



# Social and employment policies in Europe

## SUMMARY

Whilst the disruption caused by the coronavirus crisis has affected all segments of society, some groups and geographic areas have been impacted more seriously than others. The crisis has opened up the opportunity to rethink how and what could be done differently and more efficiently over the longer term in the social and employment field at European level, including the possibility of putting social and economic considerations and rights on a more equal footing within the Union's governance framework. Focusing on the European Green Deal as the new growth strategy and strengthening the single market, of which social inclusion and fairness are an organic part, can help to tackle the root causes of the trends highlighted ever more strongly by the coronavirus triple crisis: health, economic and environmental. Some measures might imply changes to the Treaty base of the Union, but many can already be carried out within the current legal framework, where the European Union (EU) can function as a 'holding space' for experimentation and reform and pave the way to a truly resilient, sustainable and fair system. Such a system would then not only be able to absorb shocks but also to grow from them.

## Introduction

Social and employment policies are strongly interlinked with other major policy fields, most importantly the economy, the public health system and education. Social considerations are part and parcel of all policy fields, and social and employment policies are woven into the fabric of society, directly affecting people's everyday lives. The pandemic and the lockdown measures caused major disruption, and strengthened existing tendencies that point partly to the weaknesses of the existing welfare systems and labour markets, but in other instances demonstrate their innovation potential and the possibility for major (positive) shifts in existing systems. Issues such as the need to 'update' welfare systems and modernise labour markets according to the [new realities of work](#) were already a focus of the Juncker Commission. The [Five Presidents' Report](#) called for reformed labour markets, for access to adequate education for all and for effective social protection systems that also take care of the most vulnerable. It also acknowledged that there is no 'one-size-fits-all' template to follow, but that challenges across the Member States are often similar, in terms of employment situations, working conditions, social protection, the situation of older people and education. The [European Pillar of Social Rights](#) jointly proclaimed by the three institutions (European Commission, European Parliament and Council of the EU) has provided the new compass for most EU-level policy action ever since. The von der Leyen Commission wants to [follow this path](#) by putting the achievement of a real social market economy, coupled with a 'just transition for all' to a sustainable green economy in the digital world, at the centre of its policy efforts.

# State of play

## Emerging effects

The shock caused by the coronavirus pandemic affects everyone. However, there are big differences in the extent of the harm caused, and the long-term development of the pandemic and associated crises are highly uncertain. The rather [reassuring](#) situation in terms of social and employment indicators at the beginning of the year has been followed by a huge drop. Signs of slow but positive developments<sup>1</sup> prior to January 2020 contrast with the [Summer Economic Forecast](#) of July 2020, which paints a picture of a shrinking economy, with a particularly pronounced decline in GDP forecast in the second quarter.<sup>2</sup> The euro area economy is expected to contract by 8.7 % in 2020, and grow by 6.1 % in 2021. The EU economy is forecast to contract by 8.3 % in 2020, and grow by 5.8 % in 2021. The European economy is expected to bounce back, but with bigger and more persistent differences across Member States than expected in the [spring forecast](#). Moreover, the growth prospects will also be less robust; each Member State's economic recovery will depend not only on the evolution of the pandemic in that country, but also on the [structure of their economies](#) and their capacity to respond with stabilising policies. Given the interdependence of EU economies, the dynamics of the recovery in each Member State will also affect the strength of the recovery of other Member States.

The [countries](#) with a higher share of employment in sectors closed down by the pandemic are likely to suffer a much higher impact. Different [sectors and actors](#) have suffered a range of impacts, sectors particularly hardly hit include health, transport, entertainment and culture, and tourism and hospitality. The crisis particularly endangers small and medium sized enterprises (SMEs), which account for 99.8 % of all non-financial enterprises in the EU, with approximately 9 out of 10 consisting of micro-enterprises that employ fewer than 10 workers.<sup>3</sup>

The severity of the downturn in the labour market is key and the forecast is uncertain. The unemployment rate in the euro area [was forecast](#) in May to rise from 7.5 % in 2019 to 9.5 % in 2020, before declining again to 8.5 % in 2021. In the EU, the unemployment rate was forecast to rise from 6.7 % in 2019, to 9 % in 2020, and then fall to around 8 % in 2021. Some Member States will see more significant increases in unemployment than others. Those with a high proportion of workers on short-term contracts and those where a large proportion of the workforce depend on tourism are particularly vulnerable. Nevertheless, [pre-crisis trends](#) seem to continue. Young people entering the workforce at this time will also find it harder to secure their first job.

