member States and ultimately suffered from the limits of its mere coordination role in rolling out vaccines at national level. Nevertheless, the EU is learning from these lessons, with several recent initiatives, discussed in the next section, pointing towards the strengthening of solidarity-based instruments with a view to making coordination between Member States more fluid and reactive in times of crisis.

2.2 Towards the strengthening of solidarity-based Instruments

As seen earlier regarding the joint procurement of vaccines, solidarity-based instruments require a great deal of coordination between Member States. Despite the clear paradigm shift toward solidarity discussed in the first section of this chapter, solidarity-based instruments require mechanisms and capacity-building to foster coordination and, ultimately, the European Health Union. Two recent developments need to be highlighted here: the development of an EU Health Emergency Preparedness and Response Authority (HERA) and the ambitious EU4Health programme, both of which set new priorities in terms of investments for the future Health Union.

On 11 November 2020, as the European Commission unveiled its legislative proposal for a new mandate for the ECDC, it also announced the creation of HERA, with a view to proposing in 2021 a properly mandated and resourced dedicated structure to start operations in 2023 (European Union 2021a). The goal of this new authority is to complete and diversify the policy instruments to fight health threats. Its role is to enable the EU and its Member States to rapidly deploy management measures in the event of a health emergency. This includes the deployment of medicines and vaccines. HERA would assist in the development of new medicines and medical equipment by covering the whole value chain from conception to distribution and use. HERA's operations will be complementary to the work of the ECDC, developing more operational capacity at EU level, something lacking in the ECDC in the pre-Covid era.

The development of a new agency raises the question of 'turf': agencies tend to protect their uniqueness and their prerogatives (Busuioc 2016). Yet, turf issues are not systematically detrimental to interagency cooperation in the EU's public health policy (Deruelle 2021). This is particularly relevant as HERA is tasked with operations outside the ECDC remit. HERA will support the smooth functioning of the joint procurement mechanism by ensuring that sufficient production capacity is available when necessary, as well as making arrangements for stockpiling and distribution. It is thus likely to play a central role in the practical aspects of preparedness, alongside the ECDC.

This approach, based on the coordination of public and private capabilities to enable a rapid response when the need arises, was tested amid the controversies over vaccine procurement. On 17 February 2021, the Commission launched the HERA incubator, also known as the European bio-defence preparedness plan against Covid-19 variants. This initiative is a trial for the future HERA and brings together researchers, biotech companies, manufacturers and public authorities in the EU. Specifically, it brings €75 million in EU funding to specifically develop specialised tests for new variants; and it launched the VACCELERATE project, a Covid-19 clinical research network involving academic institutions from 16 EU Member States and five associated countries, including Switzerland and Israel, to exchange data.

In a similar vein, the EU4Health programme adopted on 24 March 2021 (European Union 2021b) ramps up capacity-building at EU level. Over the course of seven years, the programme will redistribute a total of €5.3 billion, a twelvefold increase compared to the previous health programme (€446 million). This is lower than the European Commission's initial proposal of €9.4 billion, but higher than the €1.7 billion that Member States had agreed to spend in July 2020 – due to the proactive work of the European Parliament.

The programme focuses on health threats management, although antimicrobial resistance, non-communicable diseases and other public health topics are also mentioned, mostly carried over from the previous health programme. With regard to health threats management, the programme shows a strong commitment to capacity-building, and especially to the development of surveillance capacities in Member States, something advocated by the ECDC since the start of the crisis. As with HERA, the programme's core aims are the strengthening of preparedness, the availability of medicinal products and the support of research and development. As such, some of the primary beneficiaries of the funds are European Reference Networks (ERNs), virtual networks of healthcare providers across Europe. ERNs can improve access to diagnosis and the provision of high-quality healthcare and can be focal points for medical training and research and the dissemination of information. The aim of the health programme is thus to contribute to the upscaling of networking through ERNs and other transnational networks.

Overall, the development of a European Health Union, a publicised aim of the EU4Health programme, is thus very much grounded in the development of solidarity-based policy instruments. But this strategy is not deaf to the criticism levelled against the joint procurement mechanism. The goal of both HERA and EU4Health is, in effect, to foster capacity-building with a view to avoiding the trade-off between coordination and efficiency, as experienced during the Covid-19 crisis.

Conclusion: solidarity and the legitimisation of a European Health Union

From nobody knowing about health threats management in the EU, we have come a long way in 2020 (Greer and Jarman 2021). The development of the health threat management system as well as, in the future, its instruments, demonstrates that the Covid-19 crisis has legitimised the development of a nascent European Health Union (Vanhercke et al. 2020). This is due to the paradigm shift triggered by the Covid-19 crisis: by embracing a solidarity-based approach, Member States and European Institutions have taken the EU's health threat management policy 'out of the closet'. Indeed, relying on solidarity has been somewhat successful in coordinating Member States efforts to fight the pandemic and solidarity has been instrumental in putting in motion the joint procurement of vaccines, a crucial instrument to supply vaccines for smaller Member States.

The Covid-19 crisis shows that this sense of solidarity, based on equality of opportunity and efficient allocation of resources, is first and foremost crystallised by health threats. In this sense, the Covid-19 crisis further demonstrates that, regarding public health, collective action is rather difficult in non-crisis situations (Boin et al. 2013; Lamping and Steffen 2009; Greer and Mätzke 2012). But even in the face of sizeable health threats, solidarity is not necessarily a foregone conclusion. Indeed, while the crisis has opened the door to a 'stronger European Health Union', the sense of solidarity among Member States did not come about instantaneously. In times of crisis, coordination is time-consuming and may prevent Member States from being as reactive as when acting on their own (Rocco et al. 2020). Solidarity is a complex equilibrium to uphold. While the procrastination of January and February 2020 was eventually overcome, it gave way to new issues, as exemplified by the difficulties experienced by the European Commission in securing vaccine doses in a timely manner.

Overall, the Covid-19 crisis demonstrates the limits of a solidarity-based governance system subject to the goodwill of Member States and European Institutions. More specifically, solidarity-based governance and instruments do not reflect what the EU would be able to do, were it to be endowed with shared competences rather than coordinating ones. Indeed, if 'solidarity' is the active compound that holds the Union together, the EU might just as well be a simple forum in which Member States cooperate and help each other. The internal market and associated four freedoms are built on strictly enforced legal ties. Member States act in concert because a complex legal order binds them together, enshrining solidarity in legal texts rather than because of the attractiveness of collective action. And thus, to be fully realised, the European Health

Union will necessarily include a change in the treaties to ‘upgrade’ public health to a domain of shared competences.

While such a development would have seemed inappropriate throughout the 2010s, it is now within the grasp of the Conference on the Future of Europe to pave the way for Treaty change. On 9 May 2021, the day the Conference was launched, a clear message was sent out: the time had come to rise to the occasion and proceed with a qualitative leap forward in the integration of health. Nevertheless, it remains uncertain whether the Conference will be able to successfully advocate such a leap. On the eve of the Porto Social Summit, 11 Member States again showed their reluctance to endow the European Commission with new powers specifically on healthcare and social protection (Herszenhorn 2021). The outcome thus remains, once again, shaky. And it remains to be seen whether the paradigm shift triggered by the Covid-19 crisis was sufficient to pave the way towards a fully realised European Health Union.

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Conclusions
Dealing with the pandemic: re-emerging social ambitions as the EU recovers

Bart Vanhercke and Slavina Spasova

Introduction[1]

The chapters of this book trace how the Covid-19 pandemic disrupted EU social policymaking and led to the adoption of unprecedented economic and social support measures in 2020 and the first half of 2021 (the timespan covered by this volume). The EU pledged financial support to Member States totalling €2.018 trillion, the largest package ever financed through the EU budget. Earmarked for EU recovery, the funding comes via the Multiannual Financial Framework (€1,211 billion) and 'NextGenerationEU' (€806.9 billion), with the temporary 'Recovery and Resilience Facility' (RRF) at its heart (€723.8 billion) (European Commission 2021a). The EU thus showed emblematic solidarity to manage the consequences of the pandemic, as also visible in initiatives such as the unprecedented suspension of the EU's fiscal rules and the launch of the temporary Support to mitigate Unemployment Risks in an Emergency (SURE) mechanism. Enhanced EU coordination in the field of health (including the centralised purchase of vaccines) and the adoption of the largest EU health programme to date resulted from the 'crisisification' of EU policymaking and contributed to legitimising an enhanced EU role in health, despite its limited competences in this field (Vanhercke et al. 2021a).

The renewed EU solidarity was hard-fought, as the harsh debates with the Frugal Four[2] and divisions along political lines in the European Parliament demonstrated. Moreover, European Commission President Ursula von der Leyen's (2019) firm stance on linking Union rule of law standards not only to the adoption of the long-term EU budget but also to the RRF – which Hungary and Poland threatened to veto – led to a major constitutional crisis in the EU, jeopardising the very essence of the European project (Kirst 2021). In this context, the consequences of Brexit (which took effect on 31 January 2020), the aftermath of the financial crisis, and the migrant crisis at its borders were looming large over the EU's ability to deal with the health crisis.

As a result of the pandemic – and in contrast to the EU's sweeping recovery plan – 'social policy' initiatives took a back seat during the Croatian[3] (January-June 2020)

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2. Austria, Denmark, the Netherlands and Sweden..
3. As of January 2020, Croatia held the presidency of the Council of the European Union for the first time since joining the EU in 2013.

and German (July-December 2020) Presidencies of the Council of the EU. Only two months after the start of the Croatian presidency, the Covid-19 outbreak led to a major shift in priorities at European level. Political activities were significantly reduced, with many meetings and events cancelled/postponed. All EU institutions were forced to implement alternative working arrangements and the 2020 presidency programmes were significantly pruned to only the most urgent dossiers. Unsurprisingly, several social policy legislative proposals were delayed (e.g. binding pay transparency measures and an EU initiative on gender-based violence) while others continued to be blocked in the Council (including the coordination of social security systems). This is not to say that the European Commission entirely buried its social ambitions, as illustrated crucially by the rapid adoption of the SURE mechanism, and the Commission (2020a) proposal for an EU Directive on adequate minimum wages.

Policymakers and stakeholders placed their faith in the vaccination campaign, the official rollout of which started in the Member States in December 2020. By November 2021 the EU average vaccination rate was 75.7% – albeit with significant disparities between Member States[4] – resulting in high hopes that economic activity and social life could restart in 2022. In this context, managing the economic consequences of the global pandemic continued in 2021, though with more ambitious EU social policy initiatives moving to the front stage: these include the European Pillar of Social Rights Action Plan (European Commission 2021b) and a proposed Directive regarding the working conditions of platform workers (European Commission 2021c). Implementation of the European Green Deal (EGD) started vigorously in 2020 despite the pandemic, though seems to have slowed down in 2021, at least in terms of legislative activity.

This concluding chapter draws mainly on the analyses presented in this volume, summarising the key findings while providing an update[5] on recent social policy initiatives in 2021, as well as a forward-looking perspective for 2022. The chapter is organised as follows. Section 1 looks at how the pandemic impacted different countries and socio-economic groups: *who are the winners and losers of Covid-19?* Section 2 focuses on the key initiatives taken during 2020 and the first half of 2021 in response to the pandemic (economic support measures and initiatives in the field of healthcare) and the green transition. Section 3 discusses the disrupted EU social agenda in 2020 and the re-emergence of EU social ambitions in 2021; it also describes how social players have entered European recovery through the backdoor of the Semester, and illustrates the need to consider the social aspects of the digital transition. Section 4 provides a forward-looking perspective, flagging some of the key social policy initiatives set to top the agenda in 2022 and thereby building a bridge to the next edition of *Social policy in the EU: state of play* (‘*Bilan social*’ in French). The final section, traditionally, concludes.

4. There have been significant disparities in vaccination rates between, for example, Portugal, which has fully inoculated well over 80% of its population, and Bulgaria (28%) and Romania (42%). The latter two countries have the lowest vaccination rates across the EU and are seeing, at the time of writing (November 2021), the highest rise in deaths since the beginning of the pandemic (ECDC 2021), and restrictive measures have been reinstated.
5. The authors gratefully used the European Parliament’s (2021a) legislative train schedule – indeed a user-friendly interactive portal - which monitors the progress of legislative files identified in the ten priorities of the European Commission. http://www.europarl.europa.eu/legislative-train/

1. Winners and losers of the pandemic

Michael Dauderstädt (this volume) describes the existing and new inequalities highlighted by the pandemic which hit the EU at a time when economies were performing well and unemployment had reached an unprecedented low level (6.3% in 2019). Unsurprisingly, countries were impacted differently, in line with their pre-pandemic situation, economic structure and the social situation of some social-economic groups (Myant 2021). While their capacity to react was thus different, all Member States adopted similar policy mixes to address the economic and social shocks, with significant support from the EU (Alcidi and Corti, Dauderstädt, both this volume). The quick response saw the introduction of temporary measures in all social protection and social inclusion schemes, with job retention schemes (e.g. short-time working schemes and support for the self-employed) at the forefront in all Member States. The need for urgent measures however also accentuated weaknesses and gaps in social protection and inclusion schemes, making it clear that further action is needed to tackle them (Baptista et al. 2021; Spasova et al. 2021).

