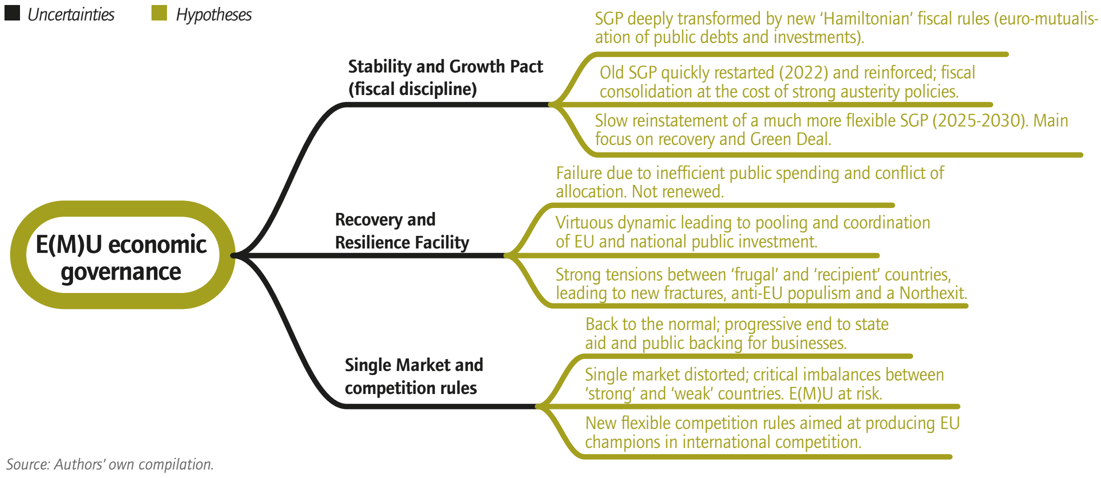
European public policies: what will change?

Figure 7.7 Possible transformations in the EU



Source: Authors' own compilation.

This chapter will now proceed to examine these broad categories in more detail with regard to elements specific to the European domain. The following paragraphs will focus on three of them: European economic governance; free movement and the single market; and the social situation and, in particular, the labour market, with a special focus on digitalisation. These themes have been chosen because they represent several of the EU's foundational pillars – economic governance, free movement, the single market, and social convergence – and it is these foundations that have been the most impacted by the crisis, when we consider the suspension of the budgetary rules of the Stability and Growth Pact, the suspension of a central aspect of competition policy with the prohibition of state aid, the restriction of free movement, internal and external border closures, and, not least, the unprecedented economic and social shock. The way in which the EU and the Member States deal with these blows that strike at the very heart of the European project will largely determine what tomorrow's Europe will look like.

E(M)U economic governance

The Stability and Growth Pact: back on track or change of course?

The economic outlook remains uncertain (IMF 2020), but economists do share one certainty: that tomorrow's Europe – and world, for that matter – will be much more indebted (see Chapter 1 in this volume for more on the subject). Within the European Union, it is unclear how the EU and its Member States will deal with this situation, as seemed to be confirmed in the first discussions on this subject in the Eurogroup (the informal body that brings together the ministers of the euro area Member States) in September 2020. Three hypotheses seem plausible:

– 'a progressive leap': the abandonment of the current Stability and Growth Pact rules in favour of new so-called 'Hamiltonian' rules. This hypothesis is based on the fact that at the July 2020 European Council the EU agreed, for the first time, to issue common debt (European Council 2020). If this initiative were to be extended in the medium and long term, new rules should be established for the governance of the public finances of the Member States and of the EU. Such a new stage of European integration would require a change in the paradigm of this governance (embodied in such programmes and treaties as the Six-Pack, the Two-Pack, the Euro+ Pact, and the Treaty on Stability, Coordination and Governance) in order to move from 27 national budgetary and financial responsibilities to a shared discipline at the European level. Of course, such a scenario requires several conditions to be met: that the implementation of a genuine European fiscal policy be successful; that the new policy instrument implemented be made permanent; and that the Member States agree on such a change in the fiscal rules.