[Inequalities](#) are also on the rise. This is particularly the case for certain vulnerable groups, those who remained at work, but often have low income: health workers, grocery store workers, delivery workers, Amazon factory workers, or street cleaners, among others. Lower income individuals run greater health risks, and many of them are women. Not all work is suited to transition to teleworking. This is particularly the case for precarious workers, such as zero-hour contract workers, and small or off-market self-employed workers, such as those who deliver food and clean homes. In addition, those in precarious work situations are often not entitled to the same [social security](#) measures as standard workers and they tend to fall through the cracks of the immediate social assistance measures.<sup>4</sup>

Other factors have also contributed to the increase of social divides across generations and regions. Beside the closure of businesses, school closures have put enormous pressure on families, and are bound to strengthen existing inequalities in the [education system](#). Aspects of this situation may cause lifelong harm, such in the case of the youngest children who might never recuperate the benefits for their personal development and social integration, school children who miss the opportunity to learn foundational lifelong skills, and those secondary school students who were about to take their exams. Furthermore, the impact also continues in the tertiary sector.

The pandemic has deeply affected [quality of life](#), including mental wellbeing, trust and employment prospects. It seems to be particularly detrimental for the younger generation. More than [one in six young people](#) have stopped working since the onset of the coronavirus pandemic, while those who remain employed have seen their working hours cut by 23 %.

Finally, many households are facing the prospect of falling into poverty due to a drop in their income linked to the coronavirus crisis and their limited resources to cope with the financial shocks. In the Organisation for Economic Co-operation and Development, ([OECD](#)), more than one in three people do not have enough financial assets to keep their family above the poverty line for at least three months, should their income suddenly stop. The risk is especially high in households headed by people that are younger than 34 and people without higher education, as well as for couples with children.

## EU immediate response

[Immediate action](#) by the Member States included decreasing workers' exposure to the coronavirus, providing income support for quarantined workers, mitigating the disruption caused by the closure of a large number of childcare facilities and of schools, as well as helping companies to minimise layoffs and deal with drop in staff numbers, due to less demand.

Within the European Commission's immediate [coordinated response](#) in support of Member States, several initiatives specifically aimed at the social and employment field:

**Framework for temporary state aid measures:** Allowed Member States to apply full flexibility in supporting their economies hit by the pandemic. Initially the framework focused on measures to ensure liquidity. From April onwards, it has been widened to include measures to support the economy and coronavirus-related medical investment, research and production, as well as measures to ease the social and tax liabilities of companies and the self-employed and measures to subsidise workers' wages.

**SURE initiative:** The temporary Support to Mitigate Unemployment Risks in an Emergency (SURE) initiative was designed to protect jobs, mainly through short-time work schemes. The instrument is to support and complement the various policies put in place at national level to lessen the immediate risk of unemployment and loss of income, including for the self-employed. Under the scheme, the EU is able to provide financial support to the Member States worth up to €100 billion in loans to address sudden increases in public expenditure. However, these schemes do not protect those who did not have jobs beforehand.

**Coronavirus Response Investment Initiatives (CRII and CRII+):** As a response to the most urgent needs, the Commission proposed an initiative made up of two packages, CRII and CRII+, to make €37 billion available from the EU structural funds to mitigate the impact of the crisis on the most vulnerable sectors, including labour markets. These initiatives allow the Member States greater flexibility in making transfers between cohesion policy funds (European Social Fund (ESF), European Regional and Development Fund, Cohesion Fund) across categories of regions, so that resources are available where they are most needed. Should Member States request, the EU co-financing can be raised to 100 %. As ESF funding is already used to ensure access to quality services, including healthcare, it can be used to pay for healthcare equipment and protective equipment for healthcare workers, to recruit additional healthcare staff and to deliver community-based services for the most vulnerable. It can also be used to support new forms of working arrangements, including telework, and ensure workers and the self-employed reintegrate into the labour market.

**Fund for European Aid to the Most Deprived (FEAD):** The FEAD provides assistance for the provision of food and other basic needs to the most deprived groups. To meet their needs during the pandemic and complementing the CRII, the Fund has been evolving to take account of new solutions (e.g. using electronic vouchers to deliver food aid/material assistance to reduce the risk

of contamination). Further amendments made additional funding available for 2020-2022, as part of the increased resources for cohesion policy under the 2014-2020 EU budget.