Although evidence and data remain scarce on how the pandemic impacted different countries and especially socio-economic groups, Dauderstädt (this volume) discusses first results on the evolution of both between-country and within-country inequality since the start of the pandemic in March 2020. Countries were affected to differing degrees by the pandemic, closely related to the importance of the industries hit hardest. Sectors such as transport, accommodation and food services declined by approximatively 80%; restaurants and hotels had to close for several months in most Member States and then underwent a long, slow recovery due to the collapse of tourism, a sector representing a large share of gross domestic product (GDP) and employment in countries such as Spain, Italy, Portugal and Croatia.

By contrast, the winners included online retail, communication software, and some branches of the health and care sectors which enjoyed excess demand. Another significant winner was the housing sector, especially for investors. This development is expected to lead to increased rental market inequalities in the housing market, as income is redistributed from (relatively poorer) tenants to owners. This effect is set to be greater in countries with lower owner occupancy ratios. Thanks to the monetary situation, the value of many assets, in particular stocks and property, has increased significantly, benefiting richer households. Dauderstädt (this volume) shows that profits recovered fast, and in some cases, companies receiving state support even paid dividends to their shareholders and bonuses to their top managers.

The author also points to the socio-economic groups hardest hit by the pandemic: young people, women and low earners. Young people (aged under 25) were among the biggest losers of the crisis, *inter alia* because they were already hit by high unemployment before the pandemic. Youth unemployment rose sharply, from 14.9% in March 2020 to a dramatic 18.2% in August 2020, increasing nearly everywhere, apart from a few (mainly Eastern European) countries. At the same time, new research shows that young people's access to social protection is constrained – not only by the fact that they often work on non-standard and vulnerable contracts (e.g. platform work), but also because, in some cases, age is a legal criterion for exclusion (Ghailani et al. forthcoming). Young people went – and are still going – through tough times during the pandemic, unable to lead a proper social life (as education was provided mostly online) and trapped by lockdowns. Unsurprisingly, 2022 has been declared the European Year of Youth, with several initiatives planned in this context (European Commission 2021d). Suffering from unequal access to digital educational tools during lockdowns, another group strongly impacted were children from deprived and migrant families.

As demonstrated by Rubery and Tavora (2021), women were also strongly impacted by the pandemic measures, partly because caring responsibilities often fell on them while schools were closed and children had to study online, but also because employment in accommodation and food services, where women account for 54% of jobs, declined by 19.3% between the 2nd quarters of 2019 and 2020. The situation was even worse in domestic services (and undifferentiated goods- and services-producing activities of households for own use), where employment, 89% of which is female, decreased by 18% during the same period (Dauderstädt, this volume). Low-income groups and non-standard workers were much more likely than better paid workers to lose their jobs or have their hours reduced as a result of lockdowns. However, the speedy and large-scale measures, such as job retention schemes, introduced in all Member States prevented mass layoffs and increases in poverty rates. Both market and disposable income inequality changed only slightly in all countries for which data is available (July 2021): at the end of the day, the pandemic seems just to have slowed down the previous decline in inequality (since 2017). Indeed, poverty rates have in fact declined in all but two countries.

2. Implementing EU recovery and the European Green Deal – containing the pandemic

The chapters in this book analysed ambitious EU policies implemented in 2020 and the first half of 2021 to alleviate economic and employment losses. They also asked whether the roadmap for EGD implementation was ambitious enough to help achieve its goals and argued that a paradigm shift has taken place regarding EU health policy initiatives.

2.1 EU action to alleviate economic and employment losses

Cinzia Alcidi and Francesco Corti (this volume) assert that while ‘national governments have been at the forefront of the economic response to the pandemic crisis, they have not walked alone. European-level action has been significant, revolving around three pillars: (a) monetary and banking policies; (b) state aid and fiscal rules; and (c) budgetary and financial support measures (i.e. funding)’. The authors highlight the unprecedented solidarity underpinning several innovative measures, such as the European Central Bank’s new Pandemic Emergency Purchases Programme (PEPP), the so-called ‘Social Bond Framework’ to finance projects and initiatives with greater social impact (notably the Support to mitigate Unemployment Risks in an Emergency (SURE) mechanism), and the temporary suspension of the Stability and Growth Pact rules through the activation of the 'general escape clause' at a very early stage of the crisis (March 2020). Finally, the authors point out that the EU Covid response broke a major taboo: the issuance of common EU debt. The EU can now borrow to provide loans to Member States under the SURE mechanism and to finance loans and grants under the RRF.

The authors show that this unprecedented solidarity response – so different from what happened during the Great Recession – was based on three main factors. The first was the nature of the crisis: a public health shock affecting all countries in the same way, thus favouring a common political response. The second was that the European Commission and the ECB had clearly learned from past errors and had inherited a better developed EU institutional structure than that of 12 years ago (Alcidi and Corti, this volume; Hemerijck and Corti 2021). Third, attitudes had changed since the Great Recession, with national policymakers – notwithstanding some harsh debates with the Frugal Four – generally agreeing on four major policies: providing liquidity, supporting incomes and employment, protecting the financial system and speeding up economic recovery.

Some of the major programmes adopted in 2020 were simply unthinkable during the Great Recession. This is, first, the case with SURE, a mechanism drawing on the idea of launching a fully-fledged 'European Unemployment Reinsurance Scheme' (EURS), as has been discussed since 2012 in the aftermath of the 2008 financial and economic crisis. Proposed as early as 2 April by the European Commission (2020b) and adopted very rapidly by the Council of the EU (2020) in May, the SURE mechanism was heralded by the Commission as 'the emergency operationalisation of the EURS' and specifically designed to respond immediately, and temporarily,[6] to the challenges presented by the coronavirus pandemic. Since becoming formally available on 22 September 2020, the Council has already issued a total of €94.3 billion (out of the total envelope of €100 billion) in social bonds to the 19 requesting Member States. Italy has received the largest share, followed by Spain, Poland and Belgium. The SURE mechanism is very attractive in financial terms for highly indebted countries, as the total amount requested by a Member State generally covers almost the entire current and planned expenditure. The second major programme is the Recovery and Resilience Facility (RRF), the centrepiece of the NGEU. Southern and Central and Eastern European Member States are set to be RRF winners, as the instrument has a significant re-distributive component. These countries are also expected to request NGEU loan support (Alcidi and Corti, this volume).

Third, the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) – the second most important NGEU component – will finance investments to support job retention, such as short-time work schemes and support for the self-employed, as well as programmes to foster the green and digital transitions. React-EU is also expected to have a strong redistributive component in favour of Southern and Central and Eastern European Member States. Taken together, the grant component of EU

6. In principle, the instrument is set to be operational until 31 December 2022. On a proposal from the Commission, the Council may decide to extend the instrument's period of availability.

recovery alone (total NGEU support) could amount to as much as 2.5% of the GDP of Southern and Central and Eastern European Member States each year over the period 2021-2026. Moreover, NGEU resources will top up the traditional EU transfers from the Multiannual Financial Framework (MFF) 2021-2027. All in all, these countries will have to absorb between 2% and 5% of GDP from the NGEU and the MFF funds every year until the end of 2026. The potential for effective absorption, however, remains uncertain (especially in Central and Eastern European countries, Alcidi et al. 2020), especially if one considers the final purpose of the RRF grants and loans, i.e. financing additional public investments. As Alcidi and Corti (this volume) show, annual public investments for Bulgaria, Portugal and Croatia can be expected to increase over the next six years by circa 60%. For eight other countries, it would increase by 20-45%.

Nevertheless, as highlighted by the authors, SURE and NGEU are not fiscal stabilisation instruments. SURE lacks the automaticity element, while the NGEU is de facto a structural reform support instrument. The debate on the reform of the EU economic governance should not leave aside the role of automatic fiscal stabilisers, such as the idea of a genuine European Unemployment Benefit Scheme (EUBS, see Section 3). Moreover, EU common borrowing is only allowed exceptionally and temporarily to finance the NGEU, even if it sets an important precedent. This raises the question of whether EU joint debt should become a practice to finance European public goods.

2.2 The European Green Deal: a building block of a sustainable European economic model?

The European Green Deal (EGD) was launched in December 2019 as the Commission's new long-term and cross-cutting growth strategy, the de facto successor to the Europe 2020 strategy and intended to shape the core of future EU policy (European Commission 2019). Some feared that the Covid-19 pandemic would quickly overshadow Europe's 'man on the moon' moment (as the EGD was heralded by the Commission President on the occasion of the adoption of the proposal), with EU institutions having to move to emergency policymaking. However, several ambitious initiatives started to make their way through the decision-making system in 2020 and 2021, including the Sustainable Europe Investment Plan, the Just Transition Fund (both tabled in January 2020), the 'Farm to Fork' and 'EU Biodiversity for 2030' strategies (both published May 2020), as well as the 'Zero Pollution Action Plan for Air, Water and Soil' (May 2021) and the 'Fit for 55' package with its Carbon Border Adjustment Mechanism (CBAM) (July 2021). As a result, Hans Bruyninckx, Gülçin Karadeniz and Jock Martin (this volume) consider that the roadmap for EGD implementation is ambitious enough to help achieve its goals. This resonates with the argument put forward by Bongardt and Torres (2022) that the pandemic provided the Commission with an opportunity to implement the EGD, notably through dedicated funding under the RRF. For these authors, the EGD therefore represents more than an exit strategy from the pandemic crisis: it can be seen as a building block of a sustainable European economic model (ibid.).

Nevertheless, one of the main criticisms levelled at the EGD remains the compatibility between economic growth and the climate and environmental transition. Presenting one of the first assessments of the new strategy, the chapter by Eloi Laurent (2021) in last year's *Bilan social* argued that the EGD had serious shortcomings, prioritising economic efficiency over social justice and environmental sustainability. More fundamentally, the author argued that the EGD's key paradigm was that economic growth could be decoupled from environmental degradation: it was thus to be seen as a strategy for a past century (ibid.). In a similar vein, Bruyninckx et al. (this volume) claim that maintaining Europe's unprecedented levels of prosperity and well-being – with social, health and environmental standards among the highest in the world – does not necessarily have to depend on economic growth. According to them, the major question is whether European societies can grow in quality (e.g. healthier lives, better employment opportunities, cleaner environment) rather than quantity (e.g. material standards of living), and in a more equitable way. They underline that environmental policies have been more effective in reducing environmental pressures (e.g. emissions of pollutants from various sources or extraction of raw materials) than in safeguarding biodiversity and ecosystems, human health and well-being. According to them, the most important factor is that the challenges are inextricably linked to lifestyles and economic activities, in particular those providing people with necessities such as food, energy and transport. In this vein, the EGD foresees action in other sectors linked to the production and consumption system. The authors argue that the Circular Economy Action Plan, presented in March 2020, is key to reducing pressures on the environment and climate: actions linked to product design, circular economy processes, sustainable consumption and waste prevention. Other research also considers a gradual move from growth-based to de-growth development strategies, with several intermediate steps. From this perspective, a growth strategy based on decoupling, such as the EGD, although insufficient in itself to address climate and social challenges, would be a good starting point (Gough 2021).

The financing of the EGD has equally been a subject of much debate (Laurent 2021; Sabato and Fronteddu 2020). Bruyninckx et al. (this volume) assert that considerably more funds will be needed, with the figures estimated in the EGD representing only a fraction of the funds needed for the transition, as they do not cover social costs or adaptation needs, not to speak of the costs of inaction. Given the fundamental transitions needed, EU funds will need to be topped up by both national and private contributions. Vanhercke et al. (2021a) point to the irony (even if rather symbolic) of the July 2020 European Council slashing the Just Transition Fund from the proposed €40 billion to a mere €17.5 billion (in 2018 prices; €19.2 billion in current prices). This raises the question of whether, in the ongoing recovery from the pandemic, there is still the risk of the EGD being relegated to a simple narrative, or whether it can act as a true, properly funded political framework guiding recovery measures, as intended in the initial NGEU proposal (Laurent 2021).

The question of funding has become intrinsically intertwined with implementation of the Recovery and Resilience Facility, one of whose core guiding principles is environmental sustainability: each national Recovery and Resilience Plan (RRP) must include a minimum of 37% of expenditure related to climate change-related measures. Initial analyses of some of these plans show that most of them meet or are quite close to this target (Darvas et al. 2021; Corti et al. 2021). However, other analyses (sometimes based on different methodologies to calculate 'green' spending) suggest that several countries will miss the 37% climate spending target and that, in some cases, measures which seem 'green' at first glance may end up supporting fossil fuels and nuclear energy (cf. Wuppertal Institute and E3G 2021). In addition to this, attention should be paid to the need to ensure better complementarity between RRP measures, those financed by other EU funds and purely national initiatives, thereby avoiding a situation where the latter are not in line with EU environmental and climate objectives (cf. Pilati 2021).

Although the EU is calling for a 'socially just' climate and environmental transition, the 'social' dimension of the EGD still needs to be better defined, with more precise targets needed regarding important social inequalities. The winners and losers of the transition are yet to be clearly identified, and, as highlighted by Bruyninckx et al. (this volume), the ecological transition will affect some groups more than others. In this vein, they underline that lower-income regions and communities are clearly more exposed to environmental health hazards, such as air pollution. Similarly, some groups are more likely to be affected by and are more vulnerable to a broad range of environmental issues. The Just Transition Mechanism and its investment instruments will help mobilise funds to address these points. Nevertheless, the authors underline that these funds need to trickle down to areas and groups where such support is needed the most. Similarly, the practical implementation of a 'just' transition through the RRPs and in EU policies will be key to avoiding a narrow interpretation of the notion, i.e. a focus on support to specific territories and economic sectors and on those policies instrumental to the transition (such as active labour market policies and skills development), at the expense of more traditional social protection policies such as unemployment and minimum income benefits and pensions (Sabato et al. 2021: 53; see also Sabato and Fronteddu 2020).