– 'an austerity comeback': an alternative, more conservative development would see the EU quickly get back in line with the current rules of the Stability and Growth Pact (suspended in 2020), as it did during the previous major crisis in 2008. Within just over two years (by 2011), a framework had been put in place to structurally strengthen budgetary discipline (Degryse 2012) and the EU had embarked on a coordinated austerity policy that plunged Europe into a second recession. This year, there have been many political statements calling for the same mistake not to be made a second time (Eurogroup 2020). The easing of fiscal discipline could last for some years, but 'weak signals' (a foresight term for indicators of potential future change) point to the need for this temporary relaxation to give way, in due course, to a rebalancing of public finances. The question will be how to define this 'due course'; the Eurogroup began to address this issue as early as September 2020.

– 'green goals first': the third scenario is one in which a reformed Stability and Growth Pact would be gradually put back in place, allowing significant room for manoeuvre. The reform of this Pact would aim to make it more adaptable to crisis situations and also to make it a tool for promoting the European Green Deal (European Commission 2019). In this scenario, the priority of the Pact would no longer be the threshold figures of 3% public deficit and 60% public debt, but the climate objectives of the Green Deal (carbon neutrality by 2050), the investments necessary for the climate transition, and the sustainability of the economic recovery.

Recovery: avoiding an asymmetric exit from the crisis

As far as recovery initiatives are concerned, European and national plans have multiplied throughout 2020. The European Commission's Next Generation initiative (European Commission 2020a) provides for EUR 750 billion in recovery funds, the German recovery plan foresees EUR 130 billion (Bundesfinanzministerium 2020), the French government has announced a EUR 100 billion plan (Ministère de l'Économie, des Finances et de la relance 2020), and at the time of writing other governments were preparing their own plans. Beyond the figures, however, uncertainties remain with regard to many issues: the coordination of these different plans within a framework of coherent strategic objectives; the efficiency of the planned investments; and, notably, the risk of an asymmetric exit from the crisis leading to possible conflicts in resource allocation – a scenario in which some countries would return fairly quickly to robust economic growth while others would continue to suffer the effects of a prolonged economic and social crisis.

The importance of European economic coordination and the choice of investment projects appears to be fundamental in this respect: 'how to spend it' will remain a central question in the coming months (see Creel et al. 2020), particularly with regard to the issue of conditionality, as has already been discussed in the EU Council and the European Parliament (regarding rule of law, see Council of the European Union 2020, and regarding the green transition, see European Commission 2020e). It is true that the scale of the resources mobilised is likely to generate a virtuous economic cycle, leading to a vigorous, possibly green (or at least greener) recovery. However, the European level can also become the site of tensions and conflicts between (groups of) countries, as shown by the polemics between so-called 'frugal' countries and Mediterranean countries in the summer of 2020. For example, the possibly unsatisfactory results of the recovery initiatives could lead to a delegitimisation of the recovery plan (Wolff 2020), or even a rise in anti-European populism in countries that were not initially in favour of this method of financing, or that, as a consequence of the conditionality applied to EU funding, have seen their EU subsidies and grants cut, increasing the risk of an asymmetric exit and the development of structural inequalities between regions and countries.

Beyond these political risks, we should not lose sight of the fact that national and European recovery plans are, in theory, supposed to contribute to the climate transition. During the previous crisis of 2008-2009, certain public support measures for industries were taken, such as the 'scrappage premium' for the replacement of old cars. To our knowledge, the impact of these measures on CO_2 emissions has never been assessed at European level. Admittedly, in the German recovery plan announced in June 2020, the new version of the scrappage premium will only apply to the purchase of electric vehicles. But this was not the case in other countries, for example in France, where the bonus (a very costly one for public finances, incidentally) has essentially been used to clear out car dealership stock that accumulated during the lockdown (Seux 2020); although it must be acknowledged that the recovery plan adopted by the French government later in September 2020 did finally focus on 'green' vehicles. In any case, this example shows that there is a fine line between the objectives of economic recovery and those of climate transition (see Chapter 3 in this volume); this is why the scenario (outlined above) of a reform of the Stability and Growth Pact to make it a tool to serve the objective of climate neutrality proclaimed by the European Green Deal would be an intelligent way of not 'wasting this crisis', in the words of Winston Churchill.

A distorted single market?