**European Globalisation Adjustment Fund (EGF):** A solidarity fund financing active labour market measures (such as training, job searches and business start-ups), supporting people who have lost their jobs as a result of major changes linked to globalisation or the global economic and financial crisis. This emergency fund lies outside the multiannual financial framework (MFF) ceilings and is mobilised on an ad hoc basis, through a budgetary procedure that involves legislators for both the mobilisation of the fund and the transfer of the budgetary means. The European Commission has [underlined](#) that it could support redundant workers and the self-employed in the current crisis.

**Liquidity measures to help hard-hit SMEs:** The EIB Group aims to invest an additional €20 billion in small and medium-sized businesses, partly using its own capital and partly backed by the EU budget. The European Commission has also unlocked €1 billion in an EU budget guarantee to the European Investment Fund, so it can provide liquidity to businesses, mobilising €8 billion in all to help at least 100 000 companies. Finally, the Commission launched the [ESCALAR programme](#), proposed under the [new SME strategy](#), which is a new investment approach providing €300 million to increase venture capital and private equity investment, aiming at triggering funding support up to €1.2 billion to grow high potential companies.

**Free movement of critical workers:** Following the reintroduction of internal border checks, the Commission presented [guidelines](#) in March to ensure the free movement of critical workers to enable them to reach their workplaces. The guidelines call on Member States to organise smooth border crossings for critical staff and to cooperate with regard to the passage of general frontier workers and posted workers if their work is still permitted in the host Member State. Due to the particularly precarious situation of seasonal workers, the Commission issued an additional set of [guidelines](#) in July. The guidelines recall the rights of seasonal workers independently of their country of origin and call on Member States to take all necessary measures to ensure decent working and living conditions as well as to raise awareness of their occupational health and safety.

Gauging the effect of these immediate measures is difficult for several reasons. First, is the [lack of reliable data](#): for example, to be counted as unemployed, a person has to be available to the labour market, which was not possible everywhere under strict lockdown measures. Many of those only loosely attached to the labour market were also discouraged from actively seeking a job and therefore did not count as unemployed. Second, some of the measures necessary in the short-term might have some adverse effects over the [longer-term](#). For example, [short-term measures](#) aim predominantly at stabilising income and employment (often simultaneously reducing activation measures, e.g. up- and reskilling), while temporarily detaching income from work and economic activities. This can lead to [longer-term inefficiencies](#) in the labour market. In addition, the introduction of temporary state aid rules – allowing governments to provide liquidity to the economy to support citizens and companies, in particular SMEs, and save jobs in the EU – might create division within the single market. Third, there are at least [three scenarios](#) as to how the pandemic will evolve in the medium-term. The most likely of these supposes that there might be peaks and valleys in coronavirus outbreaks during the next two years, with the worst ahead in autumn and winter. This uncertainty could lead to an [absence of a rapid recovery](#) in demand, and companies may proceed with more widespread redundancies when the temporary short-time work schemes end. Moreover, mid-term, the increase in the number of corporate defaults could prevent companies from restructuring, ending in liquidations with further knock-on effects on employment.

## Outlook

### Medium- to long-term effects and strategies

Due to the great uncertainty regarding the future of the pandemic and the global crisis, many highlight the [difficulty of exercising foresight](#), and the need to rely more on scenarios when considering the future. This paper takes another approach and focuses on the '[backcasting approach](#)', which concentrates on feasibility and choice rather than prediction and likelihood. Backcasting does not show what will happen, but what might happen given certain conditions and choices instead. The approach can broaden the scope when tackling complex long-term challenges, requiring more than marginal changes on different levels of society and the widening perspective of many actors, ranging from public authorities, to private actors and citizens.

Some [medium- to long-term trends](#) – already valid before the pandemic – remain very relevant for the social and employment field. These include the impact of technologies on the labour markets and welfare states; an ageing population; and the very complex issue of inequalities, most importantly in relation to wages and to (in)equality of opportunities. Moreover, the debate on the guiding principles of solidarity, cohesion, and (upward) convergence versus competition and divergence among Member States and regions, will take also centre stage.

Choosing the [right direction](#) to proceed to tackle these issues, with the best corresponding tools, is key for the future. Optimally this direction should entail an attempt to address the root causes of the above trends and thus address them in a multidisciplinary way. This will also put into practice the presumption that social and economic considerations are just two sides of the same coin and help to achieve resilience, sustainability and fairness in the system. New adjustments may be necessary to the [shifting balance](#) between individuals and institutions in which people have had to take increasing responsibility for their economic outcomes in the first two decades of the 21st century. This has brought positive developments for some, but also growing pessimism and a loss of trust in institutions for many. Reflection is also necessary as to the issue at the core of the current systemic change: the [relationship](#) between knowledge, technology, society and policy-making.