Importantly, a recent assessment by the European Parliament Research Service (EPRS) of the progress made in attaining the initial policy agenda set out by Ursula von der Leyen in December 2019 shows that the number of proposals foreshadowed (90) makes the EGD the Commission's first priority in terms of announcements, although not in terms of proposals tabled (two-thirds (58) are yet to be submitted), let alone legislation adopted: just one sixth (15) had been adopted by September 2021 (European Parliament 2021a). In a similar vein, a Slovenian EU presidency progress report published in late November on the 'Fit for 55' legislative package stated that 'work is at a very early stage' (Council of the EU 2021a); in view of the number of dossiers and their interlinked nature, one could argue that progress is bound to be slow.

2.3 EU health policies: a paradigm shift?

Thibaud Deruelle (this volume) argues that the Covid-19 crisis has led to nothing less than a paradigm shift in the extent to which Member States are willing to coordinate action in the face of health threats. This shift has resulted in institutional changes to the EU's health threat management system. Indeed, new formal policy instruments are being implemented, such as the stronger mandates for the European Medicines Agency (EMA) and the European Centre for Disease Prevention and Control (ECDC) where provisional agreements were reached between the Council and the European Parliament in October and November 2021, respectively. The ECDC mandate provides a case in point to illustrate the extent to which Member States have changed attitudes, becoming much more willing to cooperate. The Commission proposal to create the Centre within six months of the SARS-CoV-1 outbreak (in February 2003) shook governments across the EU, with the outbreak brutally spotlighting Member States' lack of preparedness and convincing many of the urgent need for better EU-level coordination beyond the networks existing at the time. But when the Centre became operational, it had to do so with the brakes on – the ECDC was explicitly prohibited from advising Member States on risk management. Since March 2020, Member States have increasingly relied on coordinated action and expert input from the Commission and the ECDC, with the latter now addressing strong and explicit guidelines on containment measures to Member States. Any such contributions from the ECDC would have been considered inappropriate by Member States before the pandemic. In the words of Deruelle (this volume): as the pandemic unfolded, 'the ECDC became the rising star of this new solidarity-based governance'. This constitutes a true paradigm shift: 'by embracing a solidarity-based approach, Member States and European institutions have taken the EU's health threat management policy 'out of the closet'' (ibid.).

The new Health Emergency Response and Preparedness Authority (HERA) – to be set up as an internal Commission structure and set to be fully operational by early 2022[7] – equally presents an important step forward. HERA will anticipate threats and potential health crises through intelligence gathering and building the necessary response capacities in a 'preparedness phase'. When an emergency hits, HERA will ensure the smooth functioning of the joint procurement mechanism by making arrangements for the development, production, stockpiling and distribution of medicines, vaccines and other medical countermeasures. In a similar vein, the 'EU4Health 2021-2027' programme adopted on 24 March 2021 (European Parliament and Council of the EU 2021) wants to boost capacity-building at EU level. Over the course of seven years, the programme will redistribute a total of €5.3 billion, a twelvefold increase over the previous health programme. The four general goals of the programme are: a) to improve and foster health in the Union; b) to tackle cross-border health threats; c) to improve medicinal products, medical devices and crisis-relevant products; and d) to strengthen health systems, their resilience and resource efficiency (including improving access to healthcare).

And yet, and as per Treaty requirements, these policy instruments remain limited to assisting coordination between Member States. Coordination, however, is time-consuming and may prevent Member States from acting at short notice. Crucially, collective action depends on a sense of solidarity between Member States and, even in the face of sizeable health threats, there can be no presumption of solidarity. Indeed, in the face of the Covid-19 crisis, the sense of solidarity among Member States took time to emerge.

7. The legislative proposal was unveiled by the Commission in September 2021, following a public consultation in 2020.

It thus remains to be seen whether the paradigm shift triggered by the Covid-19 crisis will be sufficient to pave the way for the stronger 'European Health Union' advocated by European Commission President Ursula von der Leyen in her first State of the Union speech (16 September 2020) and seen by Deruelle (this volume) as a strong new narrative from the EU in this sensitive policy area, even though it is unclear what form it may ultimately take. A European Health Union can only be considered a substantive leap forward if the EU and its Member States cease to rely on mere solidarity as the active compound of collective action, and change EU treaties to allow for a legislative – rather than cooperative – approach to health threat management. Will the alarm over the new Omicron coronavirus variant allow certain policy entrepreneurs to confirm the 'crisisification' of European (health) policymaking, i.e. the importance of crisis-oriented methods for arriving at collective decisions (Rhinard 2019)? One could hypothesise that the pandemic could serve as a lever for legitimising further European integration in health (Vanhercke et al. 2021a). The way towards it could be paved by the ongoing Conference on the Future of Europe and the new trio Presidency of the Council of the EU (January 2022-June 2023, see Section 4). However, on the eve of the Porto Social Summit (7 and 8 May 2021), 11 Member States strongly affirmed their reluctance to endow the European Commission with new powers, specifically on healthcare and social protection (Politico 2021b). Another plausible scenario, therefore, is that the domestic politics continue to hamper Member States' commitment to further integration in the field of health, leaving the European Health Union as unfulfilled potential. Even in the latter scenario, however, it seems likely that the Commission will continue to exert its existing competencies to the full, thereby de facto further extending the role of the EU in this field, which has been left for too long to the internal market and the Court of Justice of the EU.

3. Re-emerging EU social ambitions in 2021

While the first waves of the pandemic engulfed Europe, the EU's 'social policy' initiatives in 2020 took a back seat, with several legislative proposals delayed or remaining blocked in the Council. Even so, ambitious new proposals (including on minimum wages) were tabled by the Commission in 2021 (Section 3.1). In 2020-2021, the new RRF set-up changed the balance of power among EU economic and social players (Section 3.2), while the social aspects of the digital transition were brought into the spotlight (Section 3.3).

3.1 EU social initiatives: from disruption to re-emergence

With political attention concentrated on handling the pandemic and its economic and social consequences, regular policymaking was disrupted throughout 2020 (Atanasova et al. this volume; Vanhercke et al. 2021a): key illustrations are EU social security coordination, the 'women on boards' directive and pay transparency measures.

Unsurprisingly, negotiations on the revision of EU coordination of social security legislation (European Parliament and Council of the EU 2004a) remained stalled in the

Council (the European Commission proposal dates back to December 2016), despite the provisional agreement reached between the Council Presidency and the European Parliament, but rejected by Committee of the Permanent Representatives (Coreper) in March 2019. Despite the efforts of the respective EU Presidencies to revive the dossier, negotiations came to a halt on 1 March 2021, notably because it was impossible to reach agreement on the modalities concerning prior notification before sending a worker from one Member State to another (European Parliament 2021c).

A similar fate was experienced by the Commission's longstanding proposal for a directive on gender balance among non-executive directors of companies listed on stock exchanges (dubbed the 'women on boards' directive) which had been stalled in Council for nearly a decade (since November 2012) despite the European Parliament's tireless push for progress.[8] Clearly, not all Member States support EU-wide legislation, with several Member States (Denmark, Greece, Croatia, Hungary, the Netherlands, Poland, Sweden and Slovakia) considering that binding measures at EU level are not the best way to pursue the objective. EU ministers of employment and social affairs reviewed progress at the end of the Portuguese presidency on 14 June 2021, noting (symbolically, under 'any other business') that a qualified majority remained out of reach (ibid.).

In her 2019 political guidelines, Ursula von der Leyen announced that she would introduce a proposal on binding pay transparency measures in the first 100 days of her term of office to address the gender pay gap and ensure application of the principle of equal pay for equal work. Subsequently, the European Trade Union Confederation (ETUC) could not help noticing (including through a social media campaign) that the proposal seemed to have 'gone missing' in the Berlaymont building, without explanation. In a bid to end the delay, the ETUC (2020) took the unusual step of commissioning legal experts to draft a model proposal for a pay transparency directive. The European Commission's (2021e) legislative proposal was ultimately published on 4 March 2021. On 6 December 2021, the Council reached agreement on a general approach to the proposed directive.

As the Chronology 2020 by Angelina Atanasova, Boris Fronteddu and Denis Bouget (this volume) demonstrates, some progress was made, despite the pandemic circumstances, regarding key EU social policy initiatives: key illustrations pertain to the social protection of lorry drivers, minimum wages, health and safety at work, several (gender) equality initiatives and the European Pillar of Social Rights Action Plan.

An important legislative achievement in 2020 was the (diluted) compromise on the long-awaited 'Mobility Package 1' agreement. The European Parliament adopted (July 2020) the agreement negotiated with the Council on the social protection of long-distance lorry drivers, after more than three years of interinstitutional negotiations. This agreement implies more precise and binding rules on the posting of drivers, improved rules on rest times, and better application of the cabotage provisions (Atanasova et al.

8. Including through a joint hearing of the European Parliament's JURI (Legal Affairs) and FEMM (Women's Rights and Gender Equality) Committees on 21 September 2020, followed by a debate during the plenary session in October 2020.

this volume). Following the Parliament's vote, the Commission stated that the new set of rules includes elements that are possibly not in line with the EGD's ambitions.[9]

Arguably the most ambitious EU social policy initiative since the start of the pandemic is the Commission's (2020a) proposed Directive on adequate minimum wages, which was preceded by a two-stage social partner consultation[10] (launched in January and June 2020, respectively). While no less than nine Member States (Denmark, Sweden, Poland, Hungary, the Netherlands, Austria, Ireland, Greece and Malta) had expressed the wish that the Council opt for recommendations and not a directive on the issue, the 6 December 2021 Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council formation reached a common position, two weeks after the European Parliament agreed its negotiating position. The agreement establishes a framework to promote adequate levels of statutory minimum wages (at least 60% of the national median wage), to promote collective bargaining on wage setting and to improve effective access to minimum wage protection. According to some observers, the Commission's initiative is no less than 'a watershed in the history of European social and economic integration': for the first time, the Commission is initiating legislative action not only to ensure fair minimum wages but also to strengthen collective bargaining in Europe (Müller and Schulten 2020).

Important progress was also made in the field of work-related health and safety. In September 2020, the Commission adopted its proposal to amend, for the fourth time, the Carcinogens and Mutagens Directive (CMD) (European Parliament and Council of the EU 2004b). On 16 December 2021, the Council and the European Parliament agreed[11] on the proposal applying new or updated occupational exposure limit values (OELs) to three further substances. Similarly important, the European Commission (2021f) adopted its new occupational safety and health (OSH) strategic framework 2021-2027.[12] Its focuses include: a) a review of the Workplaces Directive and the Display Screen Equipment Directive, updating protective limits on asbestos and lead, and an EU-level initiative related to mental health at work; b) a 'vision zero' approach to work-related deaths in the EU, and updated EU rules on hazardous chemicals to combat cancer, reproductive and respiratory diseases; and c) developing emergency procedures and guidance for the rapid deployment, implementation and monitoring of measures in potential future health crises.

The European Commission (2020c) also presented its action plan 'A Union of Equality: Gender Equality Strategy 2020-2025'. Objectives include ending gender-based violence, challenging gender stereotypes, addressing the gender pay gap, and achieving equal participation of men and women across different economic sectors and

9. These are the compulsory return of the vehicle to the Member State of establishment every eight weeks and the restrictions imposed on combined transport operations.

10, During the first phase of the social partner consultation, the ETUC regretted that the Commission had not proposed the EU *at-risk-of-poverty threshold* (60% of the median equivalised disposable income) as a wage floor. European employers had stressed that the Commission does not have the necessary powers to propose binding legislation on minimum wages.

11. The agreed text must be formally endorsed by Parliament and Council in 2022 to come into force.

12. Communication 'EU strategic framework on health and safety at work 2021-2027 – Occupational safety and health in a changing world of work'.

in political life. Questions can be raised as regards whether the new gender equality strategy is 'fit for purpose', also in view of the fact that women have suffered more from the consequences of the pandemic (Section 1). The proposed strategy contains very few legislative initiatives, most of which are existing initiatives long blocked in the Council. This is, for example, the case for the women on boards directive (see Section 3.1) and the anti-discrimination (dubbed 'equal treatment') Directive blocked in the Council since 2008, since it requires the unanimous support of all EU Member States as well as the consent of the European Parliament. In view of realising 'A Union of Equality', the European Commission also presented an EU anti-racism Action Plan 2020-2025 (September 2020), the EU Roma Strategic Framework (October 2020), the first-ever EU LGBTIQ[13] Equality Strategy 2020-2025 (November 2020), and a Strategy for the Rights of Persons with Disabilities 2021-2030 (March 2021).