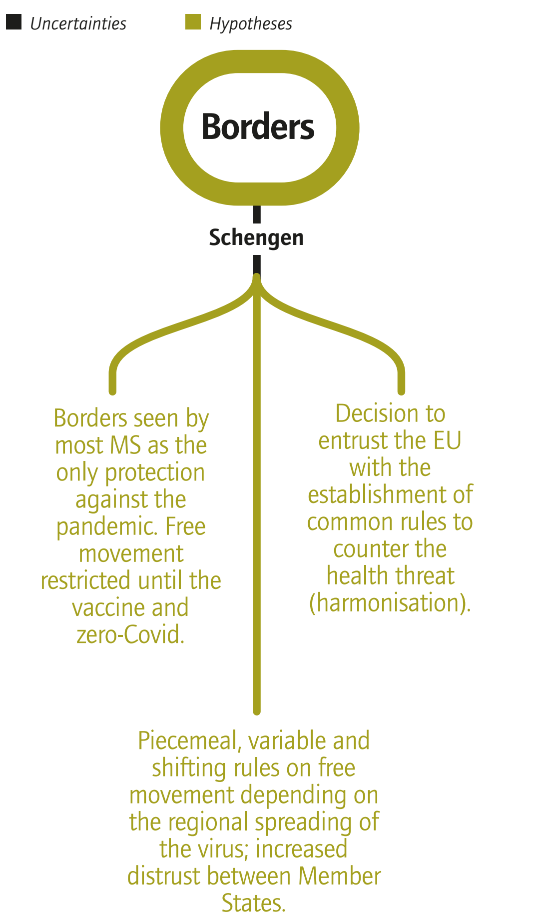
Finally, the third uncertainty regarding EU economic governance concerns the future of competition policy, especially state aid rules. As early as March 2020, the European Commission announced the suspension of the ban on such state aid, in order to allow Member States to support companies in certain sectors and promote economic activity (European Commission 2020b). Airline companies in most EU countries, for example, have benefited greatly from such aid, without which it is likely that many of them would have been forced to declare bankruptcy or substantially restructure. Yet while the temporary suspension of the ban has helped to save companies that were particularly vulnerable to the Covid-19 crisis, it soon became clear that such a measure could ultimately pose a risk to the cohesion of the internal market. In an interview with the Süddeutsche Zeitung (18 May 2020), Margrethe Vestager, Executive Vice-President of the European Commission in charge of Competition Policy, highlighted the growing discrepancies between Member States regarding state aid. Of the almost EUR 1.95 trillion in state aid granted between March and May 2020, 51% was given by Germany, 17% by France, 15.5% by Italy and only 2.5% by Poland (Agence Europe 2020). This may contribute to the reinforcement of unequal conditions of competition between national enterprises and between countries. Could it lead to an asymmetric exit from the crisis, or even a dislocation of the single market? Will it imply an in-depth review of competition rules within the single market? These are just some of the uncertainties regarding the future of the European single market project, with further challenges possibly emerging as a consequence of Brexit.

Borders

Schengen: the hard work of rebuilding confidence

On 11 March 2020, the Austrian government inaugurated one of the most emblematic measures of the Covid-19 crisis in the European Union by unilaterally closing its border with Italy, whose northern regions were then heavily affected by the pandemic. This led to an extremely rapid spread of identical measures, first in Hungary, then the Czech Republic, then Switzerland, Denmark, Poland, and so on. The re-establishment of controls at the internal and then external borders of the European Union, while allowed by the TFEU in justified cases, has a symbolic significance in that it affects one of the pillars of European integration: freedom of movement (Pochet 2020). The recovery is thus taking place at the level of Member State governments in a completely disorderly way, despite the Commission's call for coordinated and proportionate measures (European Commission 2020f). During August and September 2020, when the virus appeared to be beginning to spread once again, EU countries again adopted a series of unilateral measures that created traffic-light systems of 'zones', defined according to national criteria that were not coordinated at a European level.

Figure 7.8 Possible transformations in the EU



Source: Authors' own compilation.

At the beginning of September, the Commission and the EU Council Presidency stressed the need to put an end to these unilateral decisions and to instead, in line with suggestions contained in a proposal by the German Council Presidency, contribute to (and then use) a shared Europe-wide mapping study based on quantitative and qualitative data. Such coordination would have the merit of giving greater clarity to the measures taken and harmonising the criteria on which these decisions are based. However, it would require Member States to agree to an extension of the EU's competence in the sensitive area of national border management. This is where future uncertainties lie, as governments have shown throughout the crisis that they consider their borders to be the ultimate bulwark against the resurgence of the pandemic, at least until vaccines become available.

