

Employment and labour markets  
**COVID-19: Implications for  
employment and working life**





# COVID-19: Implications for employment and working life



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## Country codes

AT	Austria	FI	Finland	NL	Netherlands
BE	Belgium	FR	France	PL	Poland
BG	Bulgaria	HR	Croatia	PT	Portugal
CY	Cyprus	HU	Hungary	RO	Romania
CZ	Czechia	IE	Ireland	SE	Sweden
DE	Germany	IT	Italy	SI	Slovenia
DK	Denmark	LT	Lithuania	SK	Slovakia
EE	Estonia	LU	Luxembourg		
EL	Greece	LV	Latvia	UK	United Kingdom
ES	Spain	MT	Malta		

## Abbreviations used in the report

<b>COVID-19</b>	coronavirus disease 2019
<b>ECDC</b>	European Centre for Disease Prevention and Control
<b>EU-LFS</b>	EU Labour Force Survey
<b>EURS</b>	European Unemployment Reinsurance Scheme
<b>EU-SILC</b>	EU Statistics on Income and Living Conditions
<b>EWCS</b>	European Working Conditions Survey
<b>GDP</b>	gross domestic product
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>RRF</b>	Recovery and Resilience Facility
<b>SME</b>	small and medium-sized enterprise
<b>SURE</b>	Support to mitigate Unemployment Risks in an Emergency

# Executive summary

## Introduction

Eurofound established the COVID-19 EU PolicyWatch database in March 2020 to provide policymakers with information on measures taken to mitigate the impact of the coronavirus disease 2019 (COVID-19) crisis on the labour market and wider society. At the same time, an e-survey, 'Living, working and COVID-19', was conducted and activities to monitor labour market trends and restructuring were continued in an effort to capture the fallout from the pandemic.

## Policy context

The pandemic has had an unprecedented impact on the economy, the labour market and society. At the EU level, financial and other support measures, including the Support to mitigate Unemployment Risks in an Emergency (SURE) instrument and Recovery and Resilience Facility (RRF), have assisted Member States in mitigating its impact.

Member States have also implemented a range of policy measures to reduce the impact of the pandemic. Following on from Eurofound's earlier report, *COVID-19: Policy responses across Europe*, this report provides an updated insight into the types of policies adopted at the national level.

## Key findings

### Labour market impact

- In Q2 2020, 5.7 million fewer people were in employment than in Q4 2019, and the EU27 unemployment rate increased from 6.6% to 6.7% over the same period. However, a clearer picture of the impact of COVID-19 on the labour market emerges when trends in weekly hours worked and the share of those employed but who did not work are considered. Between Q2 2019 and Q2 2020, EU employment declined by 2.4%, average weekly hours worked of those who attended work reduced by nearly one hour, while the share of workers employed but not working more than doubled to 17%. There are significant differences between Member States.
- More workers moved from employment to inactivity than from employment to unemployment between Q1 and Q2 2020, and, in the face of declining job vacancy rates, many people were not seeking work.

- There was also a significant drop in the share of temporary contracts.
- Young people were most impacted by reductions in employment levels. They were also highly represented among furloughed groups. Prime-age workers (25–54 years) and older male workers were most likely to be working reduced hours.
- While the 2008–2010 financial and economic crisis hit the male-dominated manufacturing and construction sectors in particular, the COVID-19 pandemic mainly affected the more female-dominated accommodation, food and beverage, travel and tourism and arts and entertainment sectors. This was somewhat balanced by a rising demand for workers in other female-dominated sectors. The 2008–2010 crisis saw the greatest losses in the middle of the wage distribution whereas, up to Q2 2020, the COVID-19 crisis had impacted mainly on the lowest paid workers.
- Another reason for the differential impact of the pandemic was the large shift to telework. By July 2020, nearly 50% of the EU workforce had moved to exclusive or partial telework. As this option is not available to all, this opens up new labour market gulfs, as the more highly educated and those in urban areas are more likely to have their jobs protected through the ability to telework.

### Social partner response

- The involvement of social partners was generally more limited than would be the case outside a crisis situation. However, in some countries, the need to find rapid solutions to common problems contributed to a reinvigoration of social dialogue.

### Short-time working and temporary lay-off schemes

- Supported by the SURE instrument in 18 countries, short-time work or similar measures were implemented in all Member States and contributed greatly to limiting the rise in unemployment.
- Workers on casual contracts, as well as agency workers and in some cases fixed-term contract workers, remained excluded from access to these schemes.

- One-quarter of all Member States reserved access to short-time working schemes for employers experiencing a drop in revenue of more than 25% and/or with over 30% of the workforce impacted by a reduction in working time. The income replacement rate received by employees for hours not worked ranged from 60% to 100%, with the levels of income actually received sometimes significantly below this rate as a result of the cap applied to maximum payments granted. Duration of access also varied, from 2 to 21 months.
- During the first wave of the pandemic, approximately 20% of the workforce benefited from some of these measures at some stage.
- At least 13 countries offered dismissal protection beyond the period of eligibility for short-time working allowances, ranging from 1 month to over 12 months. Five countries extended dismissal protection to an employer's whole workforce.
- The take-up of training during the 'downtime' associated with short-time working and temporary unemployment was low because of a lack of planning for training requirements, limited resources due to the crisis, and the continued absence of suitable training.
- Knowledge about SURE remained low in September 2020. Few countries expressed concerns about delays in negotiations around funding decisions linked to eligibility, but it was equally acknowledged that the availability of SURE enabled new or extended support measures to be offered to workers and self-employed workers.

### Income support for self-employed people

- The pandemic provided the impetus to extend income protection to groups not previously protected. However, the protection granted to self-employed people fell short of that provided to workers.
- Eligibility criteria led to sectoral restrictions, limitations to certain groups of self-employed workers and requirements to meet income reduction thresholds.
- The main challenges to implementation were the schemes' novelty, the speed with which they were introduced, the need for greater clarity around eligibility, and bottlenecks in processing applications.

### Mortgage/rent deferrals and hardship funds

- Mortgage moratoria and rent deferral measures were introduced in most Member States to ensure short-term housing security. However, the schemes mainly served to delay payment commitments, leaving question marks over longer-term impacts.
- The pandemic aggravated existing problems in social assistance systems, including limited access, poor targeting and inadequate benefit levels. To address this, at least 12 Member States adjusted their social assistance measures to bolster the support offered to vulnerable groups. However, such support was significantly more limited than that offered to businesses and workers.

### Policy pointers

- Consideration should be given to the permanent establishment of short-time working or similar systems that can be activated in crisis situations. The eligibility criteria for such systems and duration of access should seek to avoid deadweight and other effects preventing the structural adjustment of economies and human resources.
- Planning should be put in place for emergency situations to enable the strong involvement of social partners and other stakeholders, prevent unforeseen exclusion in relation to eligibility and other anomalies, contribute to fairness and ensure transparency and buy-in.
- Income replacement rates offered by employment protection schemes for all workers and self-employed people need to be suitably geared towards preventing hardship, to avoid additional costs to welfare systems in the absence of adequate income support.
- Staff capacity in administering institutions should be sufficient to avoid delays in making grant payments.
- Further policy support for the take-up of training during downtime is needed. Investment in training and active labour market policy measures is key to a sustainable recovery.

# Introduction

Since the World Health Organization first reported a ‘cluster of pneumonia cases’ in Wuhan, China, in early January 2020 and officially declared the outbreak of coronavirus disease 2019 (COVID-19) as a pandemic on 11 March, COVID-19 has devastated lives across the globe (WHO, 2020). By November 2020, the European Centre for Disease Prevention and Control had reported over 55 million cases of confirmed infection worldwide, of which close to 10 million were in the EU. That month, the ECDC also reported that nearly 220,000 deaths were attributed to COVID-19 in the 27 EU Member States, with 1.3 million deaths worldwide (ECDC, 2020).

The public health measures adopted to contain the spread of the pandemic have all but halted activities that are reliant on travel and public gatherings in close proximity and have thus particularly impacted on the arts, entertainment, live performance, tourism, transport and hospitality sectors. However, the economic and labour market impacts have gone far beyond this, as working practices have had to be adapted to comply with travel restrictions, social distancing measures and other health and hygiene protocols.

Although by November 2020 there were glimpses of optimism linked to news around vaccine development, it was clear that, even if approved and distributed quickly and safely, it would not prevent the spread of the second wave of the infection. This second wave led to exponential increases in the number of COVID-19 cases from September/October 2020 onwards, accompanied by the implementation of renewed public health restrictions, impacting on the economy and public and social life. The very real possibility of further waves of the infection is still present, not least because of the complex logistics associated with mass immunisation programmes and the emergence of new variants of the virus.

