

Europe's Social Model facing the Employment Crisis due to the Covid-19 Pandemic

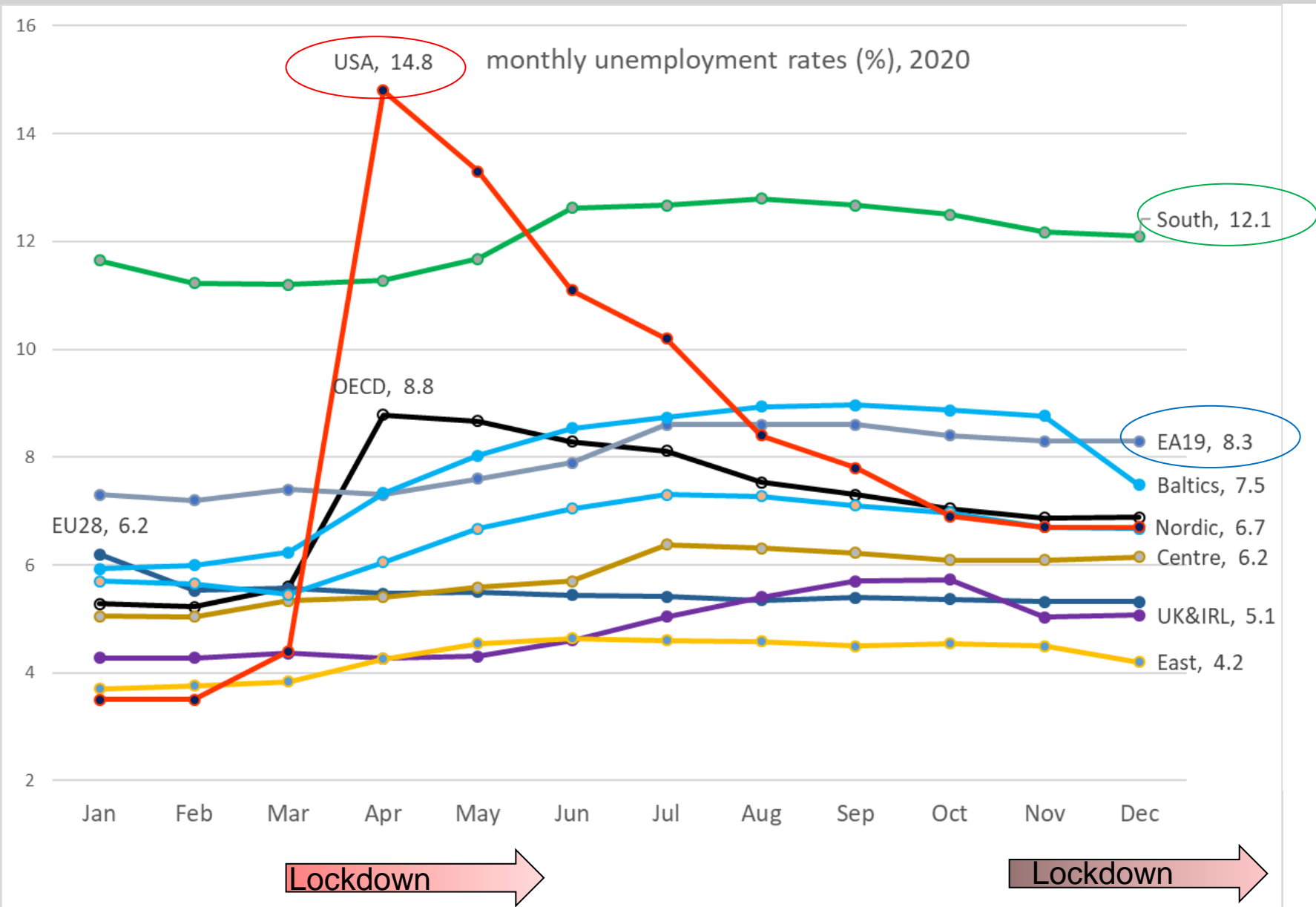