The year 2021 was also the year of the presentation and first implementation steps of the European Pillar of Social Rights Action Plan[14] (European Commission 2021b) and the signing of the Porto Social Commitment (European Union 2021a) at the European Summit held during the Portuguese EU presidency (7-8 May 2021). Flagged as a key moment for social Europe (Fernandes and Kerneïs 2021), the endorsement of the Action Plan by the EU institutions, the European social partners and European civil society representatives gives strong political legitimacy to the proposed concrete actions.[15] The Action Plan puts forward three EU-level headline targets in the areas of employment, skills and social protection to be achieved by 2030: (a) at least 78% of people aged 20 to 64 should be in employment; (b) at least 60% of adults should participate in training every year; and (c) the number of people at risk of poverty or social exclusion should be reduced by at least 15 million. These targets met with mixed responses from social partners, civil society representatives and scholars, and there was disagreement over the text of the final declaration of the Heads of State, with Hungary and Poland refusing to recognise 'gender gaps' as a general problem to be tackled, albeit admitting their existence regarding employment, pay and pensions (Enes 2021).

Despite this criticism, the Action Plan contains several ambitious initiatives (both legislative and non-legislative). It is supported by coordination instruments (e.g. the revised version of the Pillar Social Scoreboard) and is backed by significant financial resources, notably the RRF and the MFF (Fernandes and Kerneïs 2021). The Plan singles out initiatives targeting non-standard workers (including seasonal workers) and the self-employed, in particular people working through platforms. The main policies addressing the situation of these groups focus on learning and upskilling as essential tools for success, especially with regard to the digital transition. In this context, the Action Plan also emphasises working conditions and social protection. Moreover, the Commission has pursued the idea of examining the scope of collective bargaining rights for the self-employed and the scope of application of EU competition law, which was the subject of a public consultation between March and May 2021. Guidelines on the

13. Lesbian, gay, bisexual, transgender, intersex and queer/questioning.
14. The Action Plan was set out in the political agenda of the new European Commission (von der Leyen 2019).
15. Some noticed the absence of Angela Merkel at the Porto Summit (also absent were the prime ministers of the Netherlands and Malta), possibly weakening the political impact of the initiative.

application of EU competition law to collective agreements regarding the working conditions of solo self-employed persons were published on 9 December 2021 (European Commission 2021g): these may have important implications for platform workers.

One of the key initiatives taken in 2021 in the slipstream of the Action Plan was the Council Recommendation on a European Child Guarantee (Council of the EU 2021b), which should make essential services (early childhood education and care, education, healthcare, nutrition and housing) free or affordable to children in need. In addition, the European Platform for Combatting Homelessness was launched by the European Commission and the Portuguese Presidency. It is underpinned by the Lisbon Declaration (European Union 2021b) in which the signatory parties commit to cooperating at European level on the issue of homelessness, and to make substantial progress towards ending homelessness by 2030. The European Commission will facilitate and partly finance the European cooperation. The Commission also launched the Affordable Housing Initiative, part of the single market 'renovation wave' initiative (European Commission 2020d). In a context of galloping energy and house prices (see Dauderstädt, this volume), the key issues to be addressed include the social dimension of the environmental transition, and affordable and sustainable housing.

3.2 European recovery: social players entering through the back door

The EU's plan for recovery from the pandemic offered an opportunity for meaningful involvement of social affairs players. The chapter by Amy Verdun and Bart Vanhercke (this volume) – asking to what extent the new RRF set-up has changed the balance of power among key players – demonstrates that the outcomes are patchy.

Yet the starting point was quite promising: the RRF regulation European Parliament and Council of the EU (2021b) of February 2021 stipulates that proposed national reforms and investments in the RRPs have to be related to the Country-specific Recommendations (CSRs) of the Semester, the strengthening of growth potential, job creation and economic, social and institutional resilience, as well as implementation of the European Pillar of Social Rights. Effective contributions to the green and digital transitions are also required: climate-related expenditure is to make up at least 37% of each RRP, digital initiatives 20%. No explicit 'social' targets were however included – although the European Commission would be mandated to develop a methodology for reporting social expenditure in the RRPs (European Commission 2021h). The data on social expenditure under the facility will feed into the new 'Recovery and Resilience Scoreboard'[16] adopted in December 2021. Just as important, the final version of the RRF regulation was a big step forward, at least on paper, for stakeholder consultation – so far stipulated only in general terms in the Semester (European Parliament and Council of the EU 2011). As a result of the European Parliament's first reading, the regulation adopted requires Member States not only to provide 'a summary of the

16. The RRF Scoreboard gives an overview of how the implementation of the Recovery and Resilience Facility (RRF) and the national recovery and resilience plans is progressing.

consultation process' but also to report on 'how the input of the stakeholders is reflected in the recovery and resilience plan'. In addition to the social partners, the regulation extends the range of stakeholders to include local and regional authorities and civil society organisations (CSOs), including youth organisations (Vanhercke et al. 2021b).

In practice, however, social player involvement in the RRF has proved problematic, driven by the rationale of acting first and then consulting (see also Vanhercke and Verdun 2021, 2022). The reason for this is not hard to guess: as explained in Section 2, when the pandemic erupted in March 2020, the EU responded rapidly. By the summer of that year, the European Council had already agreed to a massive financial package, with final European Parliament following just a few weeks later. Policymakers were still in crisis mode in autumn, with many established Semester-related procedures such as Country Reports or CSRs altered or put on hold. In addition, within the Commission, decision-making was centralised in a Recovery and Resilience Task Force (RECOVER) in the Secretariat-General, in close cooperation with the Directorate General for Economic and Financial Affairs (DG ECFIN). The role of DG Employment, Social Affairs and Inclusion (EMPL), previously part of the Semester's 'core group', was significantly pruned. In the Council of the EU, the EPSCO formation had no say in the roll-out of the recovery, as was the case with its advisory bodies, the employment (EMCO) and social protection (SPC) committees.

Moreover, the usual consultation of a variety of social players was drastically reduced in 2020 and 2021. The social players, in turn, were very concerned that they might be sidelined for a longer period. While the social partners and CSOs were typically included in the initial stages of drafting the RRPs, this involvement was not sustained. Meetings discussed draft plans, sometimes shared in advance, but stakeholders generally received no feedback on how their contributions were factored into the final plan. At national level, ministers – premiers and ministers responsible for finance and cohesion – mainly steered RRP decision-making, in contrast to previous National Reform Programmes (NRPs) driven largely by officialdom. Given this different set-up, social partners and CSOs had to develop new national and EU networks – which took more time than was available.

The lack of detailed requirements for quality consultation on the RRPs, their extent, the time allotted and the transparency of the contributions by social players, combined with the change of national 'drivers', severely limited effective engagement, even in countries with established avenues for consultation under the Semester. With the RRF launched in a rapid response context, there was thus a serious risk of the EU's institutional social players losing the influence they had acquired over the years in Semester negotiations. DG EMPL, EPSCO and its advisory bodies, however, gradually clawed back their position as the immediacy of the crisis subsided. A longer-term focus emerged, the EU returned to previous Semester practices, and these players managed to regain a foot in the door. While officials engaged with the social partners on both sides of industry, it remains an open question whether this consultation was really meaningful. European CSOs, by contrast, were sidelined in the RRF process. And in most Member States, consultation with domestic stakeholders – both social partners and CSOs –remained insufficient (Vanhercke et al. 2021b). A recent study for Civil Society Europe et al. (2021) confirms that a) social partners were more and better consulted in the preparation of the RRPs than CSOs in the 11 Member States under examination; and b) most CSOs participating in consultations found them to be mostly a checkbox exercise rather than meaningful involvement, with little material supplied prior to meetings and with limited time available.

3.3 Digitalisation: moulded to benefit the climate and society – and not Big Tech?

The Digital Agenda is the second top priority of the von der Leyen (2019) European Commission: in her political guidelines and the Commission work programme for 2020 Ursula von der Leyen announced no less than 20 new legislative and non-legislative initiatives on 'A Europe fit for the digital age'. These new initiatives complemented the 24 ongoing dossiers inherited from the Juncker administration (2014-2019). As demonstrated by Aída Ponce Del Castillo (this volume), the Covid-19 pandemic further highlighted the importance of digitalisation and spurred many developments in this area, with consequences for work and social policies, and therefore triggering responses from a variety of social stakeholders. Key recent regulatory legislative initiatives include the Data Governance Act,[17] the Digital Services Act,[18] the Digital Markets Act (DMA)[19] and the European Data Strategy (EDS).

The European Commission's view is that digitalisation will improve productivity and work efficiency, as well as create new opportunities for both the European economy and citizens. By contrast, the trade union movement, while in agreement with the importance of digitalisation, stresses the social risks, such as job losses and the polarisation of work and society, in particular in relation to the platform economy and the rise of an 'underclass' of gig workers. Ponce Del Castillo (this volume) regrets that the Digital Agenda was not designed with the intention of addressing labour issues, instead focusing on the market and not on the need to protect workers' rights. She also criticises the lacking interconnection between the various digital legislative initiatives (e.g. the Digital Services Act package is not linked to the social partner consultation on platform work) and the lack of conversation between the social and digital agendas, with the latter seeing digitalisation as a way to build a digital infrastructure at the service of the economy, at best with a neutral impact on social Europe, at worst with increased digital-led inequalities, uncertainties and disruption to people's work and wellbeing.

In her view, platform work, although strictly speaking it is just a technological conduit, has a major disruptive impact on society and the economy. It is developing rapidly, spurring challenges relating to employment status, working conditions, algorithmic

17. On which the European Parliament and Council reached provisional agreement on 30 November 2021..
18. Council agreed its general approach on the proposal in November 2021, Parliament is set to debate and vote on the European Parliament's Committee on Internal Market and Consumer Protection (IMCO) report during the January 2022 plenary session.
19. Council agreed its general approach on 25 November 2021. The EP approved the IMCO report amending the Commission's proposal in its December 2021 Plenary. Negotiations between the institutions are planned to start under the French presidency of the Council of the EU in the first half of 2022 (European Parliament 2021c).

management, access to social protection and benefits, and collective representation and bargaining. This led to the European Commission holding a two-phase consultation of European social partners on improving the working conditions of platform workers. A Resolution on fair working conditions, rights and social protection for platform workers was adopted by a very large majority in the European Parliament in September 2020, with the Commission proposing a legislative initiative in December 2021 (see Section 4).

A key issue raised by platform work is that of employment status. In the consultation preceding the newly proposed directive, contrasting views on how to tackle this issue were expressed by employers and trade union organisations. BusinessEurope's opinion was that an EU definition was not appropriate, as it could not respect the different models in the various Member States. In its opinion, a presumption of employment relationship would be an obstacle preventing the most vulnerable from entering the labour market. By contrast, the ETUC argued that there should be a presumption of employment, as platforms were not just intermediaries, but real companies and employers. Among the most important ETUC demands was for the reversal of the burden of proof: it should be the platforms' responsibility to prove that there is no employment relationship, not the worker's task to demonstrate there is one.

Complementing the Commission's digital initiatives, another important initiative concerning the social dimension of digitalisation is the European social partners framework agreement on digitalisation. This is the result of difficult negotiations between the European social partners, focusing on several work-related challenges linked to digitalisation, such as the need for specific training to acquire digital skills, modalities of connecting and disconnecting, artificial intelligence (AI), guaranteeing the human-in-control principle as well as respect of human dignity and surveillance. This framework agreement is set to trigger legislative proposals: the European Parliament (2021b) invited the Commission, by a very large majority, to recognise the right to disconnect as a fundamental right.

According to Ponce Del Castillo (this volume), to avoid further fragmentation and polarisation, the Commission should give more space to the necessary anticipation of social issues, the inclusion of different perspectives, the genuine participation of social partners, and public engagement as key ingredients of an accountable, inclusive, socially shaped and human-centred technology governance. The author calls attention to the role of 'new' movements and players in the digital area – other than the traditional trade unions and stakeholders – who have a say in the process and whose influence is sometimes greater than that of trade unions.

She argues that, in the future, four challenges situated at the intersection of the social and digital spheres will require further attention: a) access; b) algorithms; c) digital platforms as employers; and d) the agency of social players, in particular the social partners. To meet them, the next steps will be crucial: there will be opportunities to influence the ongoing legislative process, with the voices advocating a more social digital Europe needing to be raised.

4 Looking ahead: a reinvigorated EU Social Agenda for 2022?

The EU's renewed ambition in the social field in 2021 (Section 3) triggered the launch of several initiatives set to top the EU agenda in 2022, while new initiatives have been announced in the Commission's work programme for 2022 (European Commission 2021d). This section flags some of the key legislative proposals, an important social dialogue initiative and several goals to be implemented through EU 'soft governance'.

First, with both the European Parliament and European Council having adopted their positions on the proposed Directive on adequate minimum wages (see Section 3.1), negotiations are set to start in the new year under the French Council presidency (January-June 2022). Flagged as a top priority[20] and with the stern resistance from Scandinavian countries now overcome, an agreement between the EU institutions seems possible as early as spring 2022, despite continuing dissent from Denmark and Hungary. The adoption of this Directive would, again, demonstrate the paradigm shift which has taken place since the aftermath of the 2008 financial crisis: 'adequate minimum wages and strong collective bargaining are no longer viewed as impediments to 'flexibility' and 'competitiveness' but instead as preconditions of inclusive growth in Europe' (Müller and Schulten 2020). Even if the usual bargaining in the Council is likely to give birth to a rather general legal framework, the Commission's initiative is indeed a very important one: it has finally put the issue of minimum wages – and the debate on an EU framework for minimum incomes and in-work poverty in its slipstream (Aranguiz et al. 2020) – squarely on the European agenda.