## Social, economic and labour market impacts

Against this backdrop, the European Commission's winter forecast expects the EU economy to contract by 6.3% in 2020, with a rebound of 3.8% in 2021, which is lower than previously estimated. The annual average unemployment rate is predicted to be around 7.7% in

2020 (European Commission, 2020a). Although this is an increase of 1 percentage point on the previous year, the labour market impact of the pandemic has been cushioned by public policy measures.

As such measures are phased out and the economy adjusts to the ‘new normal’, unemployment rates are forecast to grow to 8.6% in 2021 and to remain at 8% in 2022. Despite the broader impacts of the pandemic on living and working conditions and different sectors of the economy, these rates remain below the peaks experienced during the global financial and economic crisis of 2008–2010. This can be attributed to the significant policy response at EU and Member State levels, inspired at least partly by learning from the practices implemented by countries that were able to contain the impact of, and emerge more rapidly from, the economic crisis just over a decade ago.

However, the implications of the COVID-19 crisis go beyond the effects on the economy and the labour market, with the daily lives of EU citizens being changed beyond recognition. Reductions in working hours and job losses have increased the share of households reporting challenges in making ends meet, leading more households to fall into rent and mortgage arrears and default on consumer loans. Restrictions on social contacts have contributed to a decline in overall well-being, with some small improvements seen during the initial lifting of the most severe restrictions in the summer of 2020 (Eurofound, 2020a).

## Policy relevance

Conscious of the need to provide policymakers with up-to-date information on the measures being implemented at national level to mitigate the effects of the pandemic on businesses, workers and citizens, and on the impact of these measures so as to support ongoing policy learning, Eurofound established the COVID-19 EU PolicyWatch database in March 2020.<sup>1</sup> At the same time, work began on an e-survey called ‘Living, working and COVID-19’, implemented in several waves, including in April and July 2020 (Eurofound 2020a, 2020b, 2020c).<sup>2</sup> In addition, Eurofound’s regular monitoring of labour market trends (through the European Jobs Monitor) and restructuring (as part of the European Restructuring Monitor) continued and served to capture the fallout from the pandemic.<sup>3</sup>

1 <https://www.eurofound.europa.eu/data/covid-19-eu-policywatch>

2 <https://www.eurofound.europa.eu/topic/covid-19>

3 <https://www.eurofound.europa.eu/observatories/emcc/european-jobs-monitor> and <https://www.eurofound.europa.eu/observatories/emcc/european-restructuring-monitor>

A first report mapping the initial impacts of the COVID-19 crisis on the labour market and the comprehensive policy response at EU and national levels was published in June 2020 (Eurofound, 2020c). Building on this, the purpose of the current report is threefold:

- to provide an updated assessment of the labour market impact of the pandemic in different EU Member States and on different groups of workers, sectors and occupations, and to offer observations on the distributional impact of the widespread shift to telework
- to deliver a brief, updated overview of the types of measures adopted at Member State level to mitigate the impact of the pandemic
- to assess in more detail the measures implemented to a) protect employment (in particular, short-time working and temporary unemployment schemes); b) cushion the impact of the pandemic on the incomes of self-employed workers; and c) prevent social hardship through the introduction of additional allowances for vulnerable groups, as well as mortgage moratoria and rent deferrals for individuals particularly hard hit by the crisis

In relation to the last point, the goal is to provide a first assessment of the impact, sustainability, strengths and weaknesses of the measures implemented, and any policy lessons to be learned. These types of measures were selected for more in-depth study for a number of reasons. Short-time working schemes were selected as they represent the most significant interventions

seeking to safeguard employment during the pandemic and associated economic downturn. With regard to these schemes, particular attention was paid to the impact of the introduction of the Support to mitigate Unemployment Risks in an Emergency (SURE) instrument at EU level, which made available up to €100 billion in loans on favourable terms to Member States to assist them with the implementation of short-time working. The SURE instrument also funds income support measures for self-employed people. These measures were included as they were an important part of the types of policies that emerged as the second most significant in terms of numbers in Eurofound's COVID-19 EU PolicyWatch database. They also address a long-standing issue in the policy debate at EU and national levels: the lack of social protection for non-standard and self-employed workers. Finally, acknowledging the important impact of the pandemic on household finances, measures to prevent social hardship and ensure housing security were included in the analysis.

It should be noted that the policies assessed in more detail in this report reflect those reported to the COVID-19 EU PolicyWatch database by July 2020. The report may therefore not be a full reflection of the measures implemented at national level.

The research was based on a literature review and interviews with three key stakeholder groups: government representatives (usually ministries of labour and social affairs), trade unions and employers.<sup>4</sup> National-level research was carried out between July and early September 2020.

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<sup>4</sup> In total, around 90 interviews were conducted at Member State level. Information for Luxembourg is exclusively based on submissions to the COVID-19 EU PolicyWatch database.

# 1 Short-term labour market impact of the COVID-19 crisis

This chapter reflects on the challenges of measuring the labour market impact in a rapidly evolving pandemic situation. It presents findings on the immediate effects of COVID-19 on employment and unemployment rates and working hours at EU level, in different Member States and among different groups of workers, sectors and occupations. It also highlights the role played by the massive shift towards telework and its distributional effects.

## Challenges of measuring employment impact in a pandemic situation

Official labour market data sources and indicators have been imperfect tools to gauge the health of the labour market since the onset of the COVID-19 crisis in March 2020. The EU Labour Force Survey (EU-LFS) is a quarterly household survey, the results of which are generally released three months after the end of each quarter. Crises by their nature are moments of rapid change, and three months is a very long time lag when trying to assess the dynamic impacts of a public health crisis that has resulted in restrictions on businesses opening and individual mobility – and that has affected large swathes of the workforce. More regularly updated indices, such as the monthly unemployment rate, have the shortcoming that they have tended to conceal as much as reveal the real extent of labour market slack during the crisis. Most of those not working as a result of the crisis are officially noted as employed if they are on furlough or have been temporarily laid off, or as inactive if they have lost their job but are not in a position to seek new employment (for example, because of sector closures). Both of these situations, which have been very prevalent during the crisis, are not captured in the unemployment rate.

Live or ad hoc surveys, including Eurofound's 'Living, working and COVID-19' e-survey, have made a valuable contribution to providing more timely data on the specific challenges and characteristics of the crisis: specifically, remote working and temporary joblessness of an unknown duration. In many cases, however, the advantages of such surveys, in terms of timely reporting based on online polling, come with a trade-off in quality. Not being based on random probability samples, estimates are inevitably subject to bias, with people who are more 'connected' and more highly educated tending to be overrepresented in online polls, for example. Post-weighting adjustments may correct for some bias but cannot do so reliably in all cases.

Other attempts to capture at aggregate level the impacts of the COVID-19 crisis have included newer, 'nowcasting' approaches. As an example, the International Labour Organization (ILO) uses indicators for which data are available on a real-time or near real-time basis – including Google Community Mobility Reports, Google Trends data and other data on the spread of COVID-19, and evidence from policy databases on restrictive measures and their implementation and labour market administrative data – to model reductions in aggregate working hours based on the correlation of such data with existing (generally older) labour market data (ILO, 2020). Based on this approach, the ILO estimated that global working hours decreased by 5.4% in Q1 2020 and by 14% in Q2 2020 relative to Q4 2019, with somewhat smaller decreases for the same quarters in both Europe and Central Asia (3.4% and 13.9%, respectively). This is an innovative approach, using data sources that would not normally be used to provide labour market estimates. The limitations of such an approach are that the estimates have larger margins of error as they are calculated indirectly, the focus is on broad proxies for labour activity – worked hours, for example – and the data obtained do not offer the same opportunities for analysis as survey data. For a more focused analysis, research is still reliant on household surveys.

This chapter presents an analysis of data from the EU-LFS up to Q2 2020, showing the extent to which employment was affected by the COVID-19 pandemic. These data were compared with data from previous quarters and in particular with data from the same quarter of the previous year (Q2 2019), to take account of the strong seasonality of employment data. The research concentrated on countries, sectors and occupations where the labour market impacts of the crisis were felt the most, and the categories of workers most severely affected, by age and sex and by employment status. Given the specific impacts of the COVID-19 crisis, the focus was on the following three indicators: employment levels, temporary absences from work, and actual weekly working hours for those who remained employed. Headcount employment estimates were used for the first indicator. For the second indicator, the share of those employed who reported not working at all in the reference week was used. This is a proxy measure of the share of furloughed workers during the crisis, obtained by subtracting the share of workers in this category for other reasons, such as holidays, illness and labour disputes. For the third indicator, an approximation of the change in actual

weekly working hours in the reference week was used, based on a comparison of the cross-sectional data from Q2 2019 and Q2 2020.<sup>5</sup> While these measures are to different extents both approximations and proxies, they do capture the most important shifts in aggregate hours worked along both the extensive margin – how many people are working – and the intensive margin – for how many hours per week on average. In addition, they avoid some of the previously mentioned dilemmas that arise when defining employment status.