The future needs to be addressed on two levels: on **how** policy is developed; and **what** kind of policy is developed. Most of the measures and ideas presented below have already been discussed at one point in the social and employment policy-making process, but have not been followed-up, or are still in the making. On **how** policy is developed, important areas for consideration include decision-making and targeting up-front systemic change, in some cases also involving Treaty change. Consideration should also include new ways of making policy. The main elements of the 'how' should cover mainstreaming innovation (including social innovation), developing policies with a purpose (a '[mission](#)'), putting social investment centre stage while reshaping the welfare state, as well as mobilising open data and collective intelligence. How evidence-based policy-making, in general, and the [scientific advice mechanism](#) in particular, evolves across the EU should also be encompassed. These deliberations would also help to maintain the positive aspects of the disruption caused by the pandemic and the lockdown measures, such as the expansion of digitalisation. As to **what** kind of policy is developed, concrete initiatives can be introduced that could also incentivise system change across the Member States in the longer-term.

### How policy development could be improved

#### 1) **Simplifying the decision-making procedure**

In the EU social and employment field, [limited competence](#) has long been an issue in decision-making. Since the 1980s, two parallel trends can be observed in the decision-making procedure: a tendency towards the gradual reduction of unanimity by consultation, cooperation, co-

decision and more recently the ordinary legislative procedure (OLP); and the growing ability of the European Parliament to block legislation, and thereby increase the number of veto-players. In its April 2019 [communication](#), the Commission called for further debate on moving from unanimity voting in the Council to qualified majority (QMV),<sup>5</sup> or from the special to the ordinary legislative procedure in some social policy areas, especially recommendations on social security and protection (excluding cross-border situations) and non-discrimination. This would be possible through the 'general *passerelle* clause' ([Article 48\(7\) of the Treaty on European Union \(TEU\)](#)). This means that the European Council would have to decide to make these procedural changes by unanimity, with no national parliament objections, and with the European Parliament's consent. The final decision would therefore remain under the control of the national legislatures of the Member States.

## 2) Softening economic governance and hardening social governance

From 2020 onwards, the United Nations' [sustainable development goals](#) (SDGs) are to be built into [European Semester](#) analyses – an important element of the EU economic governance framework. This will ensure greater emphasis on the analysis of social progress and a more inter-sectoral and global approach to social issues. The indicators used for monitoring in the Semester need further exploration, so that [sustainability](#) (social, economic and environmental) is at the centre of the recovery. A common [understanding](#) of these issues across public and private players is also necessary. As a 'side effect', good indicators might contribute to mitigating the '[juste retour](#)' mentality that presents an obstacle to greater expression of solidarity or achieving more of the real added value of the EU budget. Now, the Semester has been redesigned to take more action in the [direction of the recovery](#), which can also help the entire EU governance mechanism to renew and function as a guiding force for the survival of democracy as well as upward convergence within the EU. [Restoring a healthy economy](#) that is also perceived as delivering democracy, is a key ingredient for restoring trust in democracy and the EU institutions.

In this context, the European Parliament has long been vocal on the subject of [softening fiscal discipline](#) in economic and monetary union, [without much success](#) to date. In a 2017 [resolution](#), the Parliament called for greater consideration of its views within the European Semester before Council takes decisions, and for its Employment and Social Affairs Committee to be put on an equal footing with its Economic and Monetary Affairs Committee in that context. It also reiterated the idea of introducing a [social imbalances procedure](#) when designing the country-specific recommendations. The name should recall the [macro-economic imbalance procedure](#), whose goals are to set out detailed rules for the detection, prevention and correction of excessive macro-economic imbalances within the EU. The social imbalances procedure would to some extent replicate this mechanism and – depending on its design – address social problems that threaten social cohesion in a Member State due to their social, economic and political implications.<sup>6</sup> In addition, to counter-balance the institutional imbalance behind economic and social governance, a [golden rule](#)<sup>7</sup> for public social investment could give higher flexibility within the [Stability and Growth Pact](#) (SGP – the fiscal surveillance system of the Union's economic governance system) and enable governments throughout the economic cycle to borrow to invest and not to fund current spending. This, in turn, would allow Member States to maintain productive social investment that might otherwise become a target of budget cuts, in order to comply with the SGP deficit targets.