Second, the Commission's proposed new legislation on platform work (see Section 3.3) will begin its (undoubtedly long and winding) journey through the EU institutions in 2022. The proposed directive addresses three main concerns: worker-status misclassification; fairness, transparency and accountability in algorithmic management; and enforcement of the applicable rules. One of the major purposes of the instrument, indicated in Article 1, is to 'improve the working conditions of persons performing platform work by ensuring correct determination of their employment status'. This would primarily stem from a rebuttable legal 'presumption of employment' status for platform workers, when a digital labour platform controls the performance of work (De Stefano and Aloisi 2021). With its proposal, the European Commission 'has adopted a bold posture, matching to an extent the expectations of the proposal and the positive atmosphere surrounding the European Pillar of Social Rights' (ibid.). It is of course too early to say whether the text will maintain its present level of ambition, but a broad consensus is emerging in policymaking and public opinion.

Third, the incoming French Council Presidency has flagged the directive on pay transparency as one of its priorities; on the Parliament's side, a negotiating position is expected to be agreed in February 2022. Following continued pressure from the Parliament to adopt the long overdue anti-discrimination ('equal treatment') Directive (Section 3.1), the dossier is among the priority proposals of the Commission's work

20. France will convene a special summit of the bloc's 27 country leaders on 10-11 March 2022 to define a new European growth model with 'one obsession: to create jobs and fight unemployment' (Reuters 2021).

programme for 2022 (European Commission 2021d). The Commission also plans to propose, one year later than scheduled,[21] an initiative on preventing and combating gender-based violence, as well as a legislative initiative to strengthen the role and independence of equality bodies.

Fourth, with the phasing out of the Covid-19 emergency measures implemented during the crisis, there are increasing calls for tax justice (especially in view of the profits made by the online retail sector during the crisis: see Dauderstädt, this volume). The main element hampering initiatives in this area is the requirement for unanimity for decisions on tax legislation at European level. Nevertheless, there are positive signals set to impact the EU-level debate in this area, namely the historic agreement on global tax reform (all EU Member States, G20 and OECD members), setting a global minimum level of effective taxation (Pillar 2) and effecting a re-allocation of taxing rights (Pillar 1) (OECD/G20 2021).[22] The Commission will propose legislation during 2022 to implement the OECD global agreement in Member States. The Commission will have the French Presidency as a strong ally, as taxing digital giants and fighting the practice of luring foreign businesses with low tax rates have been longstanding French demands (Politico 2021a).

As stated in the European Pillar of Social Rights Action Plan and confirmed in the Commission's work programme, a social dialogue initiative will be presented in 2022, consisting of a Communication (preceded by an extensive social partner consultation) to strengthen social dialogue at EU[23] and national level. In this context, the social partners also continued, throughout 2021, to explore how to potentially restructure existing committees and improve the relevance of EU sectoral social dialogue.[24] In the context of the newly adopted strategic framework on OSH (see Section 3.1), the Commission will present a proposal to improve the protection of workers from the risks related to exposure to asbestos at work in 2022. Making swift progress on the above-mentioned Digital Markets Act (measures to clamp down on market abuses) and Digital Services Act (online content rules) during the first half of 2022 is equally a priority for the Elysée: both are regarded as important for clawing back a sense of digital independence for Europe, as well as making online ecosystems safer and fairer (Politico 2021a). In addition to implementing the encompassing strategies and packages in the context of the EGD proposed in 2020 and 2021 (see Section 2.2), the Commission plans new initiatives on the circular economy and a 'Plastics package' in 2022.

Several soft governance initiatives can also be expected in 2022. First, the European Parliament and the Council of the EU (2021c) decided that 2022 will be the 'European

21. The Commission work programme 2021 (published October 2020) had announced a legal initiative on the matter.

22. Moreover, the EPSR Action Plan highlights that 'taxation should be shifted away from labour to other sources more supportive to employment and in line with climate and environmental objectives, while protecting revenue for adequate social protection' (European Commission 2021b: 18).

23. At the Tripartite Social Summit on 22 June 2020, the European social partners signed a framework agreement on digitalisation (ETUC et al. 2020). The agreement covers the need for investment in developing workers' skills and the right to disconnect.

24. It should be noted that the European Transport Workers Federation (ETF) and the Community of European Railways and Infrastructure Managers (CER) have signed an autonomous European social partner agreement on 'Women in Rail' on 5 November 2021 (CER and ETF 2021).

Year of Youth'. Young people have suffered badly from the various lockdowns and restrictions, as is particularly visible in the steep rise in youth unemployment in most Member States. The future of educated and skilled young people is at stake: they must be prepared for the digital transition accelerated by the pandemic. Alongside several initiatives on education, learning and upskilling, implementation of the reinforced Youth Guarantee (agreed by the Council in October 2020) is among the key priorities for 2022 (European Commission 2021d). Second, there is the proposal for a Council Recommendation on minimum income (following the Council Conclusions on the same topic from October 2020). Third, the announced new European care strategy sets a framework for policy reforms to guide the development of sustainable long-term care, which one could speculate to take the form of an Open Method of Coordination (OMC). And fourth, a proposal has been tabled to update the 2003 Recommendation on cancer screening – reflecting the latest available scientific evidence – as part of Europe's beating cancer plan (proposed on February 2021), a key pillar of the European Health Union. More generally, the new trio Presidency of the Council of the EU (January 2022-June 2023) – made up of the Presidencies of France, Czechia and Sweden – listed the implementation of the European Health Union package among the priorities of its 18-month programme (Council of the EU 2021c: 2, 18).

Moreover, the process of monitoring the 2019 Council Recommendation on access to social protection for workers and the self-employed (Council of the EU 2019) is to be finalised after the Commission will submit its final report to the Council in November 2022. The report will feed into the work of the High-Level Group (2021) on the future of social protection and of the welfare state in the EU (headed by former European Commissioner Anna Diamantopoulou), which started work in November 2021 and is expected to present a report by the end of 2022. It will also be important to follow the fate of certain disputed and blocked dossiers.

Conclusion

Thanks to the widely implemented anti-crisis measures, the short-term repercussions of the pandemic were less catastrophic than feared. The Covid-19 pandemic has indeed turned into an indisputable re-appraisal of the European welfare state, while accentuating weaknesses and gaps in social protection and inclusion schemes. While these outcomes are positive in the short term, there is a need for reflection and preparation for coming years; special attention should be paid to the poorer layers of society likely to suffer more from the long-term effects of the pandemic (e.g. in terms of employability and income), as they are most exposed to health risks and gaps in education. In this context, Dauderstädt (this volume) asserts that, in the future, EU and Member State policies should place greatest emphasis on tackling inequalities and supporting the losers of the pandemic by: a) promoting green growth and employment in the Southern periphery; b) targeting vulnerable groups in order to alleviate the negative effects of lockdowns on, in particular, the children of poor and migrant families; and c) not rushing to consolidate budgets, but trying instead to strike a balance through fair fiscal policies.

This book has demonstrated the EU's ambitions in driving EU recovery. While EU social policymaking took a blow in 2020, the following year was guided by the re-emerging social aspirations of the von der Leyen European Commission, in line with the promises made when she took office in December 2019. This has in turn paved the way for an ambitious EU social agenda for 2022: hopes are high for the incoming French Presidency, also as regards a recent initiative by two Member States – Belgium and Spain (2021) – which have proposed (through a 'non-paper' that was circulated ahead of the Porto Social Summit in May 2021) an alert mechanism in the event of social imbalance in the context of the European Semester. Following an initial exchange between ministers about the idea during the EPSCO Council meeting of 15 October 2021, informal exchanges took place throughout the autumn in the Brussels bubble over the feasibility, scope and aims of the proposal (Sabato and Vanhercke, forthcoming). Following explicit support from European Commissioner for Jobs and Social Rights Nicolas Schmit, further discussions concerning a future 'Social Imbalances Procedure' (SIP), based on TFEU Article 148, are set to take place under the French Presidency which is expected to provide the EPSCO Committees with a formal mandate to start working as early as January 2022 (ibid.).

Many observers wonder whether the French Presidency will equally revamp one significant legislative initiative which has gone missing from the Commission's political agenda: the idea of a permanent European funding scheme for the unemployed. Indeed, in its work programme for 2020 the new Commission announced its intention to put forward a proposal for a 'European Unemployment Reinsurance Scheme' in the fourth quarter of 2020. The institutions have, however, remained silent on the topic since Executive Vice President Valdis Dombrovski raised the idea again in March 2020. Even so, the second Commission report of September 2021 on the implementation of SURE found that the instrument supported approximately 31 million people in 2020 (22.5 million employees and 8.5 million self-employed), or more than one quarter of the total number of people employed in the 19 beneficiary Member States. Initial evidence indeed suggests that the instrument is a success, seemingly justifying its transformation into a permanent mechanism (see Corti and Alcidi this volume). A future evaluation of the SURE mechanism could perhaps spur the debate around the idea of a genuine European Unemployment Benefit Scheme (EUBS), for which SURE could prove to be the lynchpin.

Perhaps the Conference on the Future of Europe, launched in May 2021 in Strasbourg, can provide renewed impetus to this important further step in European integration. One can only hope that the Conference will also provide a boost to implementing the EU's green ambitions: considerably more efforts will be needed to make the 'man on the moon moment' happen. By the spring of 2022 we will know whether the Conference was just another discussion forum (citizen discussions started in September 2021), or whether it will actually lead to legislation or perhaps even treaty changes.

But that is another story, to be told in a next edition of the *Bilan social*.

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The European Union in 2020: key events

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Introduction[1]

The development and implementation of European Union (EU) social policies in 2020 were impacted by: a) the Covid-19 pandemic; b) the ongoing implementation of the European Green Deal; c) the adoption of the multiannual financial framework (MFF) 2021-2027 and the accompanying recovery plan; and d) the negotiations and decisions on pending social policy initiatives launched prior to 2020.

During the Croatian Presidency of the Council of the European Union (January–June 2020), the rapid spread of the Covid-19 virus was declared to be a global pandemic by the World Health Organisation in March 2020.[2] In response, the European Commission launched new targeted public health initiatives to tackle the imminent threat: the centralised purchase of vaccines and their distribution among Member States and the funding of vaccine development, culminating with the EMA's approval of the BioNTech/Pfizer vaccine at the end of the year. The EU4Health 2021-2027 was developed as a new and ambitious EU health policy programme: with total funding of EUR 5.1 billion, it is the largest-ever health programme in monetary terms. The EU also launched actions to address the socio-economic consequences of the pandemic. In May, the European Commission presented NextGenerationEU (NGEU), the centrepiece of the European recovery plan with a budget of EUR 750 billion. The European Central Bank (ECB) enlarged its quantitative easing policy,[3] notably by launching the pandemic emergency purchase programme (PEPP). In September, the Council of the EU, having received financial guarantees from the Member States concerned, approved the EUR 87.4 billion Support to mitigate Unemployment Risks in an Emergency (SURE) assistance instrument.

Social policies were further impacted by the ongoing implementation of European Commission President von der Leyen's European Green Deal (EGD) programme. The

1. The present chronology is based on two main sources: the *European Daily Bulletin* in 2020, and the four 'European and international Digests' of the trimestral *Revue Belge de Sécurité Sociale* (RBSS)/*Belgisch Tijdschrift voor Sociale Zekerheid* (BTSZ): https://socialsecurity.belgium.be/fr/publications/revue-belge-de-securite-sociale

2. For a thorough overview of the European measures taken in response to the Covid-19 pandemic between January and August 2022, see: Fronteddu B. and Bouget D. (2020) Chronologie: la réponse de l'Union européenne à la première vague de la pandémie de COVID-19. Janvier-août, *Revue Belge de Sécurité Sociale*, 1/2020.

3. Quantitative easing is one of the tools that the ECB uses to support economic growth across the euro area and to bring inflation to the target of 2%.

two main action plans relating to social policy are ‘A Strong Social Europe for Just Transitions’ and the ‘Sustainable Europe Investment Plan’. Among the EGD decisions closely linked to social policies, we note a Commission’s proposal for a regulation establishing a Just Transition Fund and the ‘Farm to Fork’ Communication which draws a new comprehensive framework for reducing the environmental and climate footprint of the EU food system as well as increasing its resilience.

Turning to social rights in the EU, the long-awaited Mobility Package I concerning the social protection of long-distance lorry drivers was adopted (July 2020). A social partner consultation on a European action for fair minimum wages in the EU was followed by a European Commission proposal for a directive (October 2020). Several other topics marked the 2020 social agenda. In March, the European Commission presented its gender equality action plan 2020-2025, dubbed ‘A Union of Equality’. However, interinstitutional negotiations have remained stalled, as is the case with other key elements of EU social policy such as the new regulation on the coordination of social security systems. Another growing social and political concern involves upholding the rule of law in several Member States (in particular Poland and Hungary). In response to this democratic backsliding, the European Commission adopted a new EU rule-of-law toolbox and presented its first annual report on the rule of law in each EU Member State (September 2020).

January

1 January: Croatia takes over the Presidency of the Council of the EU. Among its priorities are the negotiations on the EGD, the new European industrial strategy, the establishment of a future common framework for asylum and migration, the strengthening of long-term care in the EU, the implementation of the United Nations sustainable development goals (UN SDGs) and achieving progress in the negotiations on a partnership agreement with Africa to replace the Cotonou Agreement (www.eu2020.hr).