## Impact on employment, hours worked, unemployment and inactivity

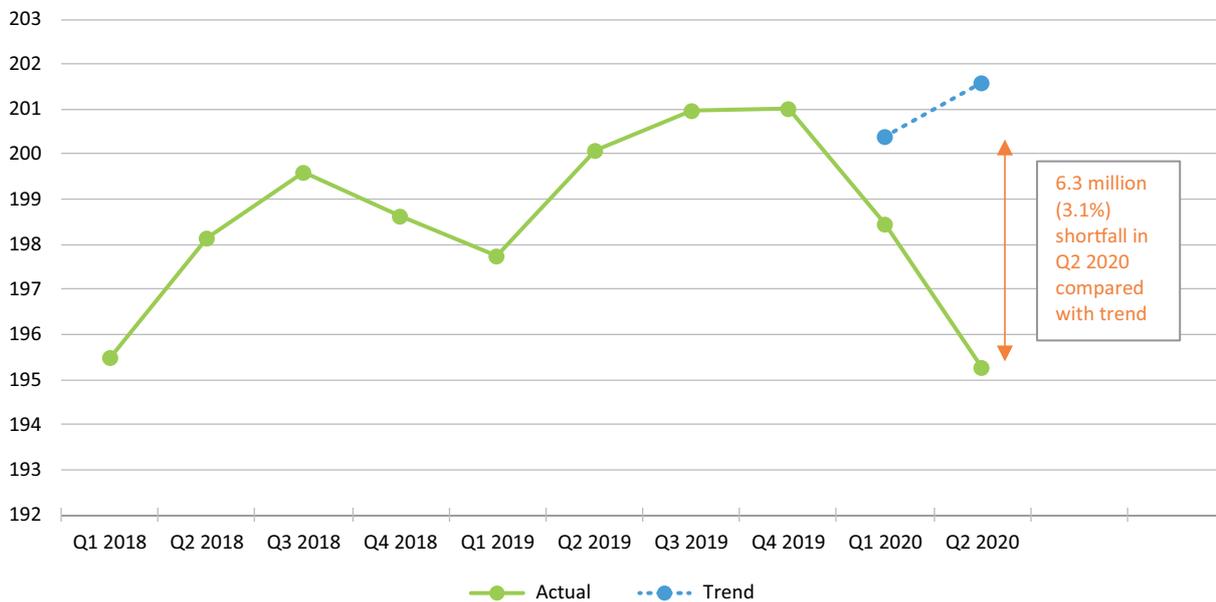
Figure 1 shows that the EU27 employment level was somewhat lower in Q1 2020 than trends would have suggested and much lower in Q2 2020, the first quarter in which the full impact of the COVID-19 containment measures were felt. The usual increase in second quarter employment did not occur. Instead, there were 5.7 million fewer people in employment in Q2 2020 than

in Q4 2019, and 6.3 million fewer compared with the trend growth, that is, the employment level that could have been expected before the crisis. In other words, there was a reduction in employment of 3.1% compared with the trend.

The most regularly cited labour market statistic, the EU27 unemployment rate, rose only marginally in the same period (from Q4 2019 to Q2 2020), from 6.6% to 6.7%. Based on more up-to-date monthly ‘flash’ estimates, the rate rose to 7.5% in September 2020, a sharp increase in such a short period but still less than 1 percentage point higher than the generationally low levels recorded pre-crisis (Eurostat, 2020a).

The main reason for the discrepancy between the change in unemployment rate and the change in employment level as a result of the crisis is that most of the decline in employment occurred as a result of transitions to inactivity rather than unemployment. Those who lose their jobs and are no longer seeking work are classified as inactive and outside the labour force. These forms of temporary worklessness and joblessness are not measured in the unemployment rate.

Figure 1: Employment levels, Q1 2018–Q2 2020, EU27 (millions of workers)

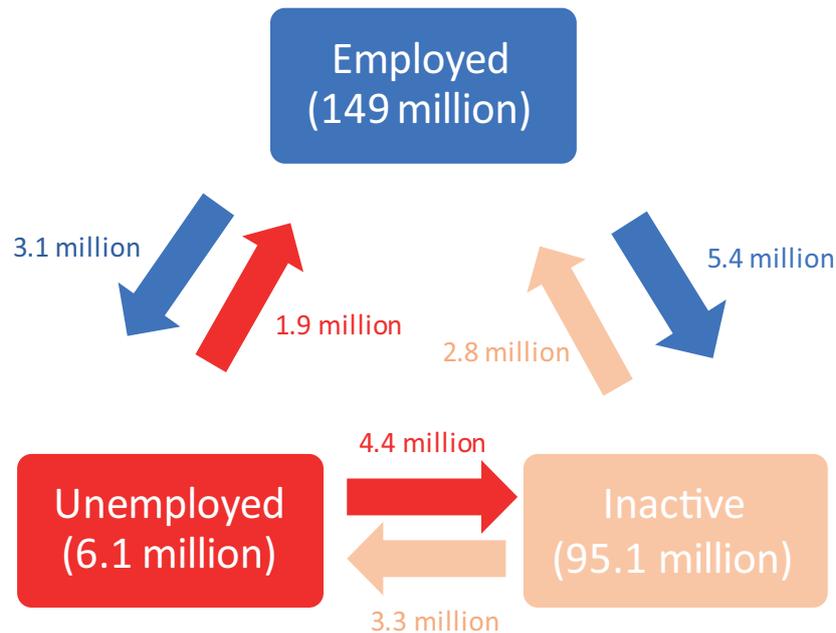


Note: The data are not seasonally adjusted.

Source: EU-LFS, all employment data

<sup>5</sup> The EU-LFS variable used for the second and third indicators was HWACTUAL, the actual hours worked by the respondent in the reference week. The analysis relied on data extraction carried out by Eurostat, in which values for this variable were banded in categories (not working/zero, 1–19, 20–34, 35–40, 41–47, 48+ hours). Average actual weekly hours worked were calculated by imputing the rounded average for each of the above categories based on 2018 EU-LFS annual microdata (11, 26, 39, 44 and 55 hours, respectively, for the non-zero categories). Data in the extraction were not seasonally adjusted. Comparisons between Q2 2020 and Q2 2019 (rather than Q1 2020) take into account the strong seasonal variations in employment.

Figure 2: Labour market transitions, Q1 2020–Q2 2020, EU26\*



**Notes:** Based on seasonally adjusted data. \*Germany is excluded.  
**Source:** Eurostat (2020b)

Figure 2 shows that labour market transitions were, not unexpectedly, strongly employment negative between Q1 2020 and Q2 2020. The net flow out of employment into unemployment (+1.2 million) was less than half of the net flow from employment to inactivity (+2.6 million). The gross flows for each of these transitions were the highest recorded for any quarter in the last 10 years. The outcome was that employment

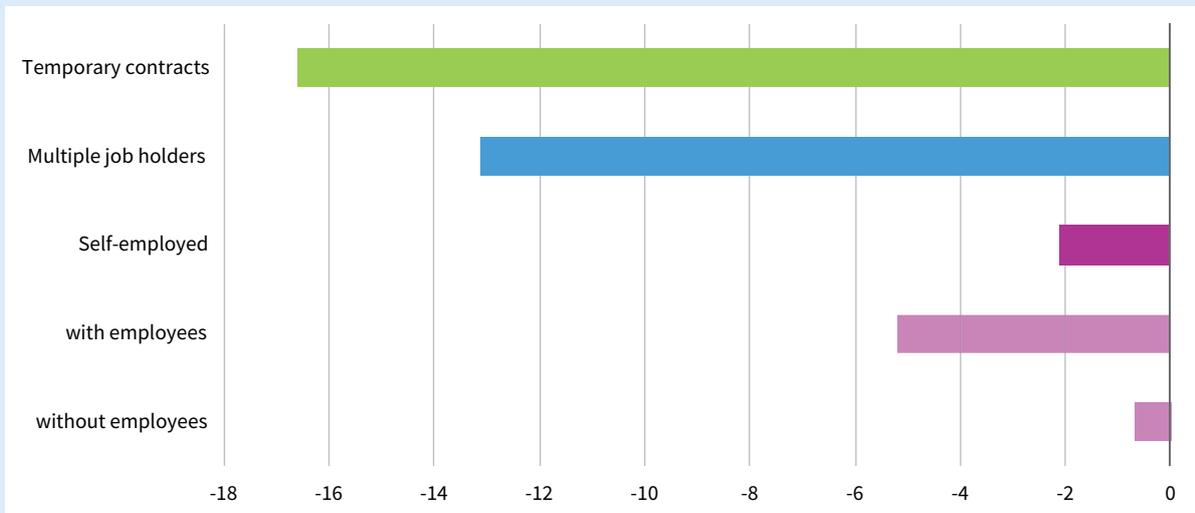
shrank by 3.8 million in the quarter marking the first wave of the pandemic. Nearly all of this decrease was reflected in a large increase in inactivity (+3.7 million), with a much more modest increase in unemployment (+0.1 million) (Eurostat, 2020b). In addition, there was a net flow of 1.1 million people from unemployment to inactivity, which further mitigated increases in unemployment in the quarter.