## 3) Mainstreaming the social investment approach in policies and programmes

In its 2017 [resolution](#) on the social pillar, the European Parliament called for sufficient financial capacity for social investment,<sup>8</sup> partly through the existing funds but also through additional financial instruments for the euro area. Social investment means a change in the mind-set on what social policy means and how it should be delivered. It implies investing in people throughout the life course, so that each and every individual can participate in the economy. To

reach this goal, policies are adapted to individualised circumstances and services are delivered in an integrated manner. Social investment emphasises public policies that 'prepare' individuals, families and societies to adapt to challenges, such as changing career patterns and working conditions, new social risks, population ageing and climate change. The emphasis is therefore on 'empowering' rather than 'repairing' any damage done. It is about long-term [capacitating instead of compensating](#). Its implementation demands more state capacity and an efficient institutional base. Welfare states with a [more efficient institutional base](#) achieve more equity.

A more [elaborated taxonomy](#) of the social investment concept developed recently, defines three complementary policy functions. These include: raising the quality of human capital 'stock' that contributes to better productivity, easing the 'flow' of labour market transitions and thus supporting high employment of both genders, and compensating and mitigating social inequity at the micro level through income 'buffers'. This taxonomy describes [three pillars of the welfare state](#): human capital development, activation and protection. This implies the use of adequate [policy mixes](#) to address complex social problems and to put great emphasis on their design. [Social investment](#) has a high stabilisation function from a macroeconomic perspective, high level of life-course wellbeing returns and – if well implemented – a high political legitimisation effect for the EU. There are some new avenues for the social investment approach in the proposal for a new recovery plan and long-term budget, particularly, the [ESF+, Youth Employment Support](#) (combining several programmes), the European Fund for the Most Deprived, the European Globalisation and Adjustment Fund, and [InvestEU](#).

#### 4) **A broad innovation concept that encompasses equally both technological and social innovation**

Currently the EU's [innovation](#) concept is defined as the adoption of new products, processes, marketing, or organisational approaches that create a valuable outcome in terms of financial benefit, wellbeing, or efficiency. It is a [holistic approach](#) to innovation, as it incorporates the use of existing technologies in new applications as well as non-technological and social innovation. [Social innovation](#) is a ubiquitous concept encompassing new ideas (products, services, and models) that simultaneously meet social needs (more effectively than the alternatives) and that create new social relationships or forms of collaboration. It also implies new forms of collaboration among different actors and is often seen as a way to overcome the classic division between the public and private sectors. This holistic approach to innovation can help to develop a more solid research and development platform and also strengthen evidence-based policy-making across the board. It can also contribute to generating [collective intelligence](#) at EU level that is at the interface of human and machine intelligence. The [transformations](#) needed to achieve the UN SDGs by 2030 across the EU require a shared framework to mobilise governments, business and civil society around targeted problem solving. Social innovation has a major role to play in this process. For that matter, an [important step](#) might be to create an inter-sectoral EU strategy on social innovation, give greater recognition to [social economy players](#), and test and perhaps use their business models. This would help develop an ecosystem for subsidised experimentation at EU, national, regional, and local levels. The existing policy tools at EU level, such as the [open method of coordination](#) and other methods for mutual learning, would make it possible for the EU to become the '[global brain](#)', with a solid institutional set-up at the centre of this experimentation process. To achieve this, a more advanced culture of evaluation and [impact assessment](#) is needed, which in turn could incentivise more public and private investment and more capacity-building in the public sector, in non-governmental and civil society organisations.

## What kind of policies could be introduced

### 1) Moving towards universal social protection with a life-cycle approach

Looking to the future, [many experts](#) emphasise combining social protection and social investment policies to achieve flexibility, stability and protection, including collective risk sharing. The Commission's [2018 Employment and Social Developments in Europe](#) report proposes a life-cycle approach to social protection in the face of global challenges, where social welfare can be a productive investment. The latter can also help to strengthen social protection systems by bringing non-standard workers into existing social protection schemes, making further efforts to individualise social protection, and ultimately moving towards universal social protection, where social protection would be removed from the employment relationship. Nevertheless, these proposals raise many [practical questions](#) that will need to be addressed before a sustainable social protection system for all can become a reality. This crisis has exposed [pre-existing gaps](#) in social protection systems. In many countries, this insurance function of social protection works well for employees with stable work histories. Those with unstable, or short contribution histories, as well as the self-employed and other non-standard workers, are often poorly, or not protected at all. The coronavirus crisis has shown that workers in independent forms of employment need to be able to build up rights to the types of out-of-work support that are already available to standard employees. For instance, a [number of EU countries](#) do include the self-employed in their unemployment and sickness insurance schemes. A more equitable treatment of different forms of employment can help minimise the need for makeshift programmes in the future – that are necessarily less targeted and cost-effective and can be liable to leakage.