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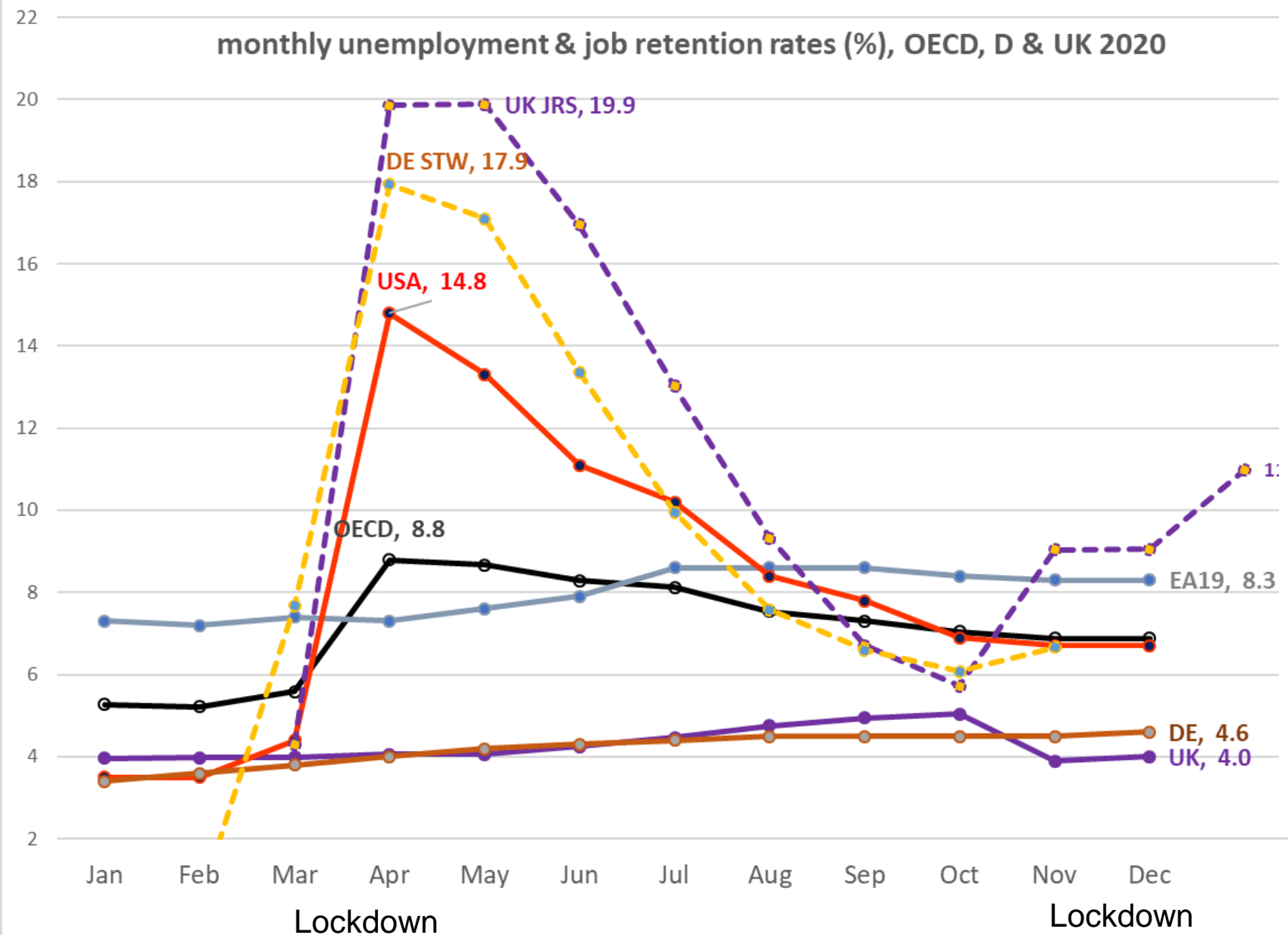
<https://supertracker.spi.ox.ac.uk/>