In this scenario, we could see either the outright closure of land and air borders, as the Hungarian government did on 31 August 2020, or a shifting development of closures and openings, depending on the circulation of the virus, which would lead to a significant disruption of mobility within Europe, in addition to increased tension and mistrust between Member States. Needless to say, in the long run, this would undermine one of the foundational pillars of the European project, as a return to free movement within the single market would never be fully guaranteed since it is always easier to close borders than to reopen them. In such a scenario, it would take a lot of work to rebuild confidence and rethink the rules of free movement in the light of increasingly plausible serious health threats.

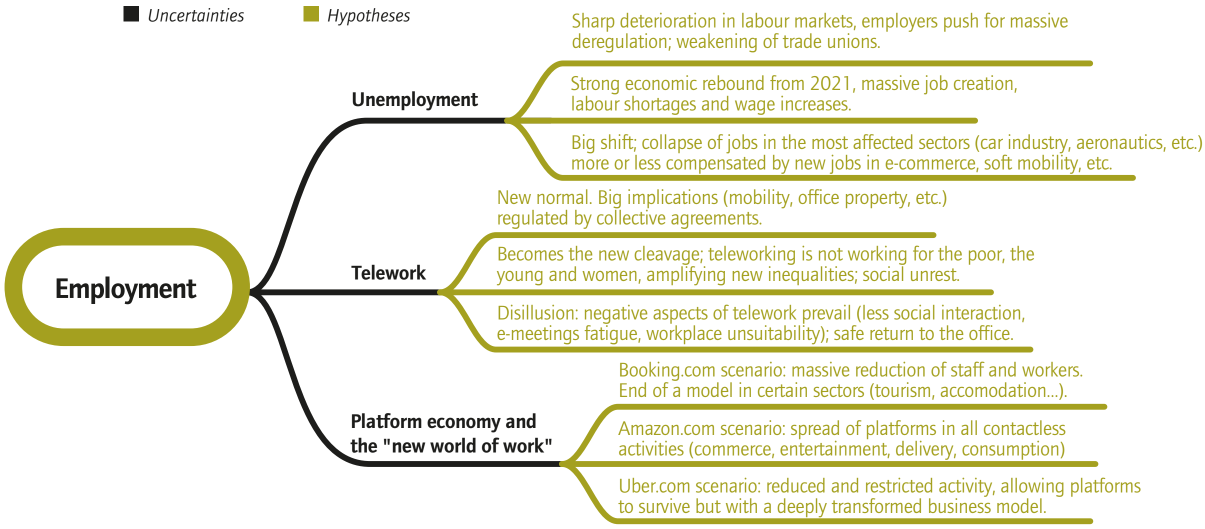
Labour market

Between 'key workers' and the unemployed

Although it is difficult to quantify it, it is undoubtedly true that one of the most visible social transformations in these times of pandemic has been what could be called a reversal of the 'hierarchy of trades'. In the spring of 2020, the populations of many European cities made a habit of going out on their balconies to applaud health workers: nurses, doctors, care assistants, and hospital, nursing home and social service workers. And during the lockdown period, it also became clear that without workers in the transport, logistics and retail sectors, people would not have been able to access the basic necessities. The importance of trades often considered inferior was suddenly brought to light. As Ian Gough writes, 'the coronavirus has shown us who the key workers are'. According to him, the hegemony of the neo-classical theory of value, according to which price determines value, has shown its irrelevance, and we therefore need a new theory of value if we are to build a sustainable and resilient economy (Gough 2020). Assuming a rebound in the economy, a scenario in which these trades achieve greater recognition and better conditions is thus also plausible.