14 January: the President of the European Commission announces the launch of a social partner consultation on a European action to establish fair minimum wages in the EU. The European Trade Union Confederation (ETUC) regrets that the Commission has not proposed the EU *at-risk-of-poverty threshold* (60% of the median equivalised disposable income) as a wage floor (EC, fs_20_51.; ETUC *Reply to the First Phase of Consultation of Social Partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages*).

14 January: the European Commission presents its roadmap entitled ‘A Strong Social Europe for Just Transitions’. Initiatives include a social partner consultation on minimum wages and the creation of a Just Transition mechanism; a strategy document on gender equality and pay transparency legislation; a revision of the European skills strategy; the reinforcement of the European youth guarantee; a proposal for an EU unemployment reinsurance scheme; a European child guarantee; an action plan to beat cancer (EC, fs_20_41; ETUC on the Commission’s ‘Strong Social Europe’ communication; BusinessEurope, *The EU can only deliver for people if the economy works well*).

14 January: the European Commission issues a communication on the Sustainable Europe Investment Plan, the basis for the financing strategy of the EGD. The plan aims at mobilising EUR 1,000 billion over ten years to support the green transition. In addition to existing European funding instruments, newly designed funding mechanisms such as the Just Transition Mechanism (JTM) are to be used to cushion the socioeconomic consequences of the green transition on the most vulnerable regions and industries (COM(2020) 21).

15 January: the European Parliament adopts, by a very large majority, the European Green Deal aiming to make the EU 'climate-neutral' by 2050. The Members of the European Parliament (MEPs) call on the Commission to set more ambitious targets for greenhouse gas emission reductions in the context of its 'climate law' (EP, P9 TA(2020)0005).

16 January: the rule-of-law situation in Poland and Hungary is discussed in the European Parliament and is the subject of a resolution adopted by a large majority (EP, 2020/2513(RSP)).

22 January: the Council of Europe's Committee of Ministers adopts a new 2020-2025 action plan for Roma and traveller inclusion. Its aims include combating discrimination and supporting access to education and training for Roma (Council of Europe, *The Committee of Ministers adopts new action plan for Roma and traveller inclusion*).

22 January: the European Parliament's Committee on transport adopts the provisional agreement on the Mobility Package I legislation covering the controversial matter of the posting of lorry drivers, drivers' rest periods, cabotage and market access. The text remains blocked in the Council. Nine Member States, particularly Central and Eastern European countries, call for the European Commission to conduct an impact assessment of the legislative package on the climate and environmental objectives set out in the European Green Deal (EP, *Mobility package: Transport Committee backs deal with EU Ministers*, press release).

28 January: the ETUC publishes a statement on the level of minimum wages in the Member States, showing that 17 of them set minimum wages below the at-risk-of-poverty threshold. Speaking as BusinessEurope and SMEUnited, European employers stress that the European Commission does not have the necessary powers to propose binding legislation on minimum wages (BusinessEurope, *Response to first phase social partner consultation on a possible action addressing the challenges related to fair minimum wages*).

29 January: MEPs approve by a large majority the Brexit withdrawal agreement. The UK officially leaves the European Union on 30 January (EP, 2018/0427(NLE)).

30 January: the European Parliament adopts a resolution calling for implementation of the European Pillar of Social Rights, including the improvement of gender equality rights, rapid implementation of the directive on work-life balance, and policies to promote women's employment and their financial independence (EP, P9 TA(2020)0025).

31 January: the European Commission releases EUR 10 million to be invested in research into the new vaccine against Covid-19 (EC, mex_20_175).

February

4 February: a report commissioned by the Commission highlights the need for an EU regulation on 'due diligence' in corporate supply chains (EC, *Study on due diligence requirements through the supply chain*).

5 February: the Council of European Municipalities and Regions (CEMR) and the European Public Service Union (EPSU) set out a series of recommendations on how to strengthen the roles of local and regional governments and the social partners in the European Semester. They also call for improving information and consultation of the social partners on budgetary issues (CEMR and EPSU, *Localising the European Semester, Joint project 2018-2020*, Final report).

19 February: the Commission launches its strategy on data and artificial intelligence, made up of three separate documents: a general strategy, a strategy on data, and a consultation on artificial intelligence (COM(2020) 67; COM(2020) 66; COM(2020) 65).

26 February: the European Commission publishes the European Semester country reports. In addition to the macroeconomic recommendations, the reports now include a section on environmental and climate issues. Each report contains an annex listing the regions eligible for subsidies from the prospective Just Transition Fund (EC, *2020 European Semester: Country Reports and Communication*).

March

4 March: EU interior ministers support Greece, Bulgaria and Cyprus in dealing with new arrivals of migrants at their borders after Turkey temporarily suspends implementation of the March 2016 Declaration (Council of the EU, *Statement on the situation at the EU's external borders*, press release).

4 March: the European Commission presents its draft regulation for a European 'climate law' with the target of achieving climate neutrality for Europe by 2050. The emission reduction targets are to be revised every five years, in parallel with the five-yearly revisions of the Paris Agreement on climate change (COM(2020) 80).

4 March: the European Commission registers a European Citizens' Initiative (ECI) to strengthen the existing rights of EU citizens to vote and stand in European and municipal elections in their country of residence (ECI, *Voters without borders, full political rights for EU Citizens*).

5 March: the European Commission presents its action plan entitled ‘A Union of Equality: Gender Equality Strategy 2020-2025’. Objectives include ending gender-based violence, challenging gender stereotypes, addressing the gender pay gap, and achieving equal participation of men and women across different economic sectors and in political life (COM(2020) 152; EC, IP_20_358).

5 March: the European Institute for Gender Equality (EIGE) publishes a review of the implementation of the Beijing Platform for Action[4] in the EU Member States. It highlights a persisting gender pay gap and the greater vulnerability of women to the consequences of climate change, particularly for single mothers and older women on low pensions (EIGE, *Beijing + 25: the fifth review of the implementation of the Beijing Platform for Action in the EU Member States*).

6 March: the European Commission presents a series of actions to support the Greek authorities in dealing with the arrival of unaccompanied migrant children, strengthening intra-European solidarity and the voluntary transfer of these children from Greece to other Member States, as well as establishing lasting solutions for those remaining in Greece (EC, IP 20/406).

6 March: the European Commission issues its sixth report on economic, social and territorial cohesion. The report highlights that the 2008 economic crisis had a long-lasting impact, reversing the trend of converging GDP and unemployment rates between Member States (EC, *Investment for jobs and growth. Promoting development and good governance in EU regions and cities*).

10 March: the European Council adopts a range of measures to restrict the spread of Covid-19, to improve the supply of medical equipment to those countries hardest hit by the pandemic, to promote research and to authorise maximum flexibility in relation to European budget rules (Council of the EU, *Video conference of the members of the European Council of 10 March 2020*).

10 March: the European Commission announces the launch of the Coronavirus Response Investment Initiative, aiming to mobilise EUR 25 billion within European funds not yet allocated to specific projects or instruments (EC, IP 20/440).

13 March: the European Commission publishes a study on the working conditions of digital platform workers. Devising a new definition of the terms ‘worker’ and ‘work’ is among its recommendations for providing sufficient protection to non-standard employees (EC, mex_20_461).

13 March: the Commission presents a coordinated European response to combat the economic impact of the Covid-19 pandemic (EC, IP_20_459).

4. Adopted at the 4th World Conference on Women in Beijing in 1995.

16 March: the European social partners (European Trade Union Confederation, BusinessEurope, CEEP, and SMEunited) adopt a joint declaration urging the Eurogroup and Economic and Financial Affairs Council (ECOFIN) Ministers to endorse without delay the measures proposed by the European Commission to address the Covid-19 pandemic (ETUC, *Statement of the European Social Partners ETUC, BusinessEurope, CEEP, SMEUnited on the COVID-19 emergency*).

18 March: the European Central Bank (ECB) decides to launch a new temporary asset purchase programme of private and public sector securities to counter the serious risks for the European economy resulting from the Covid-19 pandemic (ECB, *ECB announces EUR 750 billion Pandemic Emergency Purchase Programme, PEPP)*.

19 March: the European Commission announces the creation of a strategic reserve of medical and protective supplies to help those Member States hardest hit by the pandemic. Member States can contribute on a voluntary basis (EC, IP 20/476).

19 March: UN Secretary-General António Guterres calls for an exceptional response, on an exceptional scale and based on international solidarity, to the Covid-19 crisis - an unprecedented global, health, human and economic crisis (UN, *UN Chief Addresses the Global COVID19 Crisis*).

27 March: the EU supports the new dispute settlement mechanism of the World Trade Organization (WTO). This mechanism, although temporary, will be binding and will enable progress to be made on the disputes submitted to the Organisation by its members. The new system follows the blockage, by the United States, of the WTO appellate body (EC, *EU and 15 World Trade Organization members establish contingency appeal arrangement for trade disputes*).

30 March: the ETUC calls on large European companies to suspend dividend payments while the Covid-19 pandemic is wreaking havoc on the European economy (ETUC, *Companies must suspend payouts to shareholders during coronavirus crisis*).

April

1 April: the European social partners alert the European Commission to a legal text adopted by the Polish Parliament allowing the country's authorities to revoke membership of the national social dialogue council during the pandemic. The social partners denounce this as a blow to the autonomy of social dialogue and demand the text's withdrawal (ETUC, *Joint letter of the European Social Partners to the European Commission on the situation in Poland*).

2 April: the European Commission presents a proposal for a regulation establishing a European temporary support instrument to mitigate the risks of unemployment in emergency situations (SURE) such as the Covid-19 pandemic. The aim is to help Member States to provide financial support to employees and self-employed people who are in a vulnerable situation by raising tens of billions of euros on the financial markets (COM(2020) 139).

2 April: the Court of Justice of the EU (CJEU) rules that the principle of equal treatment means that EU Member States must pay a family allowance for the child of a spouse or partner of a cross-border worker. In its judgement, the CJEU emphasises both 'the importance of equal treatment of (frontier) cross-border workers' as well as the respect of family and private life (CJEU, Case C-802/18).

14 April: the employers' organisation BusinessEurope calls on the Commissioner for Jobs and Social Rights, Nicolas Schmit, to delay implementation of the revised Posted Workers Directive, originally planned for 30 July 2020. This request is strongly criticised by the ETUC and other national and transnational trade unions (IndustriAll and UNI Europa) in view of the fact that the Directive was adopted in 2018 (BusinessEurope, *Posting of workers directive – Letter from Markus J. Beyrer to EU Commissioner Nicolas Schmit; EFBWW, Maintaining the transposition deadline of the revised posting of workers directive*).

15 April: the G20 members agree to introduce a one-year moratorium on the poorest countries' debt. The International Monetary Fund (IMF) strengthens its support capacity and revises the repayment conditions for the most vulnerable countries (G20, *Virtual meeting of the G20 finance ministers and central bank governors on 15 April 2020*).

May

5 May: the CJEU recalls that it alone has jurisdiction to rule on an act of a European institution. This statement follows a ruling of the German Constitutional Court in Karlsruhe establishing that the ECB should justify its quantitative easing programme with regard to the European Treaties (CJEU, Press Release n°58/20, 8 May).

11 May: the European Commission relaxes the rules applicable to the state recapitalisation of private companies during the pandemic, subject to certain conditions, including a ban on the payment of dividends (EC, IP/20/838). The European Parliament's Committee on employment and social affairs proposes that companies benefiting from the SURE instrument[5] should be required to comply with collective agreements and should refrain from paying dividends (EP, 2020/0030, NLE).

15 May: the European Commission registers a citizens' initiative calling for the introduction of an unconditional basic income in the EU. The aim is to reduce regional inequalities and to strengthen economic, social and territorial cohesion in the EU (ECI, *European Citizens' Initiative for Unconditional Basic Income*).

5. SURE: Support to mitigate Unemployment Risks in an Emergency was set up in April 2020. Its aim is to support jobs and workers affected by the Covid-19 pandemic, particularly national short-time work schemes.

18 May: British MPs vote in favour of ending free movement, from 2021 onwards, for workers from the EU. They also vote in favour of withdrawing specific rights for European Economic Area nationals (UK Parliament, *Immigration and Social Security Co-ordination*, EU Withdrawal Act).

20 May: the European Commission publishes a communication describing its 'Farm to Fork' strategy, a cornerstone of the European Green Deal. Targets include cutting the use of chemical pesticides by 50% and having at least 25% of agricultural land under organic farming by 2030 (COM(2020) 381).

27 May: the European Commission presents NextGenerationEU (NGEU), the centrepiece of the European temporary recovery plan with a budget of EUR 750 billion. Its main purpose is to help repair the immediate economic and social damage brought about by the Covid-19 pandemic. Together with the multiannual financial framework, the total amount available under the recovery plan is EUR 1,824 billion, earmarked for supporting a twofold ecological and digital transition (EC, speech_20_941).

28 May: the European Commission proposes a Regulation on the public sector loan facility under the Just Transition Mechanism (JTM). This is a financial scheme to grant subsidies (EUR 1.525 billion in total) and to facilitate loans (EUR 10 billion in total) to public authorities in support of regions heavily dependent on carbon-intensive economic sectors (COM(2020) 453).