3 March 2021

1/ Puzzle: Unemployment rate % (OECD) 2020

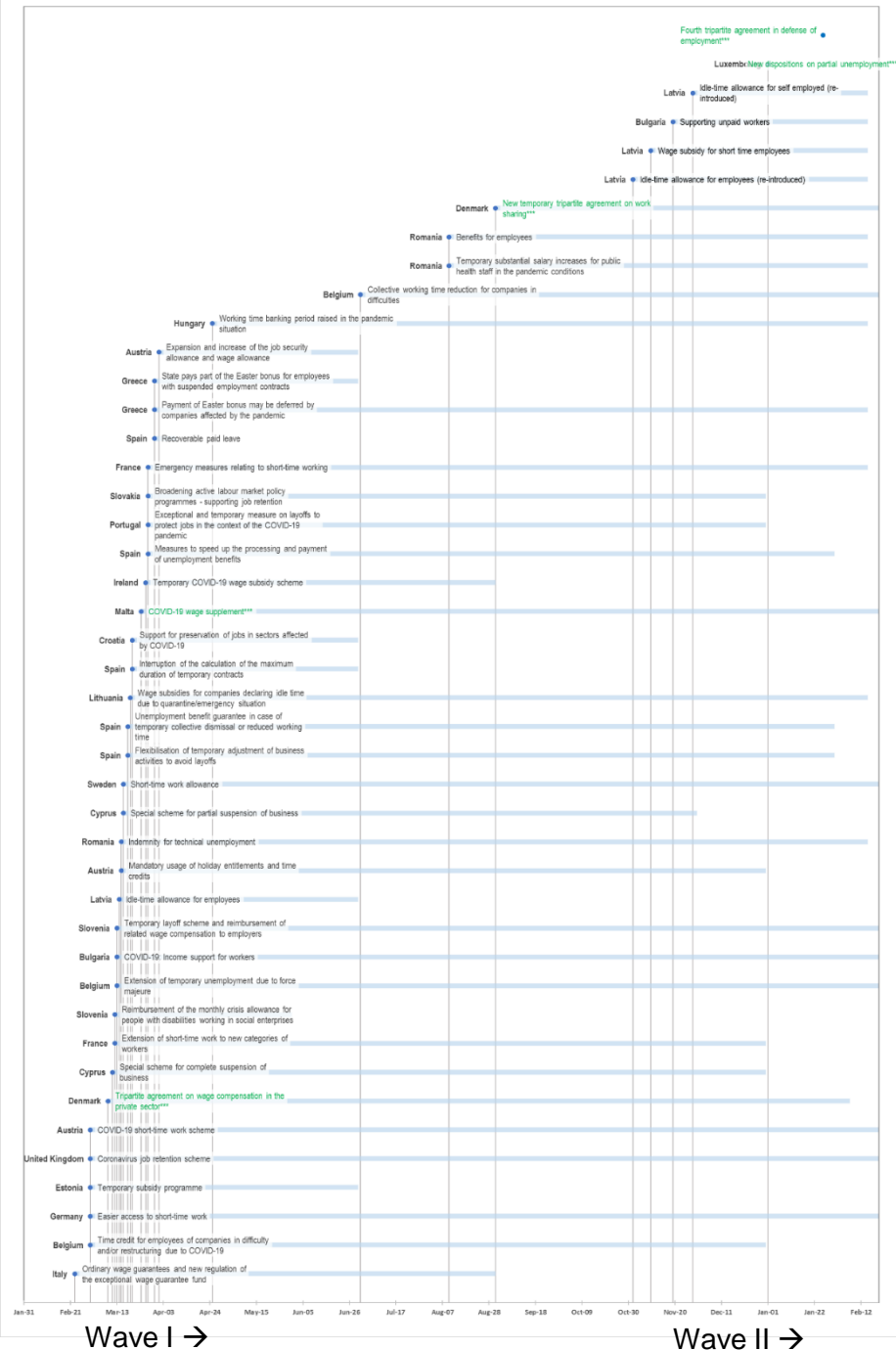


1/ Puzzle: Unemployment rate % (OECD) 2020



2/ Job retention: A European success story in maintaining jobs?