However, at the time of writing, the threats to employment that seem to be the most pressing actually concern other categories of workers with low or medium qualifications. According to a

Figure 7.9 Possible transformations in the EU



Source : Authors' own compilation.

study by Spatial Foresight (Böhme and Besana 2020) which aggregates data from Eurostat and the ILO, the highest risks to employment are in manufacturing, tourism (hotels and restaurants), real estate, and culture (arts, entertainment, recreation), as well as retail trade (see Chapter 2 in this volume). In addition to the risk of massive and long-term unemployment caused by a potentially lengthy crisis and uncertainties about the recovery (IMF 2020), another risk is that the impact on labour markets will be highly differentiated at the sectoral level. While some sectors are thriving and hiring in the context of the pandemic, others appear to be on the verge of collapse, putting very large numbers of workers out of work, and possibly permanently.

Telework does not work for everyone

One of the other most visible changes in the labour market has undoubtedly been the extremely rapid proliferation of telework (Figure 7.10) and the rather radical change in the attitude of some employers (although sometimes forced into acceptance by national law) and many employees towards telework. Some technological companies, as well as more traditional industries, have announced that Covid-19 accelerated the development of teleworking by at least 10 years and that it will be the 'new normal' from now on, with no expected return to the old office-based work paradigm. This new form of work is presented (but also often perceived) as an opportunity to free oneself from constraints such as daily commuting, time lost in traffic jams or even supervision by the employer, and to regain to some extent a true 'work-life balance'. The benefits – although certainly not considered as such by certain workers in low-skill trades servicing the white-collar middle classes that used to occupy offices but no longer do: cleaners, caterers, carers, etc. – may go beyond the individual worker, as telework can help to relieve congestion in cities and reduce CO_2 emissions (on the impact of Covid-19 on CO_2 emissions, see Chapter 3 in this volume). Such a massive switch to telework could, in the long term, also have an impact on the role and the function of offices (which would become mere meeting centres for when employees need to hold a meeting with the team or a client), on the value of office real estate markets, on how daily work is performed and working time is monitored, on the role of technological companies in providing contactless solutions, and on the transformation of cities.

However, as they become established over time, new teleworking practices may also reveal signs of a deeper social impact, including those related to wellbeing at work. A survey carried out in the UK (Bevan et al. 2020) reveals a significant increase in musculoskeletal complaints, reduced physical activity, long and irregular working hours and sleep loss. Other signs typically associated with this new, emerging type of hazard are lack of social interaction, work-life imbalance, and a feeling of isolation as well as increased stress levels, working longer hours (without extra pay) to secure employment, and anxiety caused by activity-monitoring and reporting required by employers. In addition, there is the fear of the rise of 'surveillance capitalism' (Zuboff 2019) with the possible, and in some cases already burgeoning, development of total digital surveillance by employers (involving undetectable monitoring of keyboard activity, application use, screenshots, webcam activation, data mining for facial recognition, etc.) (Degryse 2020). Finally, if the pandemic has had the effect of revealing social inequalities, and even accentuating them, telework has been one of its key indicators. In July 2020, an IMF working paper made this clear in its title alone: 'Teleworking is not working for the poor, the young and the women' (Brussevich et al. 2020b). The paper's authors state: 'We estimate that over 97.3 million workers, equivalent to about 15 percent of the workforce, are at high risk of layoffs and furlough across the 35 advanced and emerging countries in our sample. Workers least likely to work remotely tend to be young, without a college education, working for non-standard contracts, employed in smaller firms, and those at the bottom of the earnings distribution, suggesting that the pandemic could exacerbate inequality.' (Brussevich et al. 2020a; see also Chapter 2 in this volume). The uncertainties concerning the development of telework are therefore numerous: new social cleavages and accentuated inequalities, but also musculoskeletal disorders and psychosocial risks, could slow down the teleworking trend, or even stop it in favour of a return to the office (which, in turn, could lead to direct or indirect discriminatory practices).