### Box 1: Employment trends for non-standard workers during the crisis

Workers with precarious employment conditions have been particularly exposed to job losses because of the pandemic. In particular, workers on temporary contracts have been disproportionately affected. As in most crises, non-renewal of temporary contracts tends to be the first labour market adjustment made by employers. The number of temporary contracts in the EU27 shrank by 17% between Q2 2019 and Q2 2020 and these losses (4.3 million jobs) accounted for well over three-quarters of the decline in aggregate EU employment (Figure 3). In Spain, where temporary work accounts for around one-quarter of all jobs, nearly a million (930,000) such jobs disappeared over the 12 months to Q2 2020. In France, Italy and Poland, the decline accounted for over half a million jobs, while in Bulgaria, Greece, Slovenia and the Baltic states, the levels of temporary employment declined by one-quarter or more (although from very low starting points). Accommodation and food services was the sector most affected by the termination or non-renewal of temporary contracts. Temporary employment in this sector declined by 42% year-on-year to Q2 2020.

The numbers of workers with multiple jobs also declined sharply, by 900,000 (–13% year-on-year) in the EU27 (Figure 3). Large decreases were recorded in Portugal (–38%), Cyprus (–31%), Ireland (–27%) and Spain (–23%), probably influenced by declines in tourist-related activity during the pandemic. Given that the source data are cross-sectional, it is not possible to determine whether all or most of these workers remained in employment in their main paid job. It is assumed that most of them did.

Figure 3: Change in employment, Q2 2019–Q2 2020, EU27 (%)



Source: Authors’ own calculations, based on EU-LFS data

Employment levels for self-employed people also contracted but more in line with reductions in aggregate employment; the change was therefore not as dramatic as that observed for temporary work. Overall, there were 600,000 fewer self-employed people in Q2 2020 than a year earlier (-2.1%; Figure 3), with a sharper decline among employing business owners (self-employed people with employees, 5%) than among own-account workers (self-employed people without employees, < 1%). In Italy, Poland and Spain, self-employment levels grew year-on-year despite the crisis, which suggests that some of those in dependent employment who lost their jobs during the crisis became self-employed.

Of the three indicators considered – headcount, average weekly working hours and share of workers not working – the share of workers not working most obviously registers the impact of the COVID-19 crisis. The customary share of EU workers not working in the reference week in Q2 2019 was around 7%. This more than doubled to 17% during Q2 2020 (Table 1). Decreases in headcount employment and average weekly working hours for those continuing to work were also widespread, although less important contributors to the overall decline in hours worked. Malta was the only country where there was an increase in the employment level in the year-on-year comparison, while in Cyprus, Finland and Hungary there was a modest increase in average weekly working hours. For the remaining countries, these indicators showed stable or declining labour inputs. Weekly working hours fell most sharply in Austria (-2.6 hours per week) and

headcount employment reductions were greatest in Spain (-6.1%) and Bulgaria (-5.6%). The share of those employed but not working increased in all countries year-on-year to Q2 2020, although with significant cross-country variation related to the degree of implementation and coverage of public support measures for workers and their employers in impacted sectors. In six Member States (Belgium, France, Greece, Italy, Slovenia and Spain), and in the UK, at least one in five workers was not working in the reference week in Q2 2020. Therefore, in summary, the estimated decline in aggregate working hours in Q2 2020 was similar to the ILO nowcasting estimates – 14–15% – with two-thirds of this decline accounted for by laid-off/furloughed workers and the remainder more or less evenly split between reductions in headcount employment and working hours.

**Table 1: Changes in employment, hours worked and share not working by country, Q2 2019–Q2 2020, EU27**

Country	Change (Q2 2019–Q2 2020)		
	Employment (%)	Weekly hours worked	Employed but not working (percentage points)
Austria	-3.0	-2.6	4.6
Belgium	-1.9	-1.4	12.2
Bulgaria	-5.6	-0.7	5.6
Croatia	-0.6	-0.9	7.2
Cyprus	-0.1	0.2	22.7
Czechia	-1.6	-0.6	7.2
Estonia	-3.6	-1.1	4.6
Finland	-3.1	0.4	3.4
France	-1.9	-1.1	13.6
Germany	-0.8	-0.7	2.0
Greece	-2.8	-1.3	20.3
Hungary	-2.3	0.4	5.7
Italy	-3.6	-1.3	16.3
Latvia	-1.5	-0.2	5.1
Lithuania	-2.2	-0.7	7.8
Luxembourg	0.0	-1.5	5.8
Malta	2.8	-0.3	12.3
Netherlands	-0.6	-0.8	3.1
Poland	-1.3	-0.8	5.9
Romania	-3.5	-1.4	8.6
Slovakia	-2.5	0.0	15.7
Slovenia	-2.3	0.0	10.7
Spain	-6.1	-0.4	20.5
Sweden	-1.9	-0.5	1.1
EU27	-2.4	-0.9	9.6

Note: No data were available for Denmark, Ireland and Portugal.

Source: Authors' own calculations based on EU-LFS quarterly data

## Impact on different groups of workers, sectors and occupations

This section provides information on the demographic categories that have been most affected by the sharp decline in employment noted in the previous section. The impacts of the crisis have been felt disproportionately by younger workers and female workers. As in most downturns, the cohort aged 15–25 years has experienced the sharpest reductions in employment, as job recruitment has largely ground to a halt. Sectors employing a relatively large proportion of young people, such as the hospitality and leisure sectors, have also been disproportionately affected by COVID-19 lockdown measures and related job losses.

Employment levels declined by 7–8% for this age group between Q2 2019 and Q2 2020 (Table 2), depending on gender, with younger female workers somewhat more affected. The increase in the share of workers not working/on furlough was also higher for this age group (+11–12 percentage points) than for older workers.

The largest reductions in working hours were reported for male workers. A plausible inference from the data is that, while male workers were more likely to have reduced their hours of work as a result of the pandemic, female workers were more likely to have been absent from work altogether (while remaining employed). One caveat is that these findings are for the EU27 as a whole and indicators may have varied widely across countries.

**Table 2: Changes in employment, hours worked and share not working by age and gender, Q2 2019–Q2 2020, EU27**

Sex and age (years)	Change (Q2 2019–Q2 2020)		
	Employment (%)	Weekly hours worked	Employed but not working (percentage points)
Male 15–24	-7.1	-0.1	11.1
Female 15–24	-8.0	0.1	11.9
Male 25–54	-2.6	-1.3	9.0
Female 25–54	-2.7	-0.7	10.3
Male 55–64	0.9	-1.3	8.5
Female 55–64	0.8	-0.6	9.6
Male 65+	-1.7	-1.4	7.8
Female 65+	-4.7	-0.9	9.3
EU27	-2.4	-0.9	9.6

Source: Authors' own calculations, based on EU-LFS data

For prime-age workers (25–54 years), reductions in employment were much lower, while employment levels increased for the pre-retirement cohort (55–64 years), probably for reasons related to population ageing. The decrease in employment levels for the post-retirement cohort (65+ years) goes against the trend. In the period of employment expansion 2013–2019, this was the fastest-growing cohort in relative terms. It appears that many older workers have altered their retirement plans as a direct result of the COVID-19 pandemic (Crawford and Karjalainen, 2020). In jobs with a high degree of social contact, the increased vulnerability of older workers to the worst effects of the virus is likely to have been a determining factor (Baily et al, 2020).