- The **employment shock** of the pandemic was ten times bigger than during the 2008/09 global financial crisis:
Total hours worked fell by 12.2% (2020Q2) compared to 1.2%
- **Unemployment** skyrocketed in US (+7.6 p.p. Q2), unemployment increase remained modest in the EU (+0.3 p.p.)
- All European countries successfully implemented **short-time work** (or wage subsidy) schemes during the first wave
- **Take-up** of job retention was by a multiple factor larger than during Global Financial Crisis 2008/09



3/ Timeline:

Employment protection and job retention schemes since Feb 2020

(own graph, based on Eurofound db)

First wave measures:

- Early measures in Italy, Belgium, etc. hit hard by Covid-19
- Germany: extension of short-time work
- UK: new job retention scheme (JRS)
- Denmark: tripartite agreement

- **Diffusion** across Europe
- Several countries innovate
- Some countries with several measures: adjustments, extensions

Later and second wave measures:

- Fewer measures since summer 2020
- Latecomers
- Tripartite agreements

4/ Pre-existing STW vs. new job retention schemes by welfare state regime

	LIB	CON	MED	SOC	CEE
pre-existing	1	4	4	3	2
new	3	1	1	1	6
Share new	0.8	0.2	0.2	0.3	0.8

Note: "New" refers to whether a country introduced a new scheme as a response to the COVID-19 crisis. It does not refer to whether a country has experience with operating a STW scheme previously (e.g. during the GFC). Both short-time work and wage subsidy schemes are included.

5/ Effectiveness of short-time work schemes varies between welfare states

Unemployment rate
change in pp.