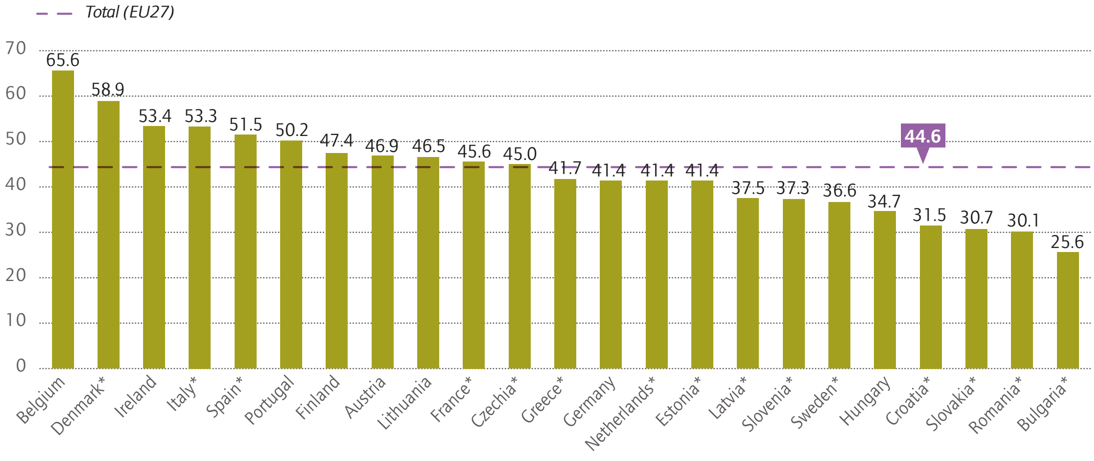
Platform economy: from the Booking.com scenario to the Amazon.com scenario

The idea has occasionally been put forward that the pandemic has accelerated the digitalisation of the economy and, in particular, the platform economy. Trade in 'contactless' goods and services will have benefited greatly from containment and health measures. In addition, many digital tools were used to maintain professional relations and to organise meetings and online conferences, leading to a rapid rise of hitherto small companies (Zoom being an obvious example, a company that struggled to match the sudden demand and needed to expand their server capacity almost overnight). Indeed, some technology companies not only resisted the negative economic impacts of the pandemic but actually benefited from it. Amazon has announced the hiring of tens of thousands of workers (taking their workforce number to 875,000 employees) and continues to hire. Apple, whose market capitalisation exceeded USD 2 trillion at the end of August 2020, announced that it is one of the largest job creators, responsible for 2 million jobs in the United States, including 80,000 employees in the US and 137,000 worldwide. Microsoft has not stopped hiring during the crisis (163 000 employees), while Netflix (8,600 employees) also benefited from the lockdown measures.

Upon further analysis, however, it appears that the effect of the pandemic on digitalisation has not been as uniformly positive for all sectors, including in the platform economy. According to the Layoffs.fyi Tracker project, launched when the pandemic was declared (11 March) and collecting all layoff announcements made by technology companies since then, the biggest layoff plans were those of Booking.com (25% of staff or 4,375 people as of 15 September 2020), immediately followed by two redundancy plans at Uber (a total of 6,700 people or 27% of staff), and then by Groupon (2,800 redundancies), Airbnb (1,900 redundancies), Yelp, Lyft, LinkedIn, Tripadvisor, etc. According to Layoffs, the five most affected technology sectors were transportation, travel, finance, trade and food. Current problems in the platform economy (see also Chapter 5 in this volume) could clearly have future ramifications for the sector.

One scenario could be that the pandemic will eventually wipe out a certain type of platform active in the most affected sectors. This is what we call the 'Booking.com scenario', with massive reductions of staff and workers, in which the very heart of the business (hotels, restaurants and tourism) is extremely vulnerable to the crisis and would probably not be able to withstand it if it were to continue. Conversely, another scenario is that of Amazon.com, where the hybrid nature of the business (as both an online sales platform and a storage and logistics company) and the business sector itself prove to be perfectly adapted to a pandemic context of containment and restriction of individual mobility. We could imagine a spread of such platforms in all contactless activities (commerce, e-entertainment, delivery, consumption). Finally, a third scenario could be that of Uber.com, a previously growing company whose activities have been severely reduced due to the crisis, but which, through diversification (Uber Eats, Uber Freight, etc.), manages to survive at the price of restructuring and workforce reduction, or even with a deeply transformed business model.

Figure 7.10 During the Covid-19 pandemic, where did you work? - At home



Note: Excluded due to insufficient data: Cyprus, Luxembourg, Malta, Poland. Low reliability (*): Bulgaria, Croatia, Czechia, Denmark, Estonia, France, Greece, Italy, Latvia, Netherlands, Romania, Slovakia, Slovenia, Spain and Sweden.
Source: Eurofound (2020), Living, working and Covid-19 dataset, Dublin, http://eurofound.link/covid19data