For those who continued to work, weekly working hours decreased more for men than for women over the period studied, while employed women were more likely to have temporarily stopped working altogether. This latter pattern was already identified in real-time survey data collected in the UK during the first wave of the pandemic, when a higher share of women was on furlough (28% compared with 24% of men). A plausible explanation is that working women and mothers have borne the main brunt of increased domestic care responsibilities during the pandemic – because of work, school and childcare centre closures – as care responsibilities usually fall on them (Sevilla and Smith, 2020). In dual worker households, where there was a choice, women were more likely to avail of furlough opportunities than their male partners.

To some extent, the differential effects of the crisis by age and gender relate to an overrepresentation of younger and female workers in contact-intensive services sectors that were the first to be subject to restrictions during the spring 2020 lockdowns (hospitality, retail, arts and entertainment), and in sectors where demand levels slumped directly or indirectly as a result of the crisis (notably air transport).

The sector most affected by reductions in labour inputs during the crisis was the accommodation sector (Table 3). Employment contracted in this sector by nearly one-quarter in the 12 months to Q2 2020; just over half of the remaining workers in the sector were on furlough in a given week during the quarter; and those who were working were working on average 5.4 hours less than in a usual working week. Taken together, this implies that there was about a two-thirds reduction in paid working hours in this sector. More broadly, the hospitality, travel and sports and leisure-related sectors – all heavily reliant on close physical proximity – were the sectors that suffered the biggest contractions in hours worked and employment. Although the most important factor in this contraction overall was the share of furloughed workers, job loss was also clearly an important factor in the accommodation, food and beverage and travel sectors. In these sectors, extensive recourse to furloughing may have saved some vulnerable jobs but not all; around one in five jobs disappeared between Q2 2019 and Q2 2020.

**Table 3: Sectors most and least affected by the crisis (NACE Rev. 2), Q2 2019–Q2 2020, EU27**

Sector	Change (Q2 2019–Q2 2020)		Q2 2020
	Employment (%)	Weekly hours worked	Employed but not working (%)
<b>Most affected</b>			
Accommodation	-22.9	-5.4	50.9
Food and beverage service activities	-17.9	-2.9	47.4
Gambling and betting activities	-10.5	-1.3	49.3
Sports activities and amusement and recreation	-5.4	-2.2	42.6
Air transport	-9.3	-6.8	44.8
Travel agency and tour operator activities	-19.9	-7.2	39.5
Other personal service activities	6.5	-1.7	35.3
Manufacture of leather and related products	-9.2	-0.7	31.3
Creative, arts and entertainment activities	-7.0	-3.6	34.4
Manufacture of textiles	-1.3	-2.3	24.8
<b>Least affected</b>			
Telecommunications	20.6	-0.5	4.4
Computer programming, consultancy and related activities	18.5	-0.4	1.1
Insurance, reinsurance and pension funding	17.5	-0.8	2.8
Manufacture of basic pharmaceutical products	15.1	-0.2	2.3
Programming and broadcasting activities	12.5	-1.3	3.7
Information service activities	11.7	0.1	1.1
<b>All sectors</b>	<b>-2.4</b>	<b>-0.9</b>	<b>17.0</b>

**Note:** NACE Rev. 2, Statistical Classification of Economic Activities in the European Community revision 2.

**Source:** Authors' own calculations, based on EU-LFS data

While contact-intensive services sectors were most affected by the crisis, other more knowledge-intensive services sectors were relatively less affected. There was robust headcount expansion and less recourse to furloughing in the telecommunications, computer programming and consultancy, broadcasting and information services sectors. Employment resilience

was supported by the teleworkability of much of the work carried out in these sectors (Sostero et al, 2020) and the ad hoc transition to mass telework that occurred in March and April 2020 for much office-based work, often with the explicit encouragement of the public authorities (Box 2).

## Box 2: The telework buffer

During the COVID-19 pandemic, one form of labour market adjustment that has been numerically as important as, if not more important than, those already considered in this section has been the mass shift to working from home. The capacity of around one-third of the workforce to shift from working in an office or at an employer's premises to working from home has been an important labour market buffer, preventing further job losses. It has also supported the public health effort by reducing social contacts. Most Member State governments have explicitly included recommendations for employers and workers to work from home where possible as part of national lockdown measures.

What is surprising in retrospect is that working from home was a comparatively marginal experience before the pandemic, with fewer than 1 in 20 employees reporting working in this way regularly in 2018, and less than 1 in 10 working this way occasionally (Sostero et al, 2020). The nature of work tasks in most office-based jobs is such that remote working is technically very feasible, assuming the broad availability of personal computers and internet connectivity. In practice, occasional telework appears largely to have been used as a perk for high-tenure, highly qualified workers with significant task autonomy. With many workplaces undergoing enforced closure during

2020, telework became the customary mode of working for many employees, who previously had limited or no experience of working in this way.

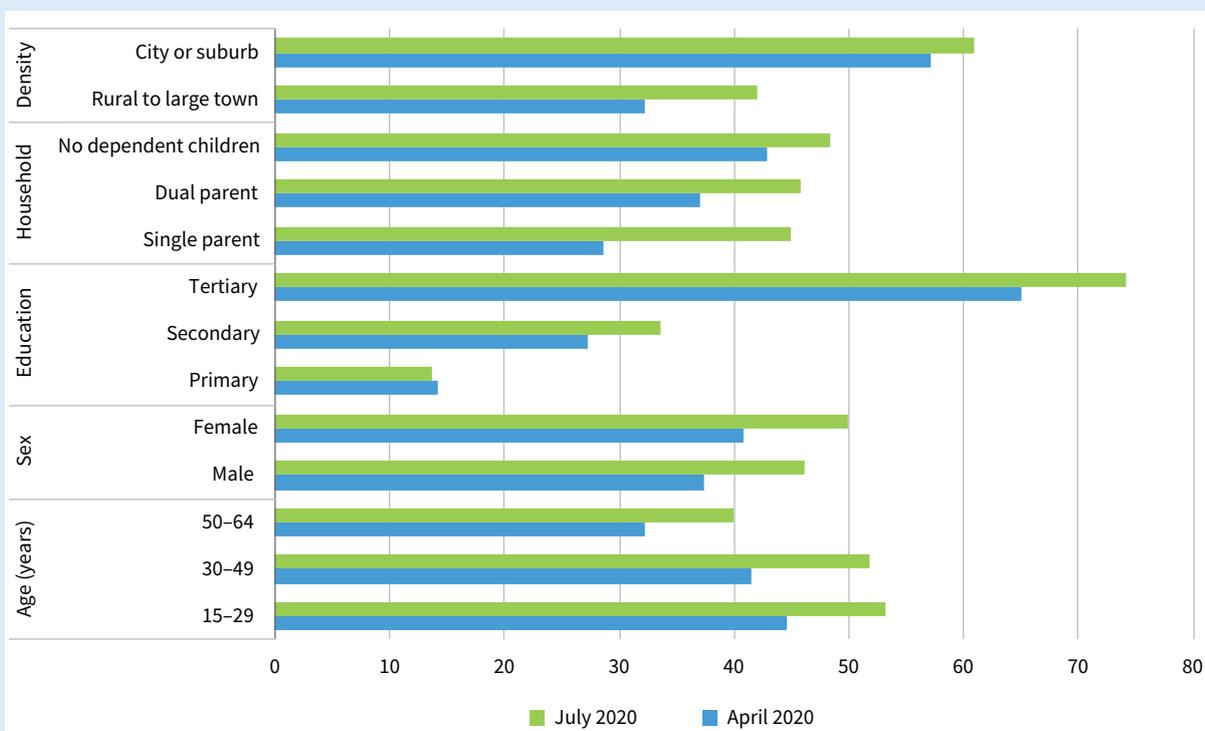
In the first Eurofound ‘Living, working and COVID-19’ e-survey in April 2020 (Eurofound, 2020b), over one-third (39%) of EU27 employees indicated that they were working from home because of the pandemic. By July 2020, this share had increased to 48% (34% working exclusively from home and 14% working partially from home in conjunction with working from other locations, including their employer’s premises).<sup>6</sup> Those who were working from home in July 2020 were mainly employees with previous regular telework experience, although 46% of those who had no previous telework experience also indicated that they were working from home during this period.

The share of those working from home in April 2020 was over 30% in all but four Member States. However, there was a wide variation between countries (for example, from 18% in Romania to 59% in Finland). The highest proportions of employees working from home were in the Nordic and Benelux countries, consistent with other sources reporting a relatively high pre-outbreak prevalence of telework in these countries (Sostero et al, 2020).