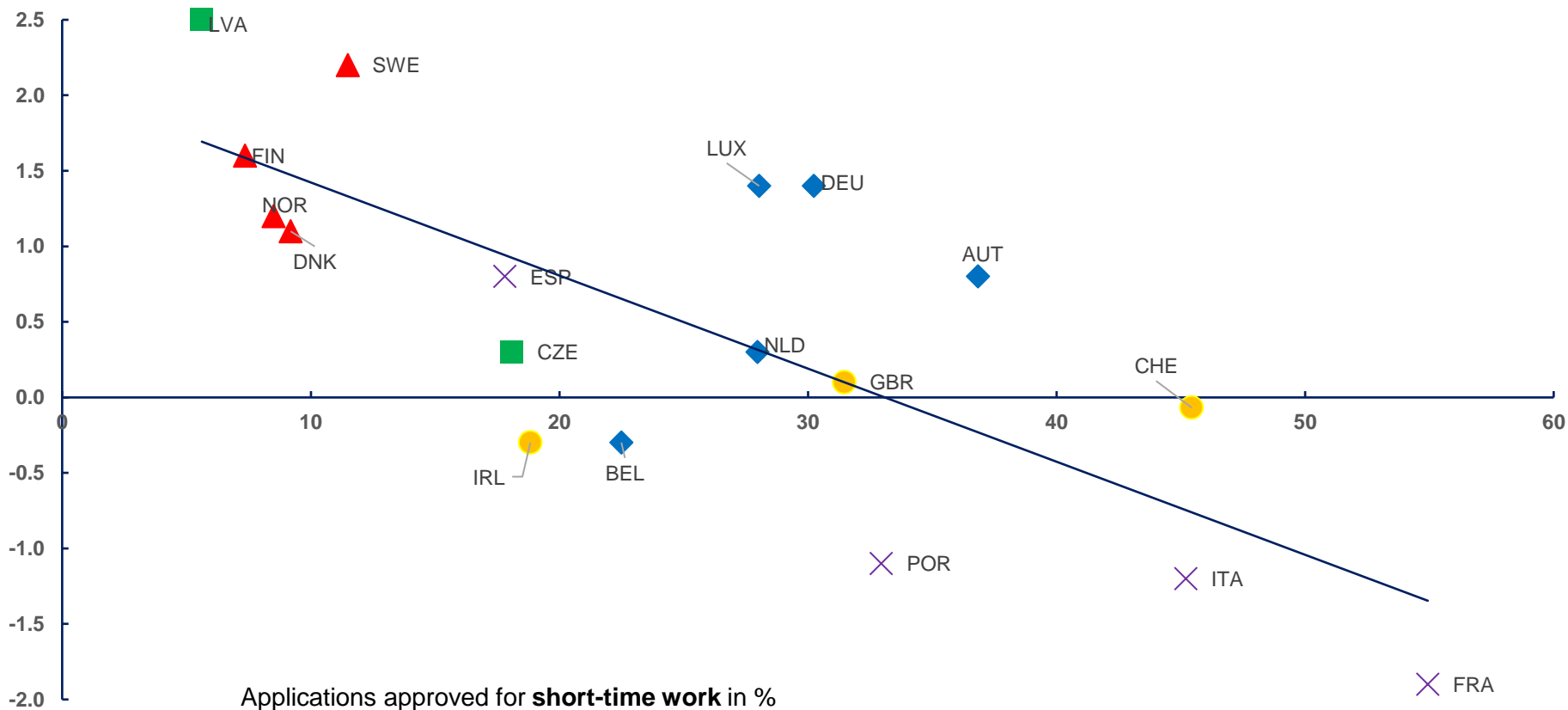
● Liberal

▲ Nordic

◆ Continental

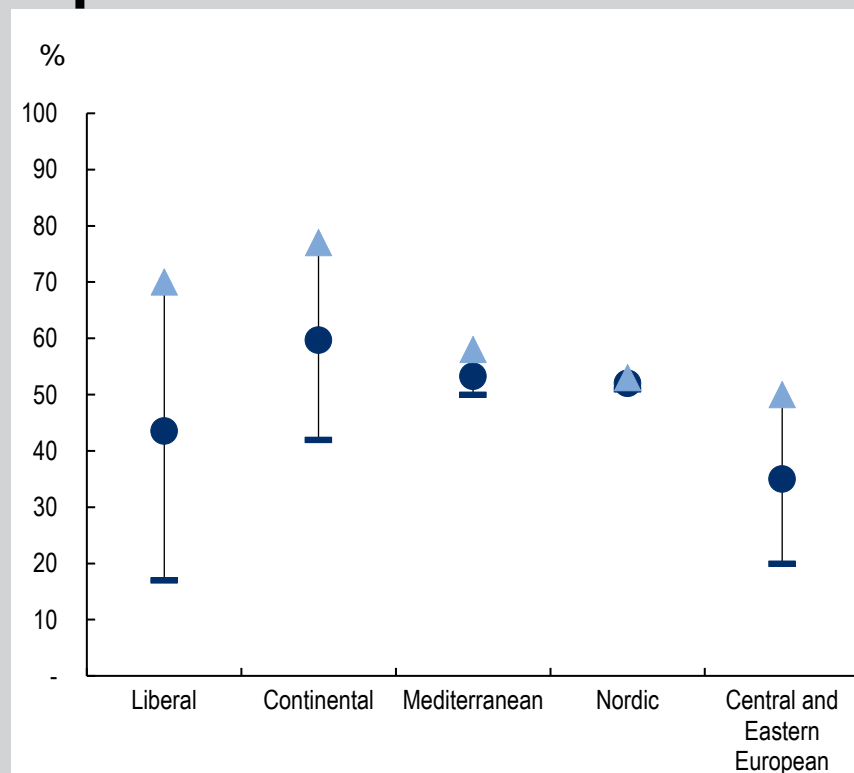
✕ Mediterranean

■ CEE

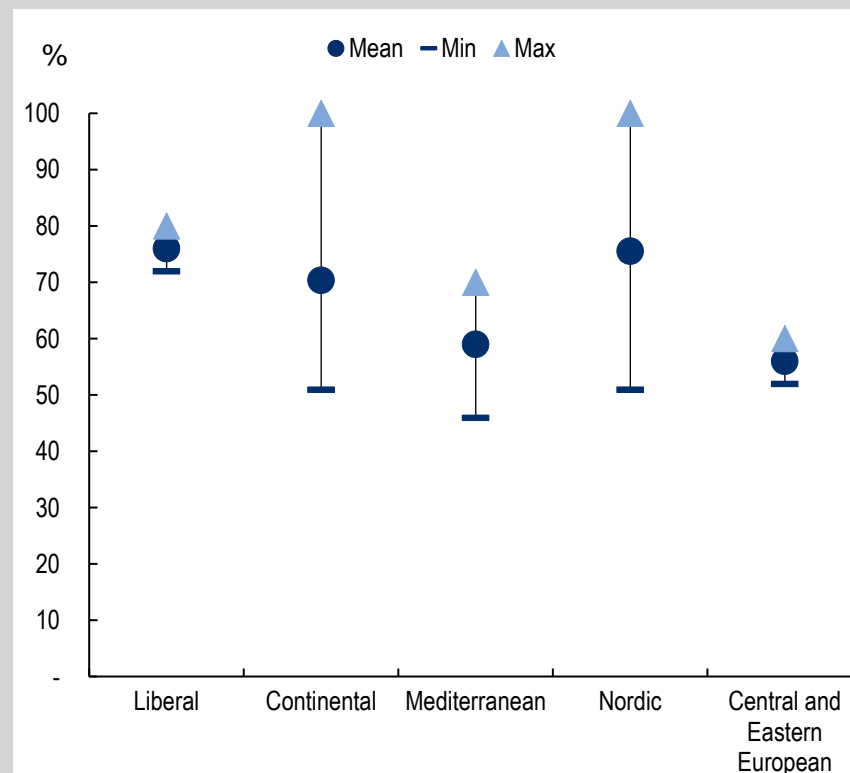


6/ Unemployment benefit replacement and STW replacement rate, 2020

Unemployment benefit replacement rate



Wage replacement rates for workers in STW