28 May: the European Commission proposes a new health programme, 'EU4Health'. It includes actions to ensure adequate medical human resources, to secure the manufacture of medicines and supply of equipment, as well as access to essential goods and services. EU4Health would have an exceptionally high budget compared to previous health programmes: EUR 9.4 billion (COM (2020) 405).

June

2 June: more than 700 young activists, climate scientists, trade unionists, economists, entrepreneurs and politicians from the 27 EU Member States launch a call for a green recovery plan to finance a fair and ecological transition (www.climateandjobs.eu).

3 June: the European Commission launches a second social partner consultation on minimum wages. The planned European framework for minimum wages is designed to result in a decent wage, in reference to the International Labour Organisation (ILO) and the Council of Europe (EC, IPp_20_979).

9 June: Eurofound publishes a report on the involvement of the national social partners in policy development in the EU, particularly in the design and implementation of reforms and policies recommended through the European Semester. The report again points to serious disparities among EU Member States in this area (Eurofound, *Involvement of national social partners in policy-making – 2019*).

11 June: the Eurozone Ministers of Finance agree to release the third ‘tranche’ of aid intended to facilitate repayment of the Greek public debt (*Eurogroup statement on Greece*).

16 June: The ETUC sets out its expectations for the European recovery plan. The ETUC deplores the slow pace of coordination at European level, as well as the use of the pandemic by some Member States to undermine the foundations of the rule of law and human and workers’ rights (*ETUC statement on COVID-19 outbreak and recovery strategy*).

17 June: the EU Covid-19 Vaccines Strategy is launched (EC, ip_20_1103).

18 June: the European Parliament adopts a resolution on the European disability strategy post-2020. MEPs call on the Commission to ensure coverage of all provisions set forth in the United Nations Convention on the Rights of Persons with Disabilities. It also advocates arriving at a shared definition of ‘disability’ within the EU (EP, P9 TA(2020)0156).

22 June: at the Tripartite Social Summit, the European social partners (the ETUC and BusinessEurope, CEEP, SMEunited) sign a framework agreement on digitalisation. The agreement covers the need for investment in developing workers’ skills and the right to disconnect (ETUC, *European social partners Framework Agreement on Digitalisation*).

25 June: the CJEU rules that where a worker is unlawfully dismissed, the period between this dismissal and the worker’s reinstatement should be considered as a working period. The worker is therefore entitled to the paid annual leave accumulated over this period (CJEU, Joined cases C-762/18 and C-37/19).

July

1 July: Germany takes over the Presidency of the Council of the EU, being the first country of the new ‘trio’ – Germany, Portugal and Slovenia. The German Presidency programme has five main thrusts: a) a stronger and more innovative Europe; b) a fair Europe; c) a sustainable Europe; d) a Europe of security and common values; and e) a strong Europe in the world. Its focus is on the management of the Covid-19 pandemic in Europe (www.eu2020.de).

1 July: the European Commission proposes extending the eligibility age for the Youth Guarantee from 25 to 30, requesting that guarantees are focused on young people ‘not in employment, education or training’ (NEETs) (EC, IP_20_1193).

9 July: the European Parliament adopts the agreement negotiated with the Council on the Mobility Package I on the social protection of long-distance lorry drivers, after more than three years of interinstitutional negotiations. This agreement implies more precise and binding rules on the posting of drivers, improved rules on rest times, and better application of the cabotage provisions (EP, P9_TA(2020)0185).

10 July: in light of the socio-economic consequences of the pandemic, the European Parliament adopts a legislative resolution containing guidelines for Member State employment policies. Member States should ensure that all workers genuinely enjoy fair working conditions, social rights and access to adequate social protection and improved representation (EP, P9_TA(2020)0194).

13–15 July: the EU Member State environmental ministers publish a joint call to 'green' the post-Covid-19 economic recovery, highlighting three priorities: the climate law, biodiversity and the circular economy. In turn, on 16 July, the European Economic and Social Committee (EESC) adopts an opinion recommending a minimum 55% reduction of greenhouse gases by 2030 (www.bmu.de, *Joint Call for a Green Recovery by the EU Environment Ministers*, 13 July; EESC, European Climate Law, 15 July).

16 July: the European Commission presents a new set of guidelines confirming the rights of seasonal workers (particularly agricultural workers) and cross-border workers, either posted or from third countries. Following many scandals involving the hiring of workers under precarious working conditions, on the pretext of the Covid-19 pandemic, these guidelines, drawn up at the request of the European Parliament,[6] recall the principles of equality and non-discrimination (C(2020) 4813).

16 July: the CJEU clarifies the definition of 'employer' in international road transport, requested by the social security court of the Netherlands. The definition is as follows: 'the undertaking which has actual authority over that long-distance lorry driver, which bears, in reality, the costs of paying his or her wages, and which has the actual power to dismiss him or her' (point 61) (CJEU, Case C-610/18)

21 July: the European Council adopts conclusions on the recovery plan and the multiannual financial framework 2021-2027. The European Heads of State and Government agree on a recovery plan involving a maximum of EUR 750 billion to address the consequences of the Covid-19 pandemic: the NGEU. The Commission is authorised to borrow on financial markets to tackle the consequences of the Covid-19 crisis (*Conclusions of the European Council*, 17-21 July).

23 July: MEPs criticise the European Council conclusions (see previous item), adopting a resolution that 'deplores the cuts made in future-oriented programmes'. The resolution calls for increasing the budgets allocated to specific programmes such as Horizon Europe and the Child Guarantee (EP, 2020/2732(RSP)).

27 July: Poland announces its intention to withdraw from the Istanbul Convention on action against violence against women and against domestic violence. This move is immediately condemned by the EU and the Council of Europe (www.

6. EP, P9 TA(2020)0176.

theparliamentmagazine.eu, *EU policymakers condemn Poland over withdrawal from Istanbul Convention*).

31 July: GDP in the EU and the euro area fell by 11.9% and 12.1% respectively in the second quarter of 2020 compared to the previous quarter. According to Eurostat, these are 'by far the largest declines observed since the start of the time series in 1995' (Eurostat, *Preliminary flash estimate for the second quarter of 2020*).

August

27 August: the European Commission signs the first contract for the purchase of 300 million doses (with an option for 100 million extra doses) of the Astra-Zeneca vaccine (EC, IP_20_1524).

September

7 September: the European Parliament's Committee on Employment and Social Affairs (EMPL), responding to the massive rise in teleworking, 'requests that the Commission submit a proposal for an act on the right to disconnect' which 'should provide solutions to address the responsibilities of employers and the expectations of workers regarding the organisation of their working time when they use digital tools' (EP, 2019/2181(INL)).

8 September: in their response to the Commission's consultation on minimum wages, BusinessEurope, SMEunited and CEEP reiterate that they are not in favour of binding European action to encourage a 'fair' minimum wage at national level. According to these employers' organisations, the EU does not have the competence to introduce a binding legal instrument to regulate minimum wages. For employers, these issues are the responsibility of the national social partners and the Member States (EP think tank, *Minimum wage in the EU*, Briefing, 9 October 2020).

11 September: the European Parliament's Committee on the Environment, Public Health and Food Safety (ENVI) votes for the GHG reduction target for 2030 to be set at 60%, instead of 'at least 55% and around 55%', as initially proposed by the European Commission (EP, *EU climate law: MEPs want to increase emission reductions target to 60% by 2030*, press release).

16 September: the President of the European Commission, Ursula von der Leyen, gives her address on the State of the Union. Having consulted the social partners, she confirms her plan for a legal proposal for minimum wages either through collective agreements or though statutory minimum wages. Concerning the EU GHG reduction targets,[7] she ultimately proposes a decrease of 'at least 55%' by 2030 (EC, IP_20_1599).

7. See 11 September 2020.

17 September: the Just Transition Fund (JTF) is adopted by the European Parliament by a large majority. This vote enables interinstitutional negotiations with the Council to be launched. The Parliament's Regional Development Committee (REGI) suggests strengthening the third pillar of the JTM, i.e. loans to national public sectors, and having the rule of law introduced as a condition for granting loans (EP, P9_TA(2020)0223 ; EP, A-9-2020-0135).

17 September: the European Parliament calls on the European Commission to strengthen Roma integration policies as part of its action to tackle different forms of discrimination and to address the extreme poverty of these groups (EP, P9_TA(2020)0229).

17 September: the European Parliament votes a resolution on Maximising the Energy Efficiency Potential of the EU Building Stock. It recommends facilitating synergies between local public (municipalities) and private stakeholders (businesses, cooperatives, residents' associations, etc.) and setting up information platforms, as proposed in the European Green Deal (EP, P9_TA(2020)0227).

21 September: the European Labour Authority (ELA), for the first time, gives its support to a concerted labour inspection of undeclared work in construction companies in Belgium, Lithuania and Portugal (ELA, *The European Labour Authority coordinates its very first concerted inspection*).

22 September: the European Commission proposes amending Directive 2004/37/EC which protects workers from the risks related to exposure to carcinogens and mutagens, adding acrylonitrile, a substance used in the textile and construction sectors and the cause of many types of cancer, as well as nickel compounds to the list of substances with occupational exposure limits (OELs)). Furthermore, the current OEL for benzene is proposed to be revised downwards (EC, IP_20_1691).

23 September: the European Commission issues a new Pact on Migration and Asylum with the aim of creating a stable framework to better coordinate national policies and decisions in the field of migration in 'normal times and in situations of pressure and in crisis situation' (COM(2020) 609).

24 September: the social partners in the construction sector – both employers and employees – call for the use of digital data bases. They further support the European Commission's idea of a unique European social security number (FIEC, *Joint statement by the European social partners in the construction sector*).

25 September: the Council of the EU approves SURE assistance totalling EUR 87.4 billion EUR (in loans) from the EU to 16 Member States. The European Commission will raise funds on the international capital markets on behalf of the EU, subsequently providing them as back-to-back loans to the requesting Member States (Council of the EU, *COVID-19: Council approves €87.4 billion in financial support for member states under SURE*).

30 September: the European Commission presents the first-ever annual report on the rule of law in the EU. Assessing the 27 Member States, the report focuses on four specific areas: the justice system, the anti-corruption framework, media pluralism, and institutional checks and balances (COM(2020) 580).

October

5 October: the European Parliament asks for the negotiations on the proposal for a directive on gender equality on boards of directors of companies and organisations to be unblocked (EP, 2020/2808(RSP)).

7 October: the European Commission announces that it is adopting a Social Bond Framework — a financial instrument providing guarantees to investors that the funds raised will be used to meet the social policy objectives of the beneficiary Member States — for the purpose of implementing the SURE instrument (EC, IP_20_1808).

7 October: 37 MEPs send an open letter to Amazon CEO Jeff Bezos over the announcement of two analyst positions in Europe to monitor 'threats' to the company's business, including trade unions (The Guardian, *EU lawmakers ask Jeff Bezos whether Amazon spies on politicians*).

8 October: the European Parliament calls for a Member State guarantee that young people in 'Youth Guarantee' schemes are offered 'good-quality, varied and tailored job, training, apprenticeship or internship offers, including fair remuneration'. The adopted resolution condemns the practice of unpaid internships (EP, P9_TA(2020)0267).

9 October: the Council of the EU adopts conclusions on strengthening minimum income protection in the EU within the context of the Covid-19 pandemic. It further expresses its intention to bridge the gaps in minimum income protection and the need to make effective use of EU funds, such as the European Social Fund Plus (ESF+) and the NGEU. The conclusions also call on Member States to fully enforce EU and national legislation to improve seasonal workers' working conditions and asks the EC to conduct a study to collect data on intra-EU seasonal work (Council of the EU, 11721/2/20; 11726/2/20).

14 October: the European Commission publishes a strategy document on the renovation of buildings in Europe. The aim is to promote building renovation with a view to climate neutrality and economic recovery with 'high health and environmental standards'. Furthermore, 'accessibility should be ensured, including persons with disabilities and senior citizens' (COM(2020) 662; C (2020)9600).

14 October: the social partners (BusinessEurope, SMEunited, CEEP and ETUC) insist at the EU Tripartite Social Summit on the importance of being fully heard and taken into account at European and national level in the European Recovery Plan (European Council, *Tripartite Social Summit video conference*).

14 October: the European Commission publishes a recommendation on energy poverty, combining a call for general competition among energy producers and distributors with the need to protect the poorest households and ensure that they have access to services (EC, (EU) 2020/1563).

19 October: the ETUC and other trade union federations such as the European Federation of Building and Woodworkers, IndustriAll and UNI Europe send a joint letter to the Director of the Directorate General for Employment, Social Affairs and Inclusion (DG EMPL) and to the EU Commissioner for Jobs and Social Rights. The federations criticise the work of the new ELA, notably as a series of abuse cases reported more than a year ago are still pending (ETUC, *Trade union assessment of ELA operationality and follow-up to social partner cases*).

21 October: the European Commission releases a first social bond worth EUR 17 billion for the purpose of implementing the SURE instrument. Later that month, Hungary, Italy, Spain and Poland submit requests for funds, followed, on 1 December 2020, by Belgium, Portugal and Slovakia (EC, IP_20_1954).