The best predictors of telework were level of education and location (Figure 4). Two-thirds or more of those with third-level degrees teleworked during the crisis compared with one-third or less of those with lower levels of attainment. Those who were resident in cities or city suburbs were also more likely to work from home. Women were somewhat more likely than men to report having started working from home in the post-outbreak period. The biggest rise in the prevalence of working from home was among younger employees, supporting the narrative that the COVID-19 crisis has equalised access and removed, at least provisionally, the status-related dimension of access to telework.

Working from home was most common (two-thirds or more of employees) in the services sectors – notably education, financial services and public administration – with lower incidences (around one-quarter or less of employees) in ‘frontline’ sectors such as health, transport and agriculture, as well as in sectors subject to specific lockdown restrictions with a large share of place-dependent employment, such as commerce and hospitality.<sup>7</sup>

Figure 4: Share of workers working from home during the crisis, April and July 2020, EU27 (%)



Note: No data were available for Slovenia for the April 2020 edition of the e-survey. Formulation of the telework questions changed between the April and July 2020 editions of the survey.

Source: Authors’ own calculations, based on Eurofound’s ‘Living, working and COVID-19’ e-survey data

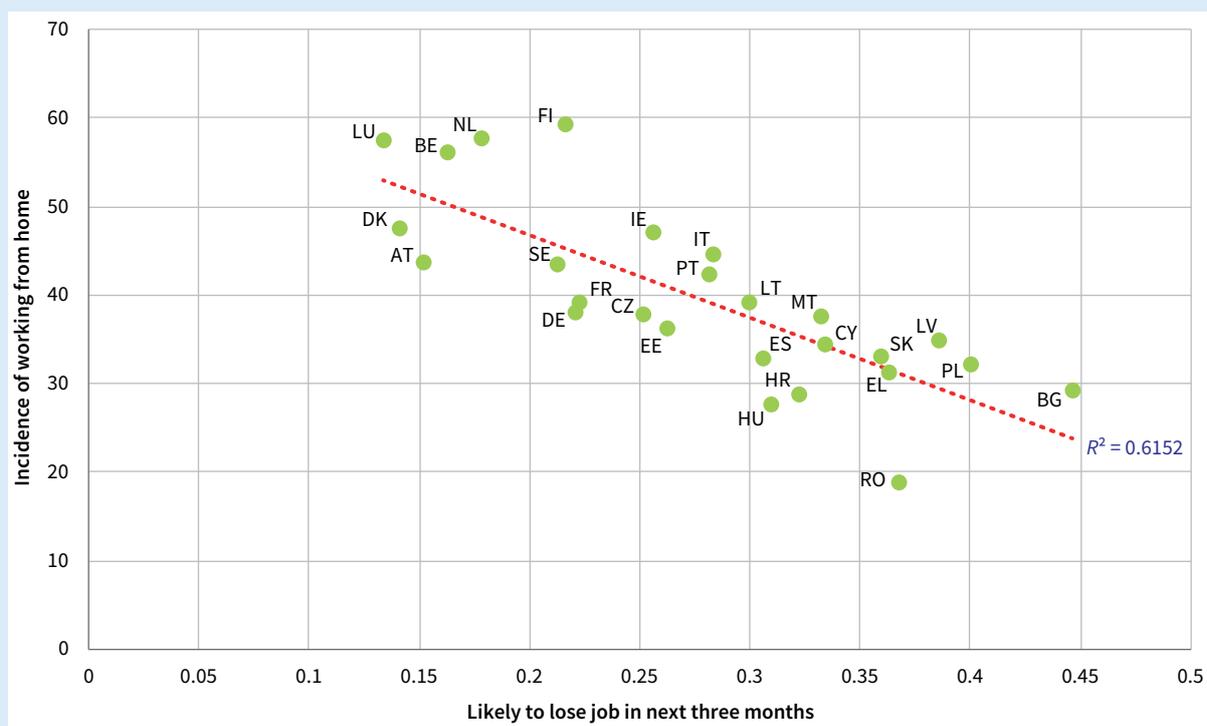
6 It should be noted that the questions on working from home were formulated differently in the April 2020 and July 2020 editions of the survey.

7 The sector variable was included only in the July 2020 edition of the survey.

With regard to employment-related variables, based on the April 2020 edition of the e-survey, those who reported working from home ‘at least several times a month’ before the outbreak were less likely than those with ‘no or very limited’ experience of working from home to have lost their job either permanently (1% compared with 2%) or temporarily (11% compared with 20%). Those working from home were also less likely to have experienced a decline in working hours and were more likely to be confident about retaining their job over the next three months, although both of these associations were stronger in April 2020 than in July 2020, when the COVID-19 restrictions were relaxed somewhat. It seems therefore that working from home offered some buffer against negative labour outcomes. It contributed to the resilience of employment by facilitating employment continuity in a context of widespread workplace closures. However, the types of jobs in which telework is most prevalent – higher skilled, knowledge-based services work – tend to be those with more secure employment relationships, linked to high levels of job-specific human capital.

Working from home appears to have mitigated negative employment effects not only at the individual level but also at the national level. In countries where a higher share of employees began working from home as a result of the pandemic, a smaller share reported temporary or permanent job losses or that their working time had decreased in April 2020. Job insecurity was also lower in these countries (Figure 5). This association weakened but remained significant ( $R^2 = 0.23$ ) in July 2020 – although country estimates were less reliable in this edition of the survey because of the smaller sample sizes.

**Figure 5: Incidence of telework (%) and self-reported likelihood of job loss, April 2020, EU27**



**Notes:** ‘Likely to lose job’ was reported on a scale from 0 to 1, with 0 = ‘very unlikely to lose job in the next three months’ and 1 = ‘very likely to lose job in the next three months’. No data were available for Slovenia for the April 2020 edition of the e-survey.

**Source:** Authors’ own calculations, based on Eurofound’s ‘Living, working and COVID’ e-survey data

The better labour market outcomes for well-paid and highly qualified workers are related to the extent to which the task content in such jobs lends itself to remote working (‘teleworkability’; see Sostero et al, 2020) and is therefore not place-dependent.

In addition, demand for services in the knowledge-intensive services sectors appears to have been boosted as ongoing processes of digitalisation accelerated as a consequence of the crisis. Apart from these sectors, one subsector in manufacturing – pharmaceuticals – has also been largely unaffected by the crisis. It too is a ‘knowledge-intensive’ subsector, one of the few in manufacturing enjoying structural employment growth, and has most likely benefited from increased research activity and product demand arising from the public health emergency.

Each Member State has regulated the pandemic-related lockdown mainly by identifying essential and non-essential activities by sector, broadly related to the satisfaction of basic needs, primarily health, food and security (Fana et al, 2020). Levels of agricultural employment, otherwise in general decline, have been supported as a result and labour inputs in this sector have declined only marginally.

The impacts of the crisis at occupational level were in keeping with what was expected, given the sector effects noted above. Headcount reductions were highest among lower level service workers – notably service and sales workers and elementary occupations, at -8% and -10%, respectively (Table 4). Employment in the former category is highly concentrated in hospitality, retail and health, while employment in the latter category is more widely distributed by sector but with the highest shares in manufacturing, retail and administrative/support services such as security,

cleaning and building maintenance. These were also the occupations for which the share of workers not working was highest (27% and 22%, respectively), again reflecting their concentration in the sectors most affected by COVID-19-related lockdown measures and closures. The share of workers not working was also higher than average among blue-collar occupational categories in manufacturing and construction.

Professionals and technicians and associate professionals were the only two occupational categories in which the headcount employment increased year-on-year. At the same time, the share of workers not working increased in both cases, although more modestly than for other occupational groups (from 9% to 12% and from 9% to 16%, respectively). The other occupation that was less affected was skilled agricultural workers, an ‘essential worker’ category with a high level of self-employment and where restrictions on social mixing and proximity did not impact as heavily as for other sectors. However, abattoirs and meat processing plants have been the source of many COVID-19 clusters and outbreaks.

Reductions in working hours were much more evenly distributed across the occupational categories with the exception of managers, for whom the weekly hours worked decreased by 2.7 in Q2 2020 compared with Q2 2019. Sharp falls in working hours for the subcategory of hospitality, retail and other services managers reduced the overall average weekly hours worked in this category.