Social protection floors – as suggested by the [International Labour Organization](#) (ILO) – should consist of at least four basic social security guarantees: essential health care and basic income security during childhood, adulthood and old age for all residents and all children as defined in national laws and regulations. Minimum-income benefits are a last resort safety net for households without access to any other resources. However, even in normal times, the accessibility, adequacy, reactivity, and generosity of these programmes differ markedly across countries due to complex criteria and claims procedures. Making minimum-income protection more responsive, through timely reassessments of entitlements in the face of rapidly changing circumstances therefore remains an urgent policy priority during the present crisis and a prerequisite for countries to embark on an inclusive recovery afterwards. The Commission and the German Presidency of the Council [are planning](#) to work on establishing a European framework on minimum income schemes. Related debates on the idea of a [universal basic income](#) (UBI) [might continue](#). However, UBI can weaken work incentives, as benefits are paid regardless of job-search efforts. There are also questions around whether a UBI is a cost-effective way to provide timely and adequate support. [OECD analysis](#) shows that financing a budgetary neutral UBI (replacing most working-age benefits with a flat-rate payment to all, so that net budgetary cost remains constant), would require very large tax increases and eliminate most – if not all – targeted transfers that reduce the risk of falling into poverty in practice. The distributional effects of such a hypothetical UBI would be complex, and a fiscally realistic UBI would be too low to provide reliable poverty alleviation on its own. Hence, universal transfers are rather considered to be a useful element of an overall income-support strategy.

### 2) Labour market policies and institutions: Empowering and protecting

The digital disruption related to the coronavirus epidemic has starkly exposed existing issues around the impact of [technological transformation](#) on the world of work. These include income polarisation due to stagnating wages, at the bottom for middle-skilled standard jobs with overwhelmingly routine skills, as well as divides between regions and generations. It also entails a few smart firms with a low share of labour dominating in terms of wealth and technological innovation. At the same time, the crisis also triggered [large-scale experimentation](#) through the



spread of teleworking as well as people [building communities](#) with the help of digital tools. These latter initially mainly began as small-scale local initiatives, but some have developed into bigger, even [national](#) or [global movements](#). Technological transformation [will continue](#) to lead to more productivity and higher average income, but will also continue to have negative effects on the employment and wages of low skilled workers. In this context, EU policy needs to focus on both countering the negative effects as well as on supporting the further development of the positive consequences. Investing in more and better human capital increases the potential for innovation as well as the potential to absorb new knowledge emerging from technological progress.<sup>9</sup>

Labour market policies and institutions play a role in shaping the way the labour market reacts to shocks in at least [two ways](#). First, labour market institutions and policies can cushion the impact of shocks, through their effects on earnings and employment. Second, labour market institutions can affect the extent to which higher unemployment persists following an initial cyclical increase. Severe downturns increase the risks of the unemployed losing skills and motivation. Some groups of workers, including the low-skilled, the long-term unemployed and the young, are more prone to such negative effects and typically need more targeted interventions during a downturn when demand and employment prospects are depressed. Active labour market policies<sup>10</sup> are a vital ingredient of [resilient economies](#). Effective active labour market policies can reduce unemployment persistence by improving job matching and increasing the labour market influence of outsiders on wages.

### 2a) *Improving working conditions for all*

The Commission launched the second stage of its [consultation](#) in June 2020, with a view to establishing a European tool that could ensure adequate minimum wages for all in the Member States. While the tool should help to reduce in-work poverty among these vulnerable groups, evidence shows that wages alone [cannot guarantee](#) decent living standards.

With the lockdown measures, teleworking has taken off in all Member States with over [one third](#) of those in employment teleworking. This has [consequences](#) for work-life balance, including the [right to disconnect](#), the change in working time patterns, as well as new issues around safety and health at work and precarious working conditions. The European Parliament's Employment and Social Affairs Committee is in the process of putting forward a legislative [proposal](#) on the right to disconnect. Due to the different practices exercised in relation to flexible arrangements on working time, new discussions might ensue around revising the European [Working Time Directive](#), as well as around regulations or guidelines on [teleworking](#).