23 October: Lithuania takes action before the CJEU concerning several points of the Mobility Package I Regulation and is soon followed by five other Member States (Hungary, Poland, Bulgaria, Romania and Malta). The main bone of contention is still the requirement to return vehicles every eight weeks to the state where the company has its head office (CJEU, Case C-541/20).

28 October: the European Commission proposes a directive on a fair minimum wage in Europe, yet without encroaching on the competences of the Member States or the national social partners. It proposes a system of adequate national minimum wages, either statutory or established via collective agreements, while at the same time calling on Member States to promote collective bargaining on wage setting. Moreover, countries with statutory national minimum wages are asked to use indicative reference values to guide their evaluation of the appropriate level of adequate statutory minimum wages. Finally, the proposal introduces a non-regression clause preventing governments from reducing minimum wage levels (COM(2020) 682).

30 October: the Council of the EU unanimously adopts a recommendation to update the Youth Guarantee: 'A Bridge to Jobs – Reinforcing the Youth Guarantee'. Among the new measures, young people are to be offered employment, continued education, an apprenticeship or traineeship within a period of four months from becoming unemployed or leaving formal education (Council of the EU, 11320/20).

30 October: the European Commission brings proceedings against France before the CJEU for non-compliance with its obligation to protect citizens against poor air quality (fine particulates and nitrogen dioxide), particularly in Paris where the limit values are substantially exceeded (EC, IP_20_1880).

November

4 November: the ETUC publishes a 'model' proposal for a directive on pay transparency. It calls for a definition of work of equal value, the establishment of job evaluation and classification systems free from gender bias, wage transparency and collective bargaining on equal pay matters (ETUC, *Model Proposal for a Directive on strengthening the principle of equal pay between women and men through pay transparency*).

7 November: Joe Biden wins the US presidential elections. His challenger, Donald Trump, strongly challenges this outcome, kicking off a period of uncertainty as to the validity of the election outcome (The New York Times, *Biden Wins Presidency, Ending Four Tumultuous Years Under Trump*).

10 November: the Council of the EU, the European Parliament and the Commission reach political agreement on all elements of the EU's Multiannual Financial Framework (MFF) for 2021-2027 and the Economic Recovery Plan to overcome the Covid-19 crisis (EP think tank, *EU financing for 2021-2027: Political agreement on the 2021-2027 Multiannual Financial Framework (MFF), the NextGenerationEU (NGEU) recovery instrument and new own resources*, Briefing).

10 November: the European Commission announces a second issue of social bonds in implementation of the SURE instrument[8] (EC, mex_20_2089).

12 November: the European Commission presents the EU's first-ever strategy (2020-2025) for lesbian, gay, bisexual, transgender, non-binary, intersex and queer (LGBTIQ) equality. It sets out a series of targeted actions around four main pillars: tackling discrimination, ensuring safety, building inclusive societies, and leading the call for LGBTIQ equality around the world (EC, IP_20_2068).

13 November: the European Parliament adopts a resolution sounding a warning to governments: restrictive policies presented as measures to curb the spread of the pandemic could become instruments to curb freedoms or to discriminate against particular groups in society (EP, P9_TA(2020)0307).

16 November: Hungary and Poland block the adoption of the legal texts on the EU multiannual financial framework 2021-2027 and the EU Recovery Plan due to their rule-of-law 'conditionality' clauses (BBC, *EU budget blocked by Hungary and Poland over rule of law issue*).

18 November: the European Parliament and the Council of the EU reach agreement on the REACT-EU regulation, the first agreement in the framework of NGEU to combat the consequences of the coronavirus (Council of the EU, *COVID-19: Presidency and Parliament reach political agreement on REACT-EU*).

8. See 21 October 2020.

18 November: the CJEU, in a case relating to supplementary maternity leave grants to mothers, recalls the principle of equality between men and women. However, the Court rules that additional maternity (or parental) leave may be granted to the mother provided that it is intended to protect workers in connection with significant effects of pregnancy or motherhood, or with a mother protecting her child (CJEU, Case C-463/19).

19 November: the European Commission together with the Organisation for Economic Co-operation and Development (OECD) publishes its annual report on the state of health, concluding that the pandemic has revealed 'latent weaknesses in health systems that existed before the epidemic' (EC and OECD, *Health at a Glance: Europe 2020*).

20 November: the EU Ministers responsible for equality and tackling violence against women take the decision to create a European emergency phone number for women victims of violence during the first informal meeting (www.eu2020.de, *EU Conference on Gender Equality: Ministers demand Europe-wide helpline number*).

24 November: the European Parliament adopts a resolution inviting the Commission to take stronger measures to help Member States prioritise the reduction and eradication of homelessness in the action plan for implementing the European Pillar of Social Rights, in line with the UN SDGs (EP, P9 TA(2020)0314).

25 November: the European Commission and the EU High Representative for Foreign Affairs and Security Policy present an action plan on gender equality and women's empowerment in all EU external actions, entitled Gender III: 'Putting women's and girls' rights at the heart of the global recovery' (EC, IP_20_2184).

25 November: in its 2018-2020 report, The Council of Europe's Advisory Committee on the Framework Convention for the Protection of National Minorities warns that the rollback of minority rights threatens the inclusive nature of European societies (Advisory Committee on the Framework Convention for the Protection of National Minorities, *Twelfth activity report*).

26 November: the European Parliament adopts a resolution condemning the Polish court decision proposing a drastic reduction in women's access to abortion (solely in cases of rape, incest or risk of death for the mother) (EP, P9 TA(2020)0336).

December

2 December: the Council of the EU adopts conclusions entitled 'Tackling the Gender Pay Gap: Valuation and Distribution of Paid Work and Unpaid Care Work'. The European Commission, for its part, postpones its proposal on equal pay to 2021 (Council of the EU, 13584/20; ETUC, *Commission goes a year without delivering '100 days' pay transparency promise*, 1 December).

3 December: the EU and 79 African, Caribbean and Pacific countries reach political agreement on the 'modernised' partnership that will take over from the 2000 Cotonou Agreement (EC, IP_20_2291).

7 December: the European Commission launches a public consultation on 'Health & Safety at Work – EU Strategic Framework (2021-2027)', the results of which are expected in 2021 (EC, Consultation 12673).

8 December: the CJEU dismisses the actions brought by two Member States, Hungary (Case C-620/18) and Poland (Case C-626/18) concerning the Posted Workers Directive.[9] The Court concludes that the 2018/957 Directive respects the fundamental principles of the Treaty of Rome (CJEU, Document 62018CJ0620).

9 December: the Council of the EU and the European Parliament reach agreement on the Asylum, Migration and Integration Fund for the period 2021-2027. The Fund will amount to €9.882 billion in current prices (Council of the EU, *Migration and asylum pact: Council adopts EU asylum agency regulation*).

10 December: the ECB decides to 'recalibrate its monetary policy instruments'. In response to the new problems (second wave of the pandemic in Europe and waiting for the vaccination campaign), the ECB decides to increase its large-scale asset purchase programme of mostly public assets to EUR 500 billion and to extend it to June 2022 (ECB, *Monetary policy decisions*).

14 December: the ETUC reports that six EU Member States totally or partially exclude self-employed workers from receiving support from SURE: Germany, Bulgaria, Croatia, Cyprus, Spain, Hungary and Italy (ETUC, *Self-employed excluded from job support schemes in 6 Member States*).

14 December: the European Investment Bank (EIB) publishes the 'Climate Bank roadmap 2021-2025' setting the institution's long-term objectives. The EIB highlights its ambition to become 'Europe's Climate Bank' and announces a package worth EUR 1,000 billion of green investment to be engaged by 2030 (EIB, Group, *Climate Bank Roadmap 2021-2025*).

15 December: the European Parliament, the Council of the EU and the European Commission reach provisional agreement on the European health programme EU4Health. The text includes the idea of providing for stocks of medicines and replacement medical staff in the event of a crisis. It also provides for at least 20% of the budget to be set aside for disease prevention and health promotion (Council of the EU, *Protecting people's health: the Council and the European Parliament agree provisionally on the EU4Health programme for 2021-2027*).

16 December: the European Parliament votes through the revised Drinking Water Directive guaranteeing safer access to drinking water for all Europeans. It ensures the

9. See 26 October 2020.

highest standards in the world for drinking water, in line with an environment free of toxic substances. This new text is partly in response to the European citizens' initiative 'Right2water' launched in 2013 (Directive 2020/2184).

16 December: the Council of the EU endorses the new EUR 17.5 billion Just Transition Fund. The Fund particularly targets those regions which will need to gradually move away from the production and use of fossil resources or to transform their carbon-intensive industries. The Fund will cover the socio-economic costs triggered by the climate transition, including establishing schemes for reskilling workers, job-search assistance and the active inclusion of jobseekers' programmes (Council of the EU, *Just Transition Fund: Council endorses the political deal with the Parliament*).

17 December: the European Parliament adopts a resolution on the need for a dedicated Council configuration on gender equality (i.e. a new Council format where Ministers and Secretaries of State in charge of gender equality would meet) (EP, P9_TA(2020)0379).

18 December: negotiators from the European Parliament and the Council of the European Union reach an inter-institutional agreement on the Recovery and Resilience Facility (RRF), the budgetary instrument at the heart of the €750 billion NGEU Recovery Plan and complementing the 2021-2027 Multiannual Financial Framework (MFF) (EC, IP_20_2397).

24 December: the negotiations on the 'trade' agreement between the UK and the European Commission are concluded, marking the end of the Brexit period. The agreement is to apply provisionally as of 1 January 2021, the date on which the UK is set to leave the Customs Union and the Single Market (EC, IP_20_2531).

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List of acronyms

AI	Artificial intelligence
APP	Asset Purchase Programme
ASGS	Annual Sustainable Growth Strategy
BEUC	European Consumer Organisation (*Bureau européen des unions de consommateurs*)
Covid-19	Coronavirus disease 2019
CRII	Coronavirus Response Investment Initiative
CSR	Country-specific Recommendation
DG	Directorate General (European Commission)
DG ECFIN	Directorate General for Economic and Financial Affairs (European Commission)
DG EMPL	DG for Employment, Social Affairs and Inclusion (European Commission)
DGA	Data Governance Act
DMA	Digital Markets Act
DSA	Digital Services Act
ECB	European Central Bank
ECDC	European Centre for Disease Prevention and Control
EDAP	European Democracy Action Plan
EDRi	European Digital Rights
EEA	European Environment Agency
EFC	Economic and Financial Committee
EGD	European Green Deal
EIB	European Investment Bank
EIGE	European Institute for Gender Equality
EMCO	Employment Committee
EMU	Economic and Monetary Union
EP	European Parliament
EPSCO	Employment, Social Policy, Health and Consumer Affairs Council
EPSR	European Pillar of Social Rights
ERN	European Reference Network
ESM	European Stability Mechanism
ETUC	European Trade Union Confederation
ETUI	European Trade Union Institute
EU	European Union
EU4Health	Programme for the Union's action in the field of health 2021–2027
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HERA	European Health Emergency Preparedness and Response Authority
IMF	International Monetary Fund

IPCC	Intergovernmental Panel on Climate Change
MEP	Member of the European Parliament
MFF	Multiannual Financial Framework
NGEU	NextGenerationEU
OECD	Organisation for Economic Cooperation and Development
OSE	European Social Observatory
PEPP	Pandemic Emergency Purchase Programme
PPE	Personal Protective Equipment
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SARS	Severe Acute Respiratory Syndrome
SECGEN	Secretariat-General
SGP	Stability and Growth Pact
SME	Small- or Medium-sized Enterprise
SPC	Social Protection Committee
SURE	Support to mitigate Unemployment Risks in an Emergency
TFEU	Treaty on the Functioning of the European Union

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Social policy in the European Union: state of play 2021

Edited by Bart Vanhercke and Slavina Spasova

The European Union is currently fighting on two main fronts, Covid-19 and climate change, though with skirmishes elsewhere – including migration and the rule of law. While science seems to be slowly gaining the upper hand in the fight against the pandemic, despite setbacks like the latest Omicron strain, Covid-19 continues to hold global society in its grip. But the second nut is even harder to crack. Climate change is rolling out its forces, in the form of floods, droughts, tornados and hurricanes, and striking indiscriminately.

With this as background, the first chapters of this year's *Bilan social* analyse the impact of the pandemic on various socio-economic groups and economic sectors throughout 2020 and the first half of 2021, asking: who are the winners and losers from the pandemic? The EU's arsenal has been considerably enhanced by economic support measures unprecedented in size and breaking with longstanding EU taboos. In the face of this global enemy, Member States have become more willing to coordinate their defences, paving the way for the 'stronger European Health Union' championed by the European Commission. Do we need another health emergency to arrive at such a paradigm shift?

But the threat of climate change is more insidious and will require changes in the ways in which we produce, consume, and organise our societies, not just for a couple of years as was the case with Covid-19, but in a more permanent fashion. The EU's answer to climate change and the inevitable transitions is the European Green Deal. We look at its main initiatives and how its implementation roadmap can achieve the EU's ambitious but necessary climate targets. Can European societies grow in quality, rather than quantity, and in a more equitable way? How can digitalisation be moulded to benefit the climate and society – and not Big Tech? Will the power balance between economic and social forces in the EU recovery finally be tilted in favour of the latter? In the second half of the book, we analyse new initiatives bringing answers to these questions and providing further building blocks for the EU's (post-Covid) social and climate agenda.

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