**Table 4: Changes in employment, hours worked and share not working by occupation, Q2 2019–Q2 2020, EU27**

Occupation	Change (Q2 2019–Q2 2020)		Q2 2020
	Employment (%)	Weekly hours worked	Employed but not working (%)
Managers	-3.4	-2.7	12.3
Professionals	5.0	-0.7	12.1
Technicians and associate professionals	1.3	-1.2	15.5
Clerical support workers	-1.1	-0.9	16.7
Service and sales workers	-7.9	-0.7	26.5
Skilled agricultural, forestry and fishery workers	-1.7	-0.4	4.7
Craft and related trade workers	-4.9	-1.2	18.0
Plant and machine operators and assemblers	-6.3	-0.9	18.5
Elementary occupations	-9.9	-0.7	21.6
<b>EU27</b>	<b>-2.4</b>	<b>-0.9</b>	<b>17.0</b>

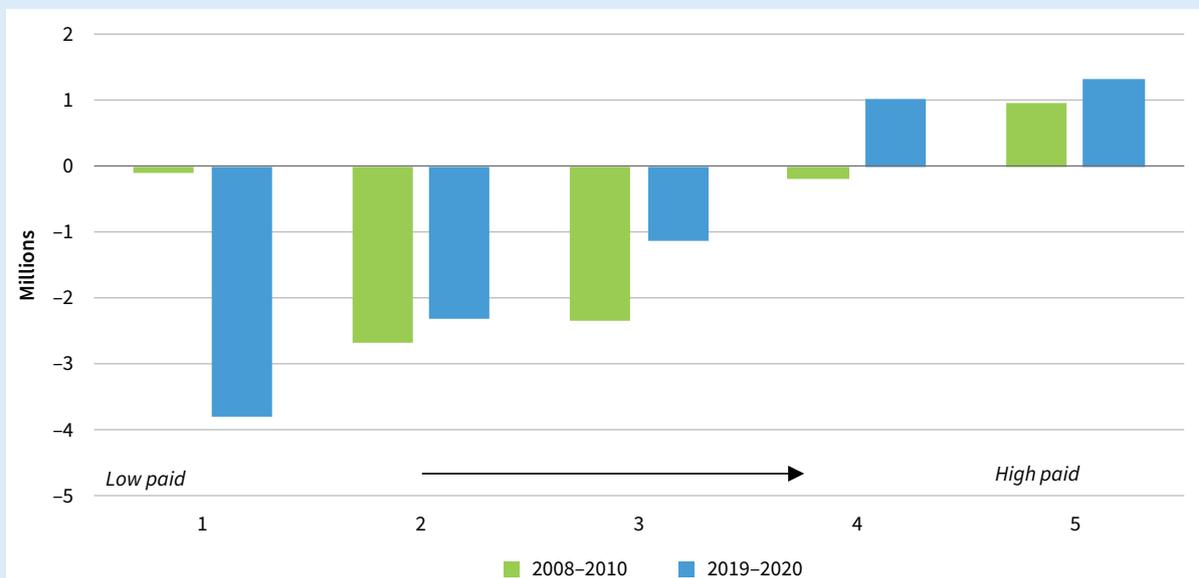
Source: Authors’ own calculations, based on EU-LFS data

### Box 3: Comparing employment shifts during the two most recent crises

In the European Jobs Monitor, Eurofound breaks down net employment shifts over time by job, where a job is defined as a given occupation in a given sector, for example, a health professional in the health sector or a sales assistant in the retail sector. Ranking jobs defined in this way by the mean or median hourly wage makes it possible to see where in the wage distribution employment is being created or, as in the current recession, being lost. Figure 6 compares the impacts of the current COVID-19 recession with those of the last recession of comparable severity, that of the global economic and financial crisis (2008–2010).

Based on EU-LFS quarterly data provided by Eurostat, employment levels in the EU27 declined by 4.9 million in the 12-month period from Q2 2019 to Q2 2020, a larger fall than the 4.3 million decline recorded in the two years between Q2 2008 and Q2 2010. Employment losses during the current crisis were therefore larger and occurred more quickly than those experienced during the global crisis, despite the huge fiscal supports mobilised to protect employment detailed in the current report.

**Figure 6: Employment shifts by job–wage quintile: Two crisis periods compared, EU27**



**Note:** Data are from Q2 for each year.

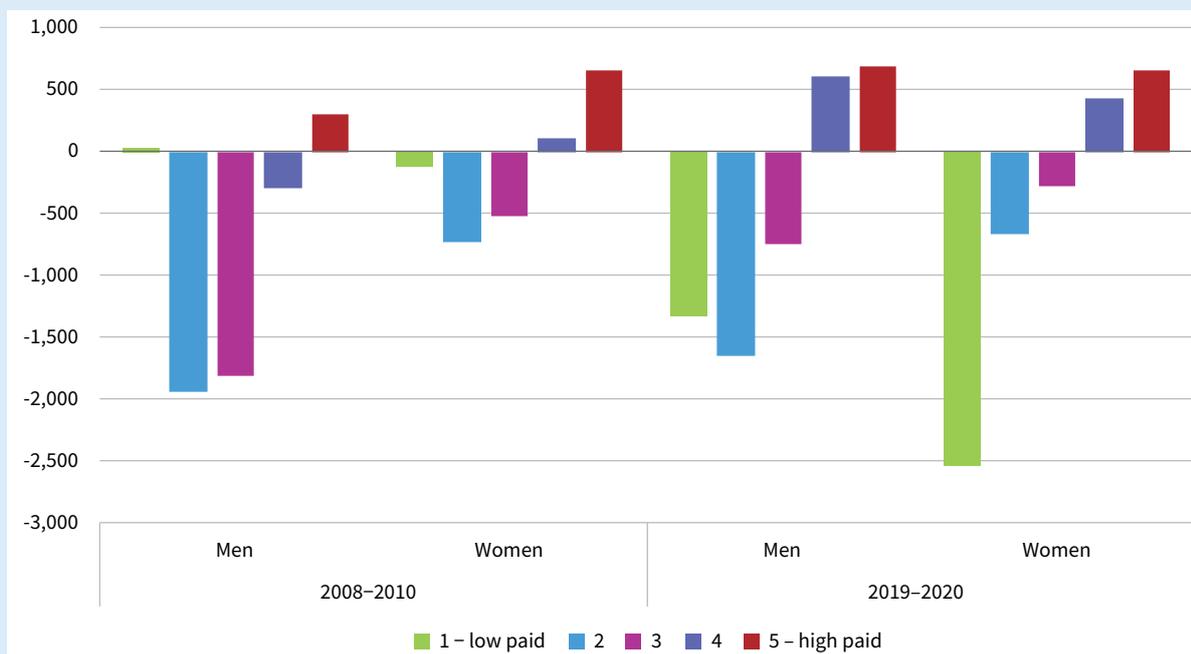
**Source:** Authors' own calculations, based on EU-LFS data

In terms of the distribution of these employment losses across the job–wage spectrum, there are both striking similarities and interesting contrasts when comparing the two recessions. In both periods, well-paid work was comparatively sheltered from the worst effects of the crisis. Employment continued to grow in jobs accounting for the best-paid 20% of employment (top quintile), with approximately one million net new jobs created in both periods. During the COVID-19 pandemic, there was also significant growth in employment in the second highest quintile (+1 million). Since the 1990s, aggregate employment growth in the EU during both recessions and periods of expansion has been relatively strong for well-paid jobs (Eurofound and European Commission JCR, 2019).

However, net employment losses were distributed quite differently in the two periods of contraction. During the COVID-19 pandemic, employment changes have been monotonically declining along the job–wage distribution with the sharpest losses in the lowest paid jobs. Employment shifts have in this sense been structurally 'upgrading', albeit as a result of the disproportionate loss of low-paid employment. During the global financial crisis, the sharpest losses were recorded in the middle of the distribution, with the lowest paid jobs relatively unaffected. The employment contraction experienced during 2008–2010 was therefore more polarised, with a hollowing-out of mid-paid employment.

These differences in distribution of job losses can be explained, at least in part, by the different sectors impacted during each crisis. The COVID-19 pandemic has mainly affected those services sectors with a high level of social contact, including those dominated by women – where average pay levels are low. This is reflected in the sharp contraction in employment in the lowest quintile for women in the right-hand panel of Figure 7.

Figure 7: Employment shifts by gender and job-wage quintile: Two crisis periods compared, EU27



Note: Data are from Q2 for each year.

Source: Authors' own calculations, based on EU-LFS data

Male employment in similar, mainly low-paid service jobs also contracted during the pandemic – much more so than during the global financial crisis, when employment in the lowest quintile was relatively unaffected. However, for men, the most severe impacts of the pandemic – as in the global financial crisis – were felt somewhat further up the wage distribution. Job losses for men in 2008–2010 occurred overwhelmingly in two sectors – manufacturing and construction – where there is a concentration of male employment in mid-paid or low- to mid-paid jobs (quintiles 2 and 3). These sectors have been impacted less by the pandemic – either because they were deemed to be ‘essential’, as in the case of many manufacturing subsectors producing food, toiletries and other essential goods, or because, as in the case of construction, the first lockdown in March/April 2020 was followed by a rapid resumption of activity starting in May 2020 – and in fact activity levels had reverted to 95% of pre-crisis levels by September 2020 (Eurostat, 2020b).