### 2b) *A permanent unemployment reinsurance as an economic stabiliser*

In addition to SURE, the longer-term plan for a European unemployment reinsurance scheme persists. The topic has been discussed, in the aftermath of the 2008 financial and economic crisis, since 2012. However, the idea first appeared as early as the 1970s, when the debate on the Monetary Union began and the idea of a fiscal capacity for the euro area was analysed as an instrument of stabilisation and redistribution. Since then, [various models](#) have been promoted. The idea reappears in Ursula von der Leyen's [political guidelines](#), where she proposes to design a European unemployment benefit reinsurance scheme that will protect citizens and reduce the pressure on public finances during external shocks. Several [challenges](#) arise in relation to the design of this scheme: the risk that its resources would flow permanently from certain countries with low unemployment rates; uncertainty concerning its fiscal rules; the role of social partners; and the legal basis. Due to the pandemic, the Commission has been planning to [accelerate work](#) on a legislative proposal for a permanent European unemployment reinsurance scheme.

### 2c) *Targeted initiatives for vulnerable groups*

Certain groups, particularly hard-hit by the coronavirus outbreak and its impact, such as young people (16-29 years), children (under 18 years), women and the elderly, could be the focus of

policy measures in the mid- to long-term recovery. The Commission's recovery plan emphasises combatting [youth unemployment](#), including building financial buffers to support employment, education and training. It also emphasises closing the [gender pay gap](#), including through pay transparency measures. The [long-term care](#) of older people also needs to be addressed, as the elderly are not only exposed to the risk of death from the disease, but also risks arising from isolation and weak social ties, compounded by the fragmentation of health and social care services. This needs to be part of a longer-term [strategy](#) on the impact of ageing and pensions, envisaged in the current Commission's agenda.

In the longer-term, [trends](#) concerning the share of younger and older people who depend on the working-age population show that today's children will face an increased burden in supporting the remainder of the population as they move into work. Moreover, population stagnation and [emigration of highly educated early-career citizens](#) that is already being observed in several southern, central and eastern European Member States, will result in a smaller and less educated workforce in those countries. At the same time, a more highly educated labour force should be able to compensate for some of these demographic trends and secure sufficient productivity levels. The forthcoming [long-term strategy on rural areas](#) should be an important step in this direction.

### 3) Strengthening the strategic role of education and training policies at European level

Education and training policies have a major role to play for growth, for inclusion and for well-being. The crisis has again laid bare the considerable differences in resilience between the high- and low-skilled population. In the future, particular focus needs to be placed on skills development, particularly practical skills, such as digital, entrepreneurial skills and new forms of literacy that are required for planning, problem-solving, and collaboration. In this regard, the [updated skills agenda](#) has a decisive role to play, as it is a sustained European initiative, targeting both low- and highly-skilled workers, with funding and regular monitoring of results cutting across sectors. In the longer term, the EU can lead the work in '[making everybody digital](#)'. The forthcoming [updated digital education plan](#) should have a strategic importance in this respect. A truly cross-cutting strategy could also raise the strategic importance of education and training among policy fields at European level. Combining education and training with research and innovation under the current Commission provides a good opportunity to prioritise this in the coming years. Further initiatives to make the [European Education Area](#) a reality might contribute to promoting a [maximum education guarantee](#) for all, allowing more equitable distribution of access to education.

## Concluding remarks

The strategies discussed above might not only help to achieve more resilience, sustainability and fairness across the EU, but could also contribute to rethinking EU identity and direction in terms of the principles of solidarity, cohesion and convergence versus competition and divergence. Several concrete scenarios<sup>11</sup> already offered will influence both **what** types of action and **how** they are undertaken, but action on both can also contribute immediately to shaping scenarios for an improved outcome for citizens.

## Potential initiatives

	Project	Likely lead actor	What should be done?	
1	Simplifying the decision-making procedure	Commission/EP/Council	Move from unanimity to qualified majority in the Council; from special legislative to ordinary legislative procedure in social policy, but generally also more ordinary legislative procedure in social policy	
2	Renewing of the Semester process	Commission/EP/Council	Measure social progress with a clear understanding of sustainability (social, environmental, economic) and accurately measure social returns of investments	