7/ Policy-making facing the COVID-19 employment crisis

Business logic: *Hoarding rationale*

1. Withstand the crisis (limit bankruptcies)
2. Maintain employment for a bounce back after crisis
3. Meet business group interests

→ Labour cost seems to impact job retention take-up

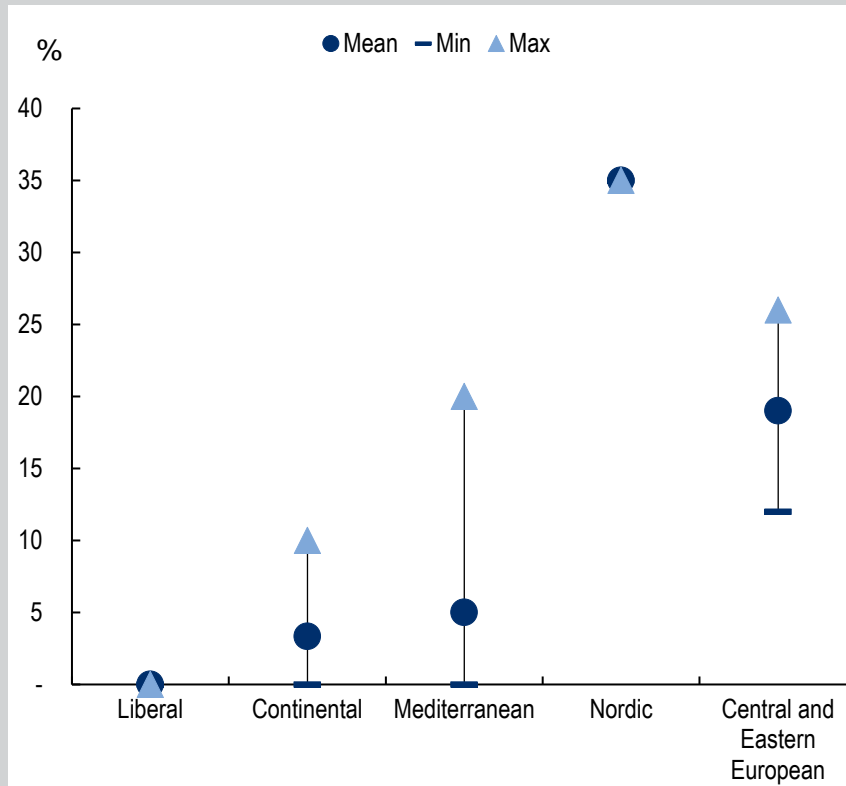
Social policy logic: *Support rationale*

1. Protect public health through lockdown
2. Limit income loss and avoid social hardship
3. Sustain popular support for containment policies

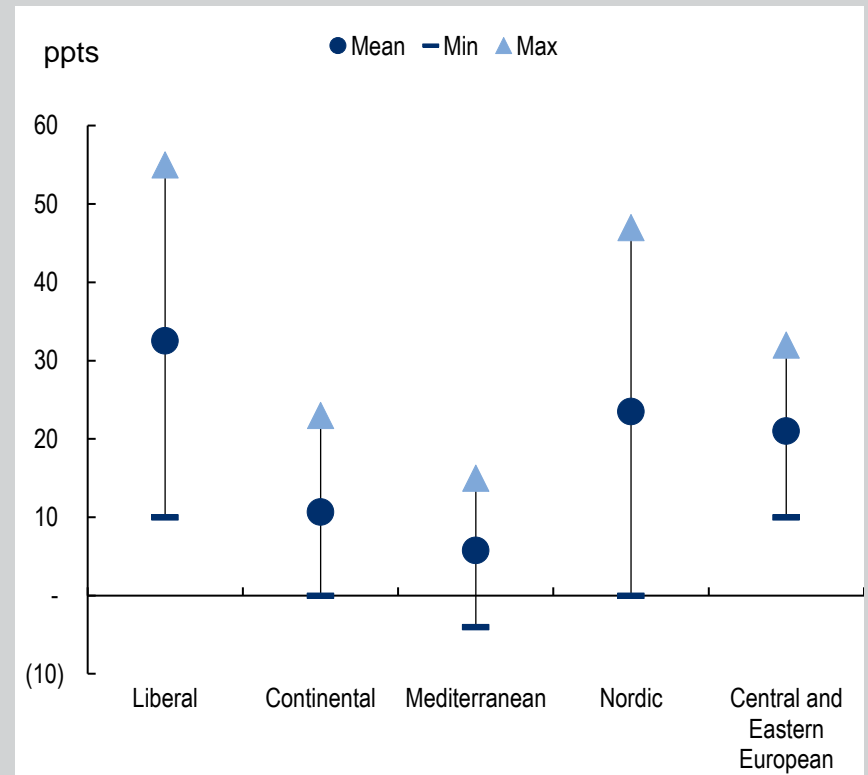
→ Generosity seems not to impact job retention take up

8/ Employer logic vs social policy logic: Dualisation of the crisis response?

Labour costs for employer in
short-time work schemes



Replacement rate gap: STW scheme vs.
unemployment benefits



9/ Research strategy and next steps

Main argument:

- Europe largely chose short time work to limit mass unemployment
- Governments chose labour hoarding to maintain firms & jobs, while using these transfers to maintain containment support

To do:

- Extend data from first to second wave (end of 2020)
- Complete comparative analysis of cross-national differences
- Compare crisis response during the first and second wave