3	Better balance between social and economic rights in the EU Treaties	EU institutions and Member States	Start a discussion with legal experts for an updated framework for the Court of Justice of the EU	
4	New open method of coordination for long-term care, and housing	Commission with Member States	Promote target setting, monitoring and mutual learning	
5	Social imbalances procedure	EP/ Commission/ Council	Soften fiscal discipline in the economic governance framework	
6	Golden/silver rule in the Stability and Growth Pact	Commission/ EP/Council	Exclude some specific growth-enhancing expenditure from the net primary expenditure growth ceiling to protect public investment	
7	Promoting the social investment approach in funding programmes, e.g. ESF+	EU institutions and Member States	Identify ideal policy mixes and design new frameworks to better identify institutional complementarities between stocks, flows and buffers at different levels of governance	
8	EU strategy on social innovation	European Commission	Holistic approach to innovation (including social and technological innovation)	
9	Institutional set-up to harness collective intelligence	Commission and Member States	Create a cross-sectoral institutional set-up for experimentation, assessment and problem solving	
10	European framework on fair minimum wages	Commission/ EP/Council	Combat in-work poverty	
11	European framework on minimum income schemes	Commission/ EP/Council	Map minimum income schemes in Member States (including labour and taxation) and conclude the discussion on universal basic income	
12	Social protection of non-standard workers	Commission/ EP/Council	Directives on platform workers, self-employed, part-time workers, workers with fixed term contracts	
13	Binding pay transparency measures	Commission/ EP/Council	Address the gender pay gap and apply the principle of equal pay for equal work	
14	Permanent European unemployment benefit reinsurance scheme	Commission/ EP/Council	Create a fund that Member States can draw on in times of crisis	
15	Youth employment support	European Commission and Member States	Combat youth unemployment and introduce a maximum education guarantee	
16	Work-life balance initiative in the digital age	Commission/ EP/Council	Address the issue of the right to disconnect and of new working time arrangements with more teleworking and home-schooling	
17	Initiative on teleworking in the EU	Commission/ EP/Council	Address issues of health and safety and social protection	
18	Green paper on ageing	Commission	Long-term strategy on the impacts of ageing, pensions and access to affordable and quality long-term care, active aging	
19	European child guarantee	Commission/ EP/Council/	Support the youngest and their families with an integrated approach, including allocating a budget line in ESF+ of €5.9 billion, as suggested by the EP	
20	Long-term strategy on rural areas	European Commission	Combat the 'brain drain', promote upward convergence, adjust funding to regional needs	
21	Updated skills agenda	European Commission with Member States	Sustained strategy on skilling, upskilling and reskilling in a lifelong learning perspective with monitoring and funding	
22	Digital education action plan	Commission with Member States	Comprehensive cross -sectoral digital strategy	
23	Action plan on the social economy	Commission	Empowering social economy actors and ensuring cross-fertilisation with the classical economy; breaking silos	
24	Strengthening social dialogue	Commission with Member States	Include Member States' institutional capacity where appropriate	

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## ENDNOTES

- <sup>1</sup> Some 209 million people were in employment in the EU in 2019, of whom 160 million in the euro area. Compared to spring 2013, this meant 15 and 12 million, respectively, more jobs. In January 2020, there were about 2.1 million fewer young people unemployed in the EU, compared to the peak of February 2013.
- <sup>2</sup> A fall of -13.5 % quarter on quarter – comparison of previous quarters of the fiscal year to the current quarter.
- <sup>3</sup> Their contribution to the European economy is significant, accounting for more than 85 % of new jobs and around 57 % of total value added.
- <sup>4</sup> For a detailed description of their situation see: European Commission, [Access to social protection of people working on standard contracts and the self-employed](#), ESPN, 2017.
- <sup>5</sup> This idea was also raised in relation to taxation. For more details see: E. Bassot (ed.), [Unlocking the potential of the EU Treaties: An article by article analysis of the scope for action](#), EPRS, European Parliament, May 2020.
- <sup>6</sup> For an idea of what this would mean in practice, see S. Sabato et al, [Integrating the European Pillar of Social Rights into the roadmap for deepening in Europe's Economic and Monetary Union](#), European Economic and Social Committee, Brussels, 2019. The study also contains references to earlier ideas on the subject.
- <sup>7</sup> In some other publications, it appears as a 'silver rule'. The principle is generally the same, but the details of their design might differ.
- <sup>8</sup> G. Espig-Andersen, *Why we need a new welfare state*, Oxford University Press, 2002.
- <sup>9</sup> [Total factor productivity](#) (i.e. measures that part of economic growth that is due not to an increase in factor input but to higher efficiency in production) thrives in Member States where labour market institutions are strong and where many firms invest in workers.
- <sup>10</sup> [Active labour market policies](#) is a general denomination for specific policies that could be broadly grouped into four big policy clusters – vocational training, assistance in the job search process, wage subsidies or public works programmes, and support to micro-entrepreneurs or independent workers.
- <sup>11</sup> For example: P. Pochet, [Four scenarios for Europe's future after the crisis](#), European Trade Union Institute, May 2020; S. Islam, [Three scenarios for the Covid world](#), Friends of Europe, March 2020; G. Pasi, G. Misuraca, [Welfare 2.0: future scenarios of social protection systems in the digital age](#), June 2020.

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