The archetypal job most affected by the pandemic has been that of personal service worker in the accommodation/food services sector (Table 5). This single job has accounted for nearly one-quarter of overall net employment losses during the crisis (-1.1 million).

In summary, the global financial crisis was a ‘mancession’, with two male jobs lost for every female job lost. In contrast, the COVID-19 crisis has been more balanced in its employment loss impacts by gender, although the biggest impacts have been experienced by women working in low-paid services sectors.

Table 5: Jobs with the biggest employment losses by gender, Q2 2019–Q2 2020, EU27

Occupation	Sector	Change in employment (thousands)
<b>Women</b>		
Personal service workers	Accommodation/food services	-622
Cleaners and helpers	Household activities	-273
Sales workers	Retail	-248
<b>Men</b>		
Personal service workers	Accommodation/food services	-495
Drivers and mobile plant operators	Transport/storage	-398
Machinery and related trades workers	Retail	-243

Source: Authors' own calculations, based on EU-LFS data

## 2 | Overview of policy measures

This chapter provides a brief overview of the range of policy measures that have been adopted at EU and Member State levels to address the socioeconomic impacts of the COVID-19 crisis, based on the information gathered in Eurofound's COVID-19 EU PolicyWatch database. It seeks to chart the evolution in the balance of these measures, in tandem with the progress of the pandemic and its impacts since March 2020.

### EU-level policy responses

In the face of the unfolding COVID-19 crisis, the EU and Member States have taken action to minimise its impact on businesses, workers and citizens. The EU has adopted a broad range of financial and other support measures to assist Member States in their efforts to mitigate the worst effects. In early April 2020, a €540 billion emergency rescue package was proposed. This included a pan-European Guarantee Fund established by the European Investment Bank, providing €200 billion in financing for companies (particularly small and medium-sized enterprises (SMEs)), and a new fund, the SURE instrument, providing up to €100 billion to support Member States in the implementation of short-time working schemes and similar measures in an effort to safeguard jobs. The SURE instrument gives loans on favourable terms to EU countries facing a 'sudden and severe' rise in public expenditure to protect employment (for more information, see Chapter 3). In addition, flexibility in the use of the EU Structural Funds was increased to allow Member States to transfer money between different funds and regions to lessen the impact of the pandemic. Specific sectoral measures have also been developed to support the most hard-hit sectors, for example, the tourism sector. A plan to borrow €750 billion to support recovery efforts in the EU was agreed by EU leaders in July 2020. At the heart of this effort is the €672.5 billion Recovery and Resilience Facility (RRF). The goal of the RRF is to assist Member States in dealing with the economic and social impacts of the pandemic while ensuring that economies undertake green and digital transitions to make them more sustainable and resilient.

### National policy responses

At the national level, the policy response has also been unprecedented. Eurofound has provided a first overview of the range of mitigation measures taken (2020c). The categories of policy initiatives identified are presented in Table 6. Over time, the necessary adaptation of workplaces and ways of working required different approaches to managing and organising work and the measures introduced were subsequently integrated into Eurofound's COVID-19 EU PolicyWatch database. Similarly, when the impact of the first wave of the pandemic subsided, greater emphasis was placed on policy packages to stimulate the economy and to reintegrate those who had lost their jobs or who were unemployed before the pandemic and who had seen their chances of reemployment diminish. As these types of measures will increase in importance as economies emerge from the impact of the second wave (and possible subsequent waves) of the pandemic, a new category entitled 'Promoting the economic, labour market and social recovery' was created, consisting primarily of stimulus packages and active labour market policies.

The purpose of this chapter is to provide a short overview of the evolution of Member State policies in these different categories. Figure 8 shows that, by October 2020, initiatives aimed at keeping businesses afloat made up the largest share of measures recorded in the COVID-19 EU PolicyWatch database,<sup>8</sup> as was the case when the first set of COVID-19 policy packages was recorded in April 2020 (Eurofound, 2020c). This reflects the importance accorded to preventing business failure – and, as a result, retaining employment, preventing hardship and maintaining higher levels of purchasing power – in the short to medium term in the face of public health restrictions that have shut down or reduced activity in a number of sectors. The prevalence of one-off, relatively small-scale subsidies among these measures reflects the dominance of quite small, poorly capitalised enterprises among those businesses most directly affected by lockdown measures.

<sup>8</sup> This reflects their numerical share rather than budgets expended or numbers of beneficiaries. It is important to note that some countries adopted their measures as policy packages whereas others adopted a wide range of separate measures, and this can have an impact on the number of initiatives recorded by country. As a result, no country-level evaluation of the balance of measures introduced is attempted here.

**Table 6: Categorisation of mitigation measures**

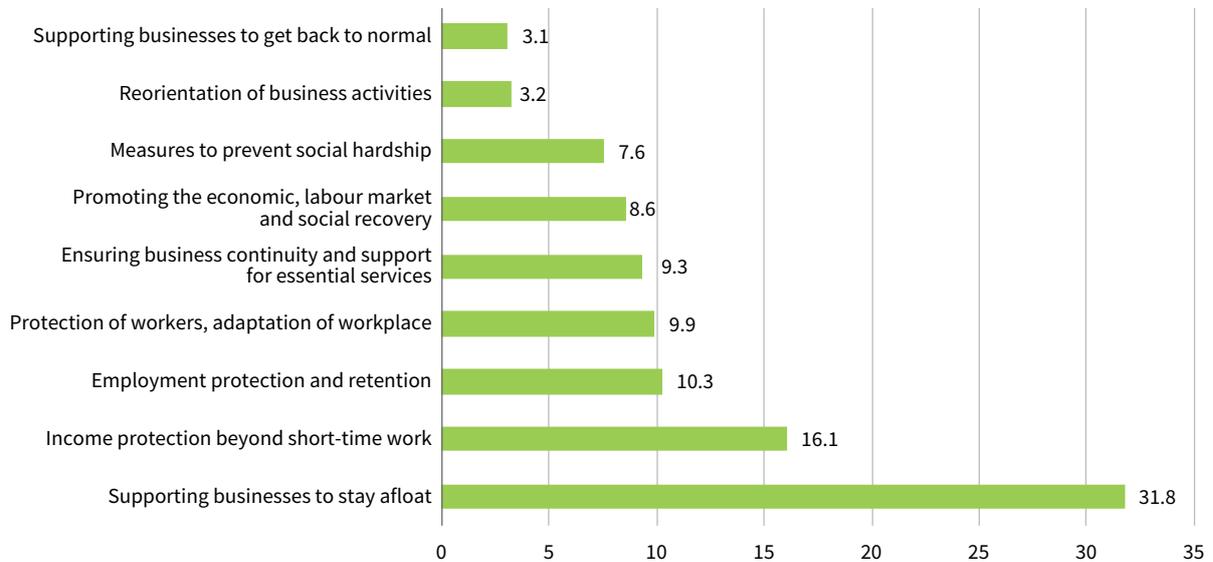
For businesses	For workers	For citizens
<b>Ensuring business continuity and support for essential services</b> <ul style="list-style-type: none"> <li>○ Mobilisation of a larger workforce</li> <li>○ Smoothing frictions or reallocation of workers</li> <li>○ Change of work arrangements (working time, rota schemes)</li> <li>○ Remuneration and rewards for workers in essential services</li> </ul>	<b>Protection of workers, adaptation of workplace</b> <ul style="list-style-type: none"> <li>○ Occupational health and safety</li> <li>○ Teleworking arrangements, remote working</li> <li>○ Changes of working hours or work arrangements</li> <li>○ Well-being of workers</li> <li>○ Changes in work organisation</li> <li>○ Changes of management approach</li> </ul>	<b>Measures to prevent social hardship</b> <ul style="list-style-type: none"> <li>○ Keeping a safe home</li> <li>○ Provisions of services in kind (e.g. food vouchers)</li> <li>○ Preventing over-indebtedness</li> <li>○ Access to healthcare</li> <li>○ Protection of vulnerable groups (beyond employment support)</li> </ul>
<b>Reorientation of business activities</b> <ul style="list-style-type: none"> <li>○ Change of production/innovation</li> <li>○ Transfer or redeployment of workers</li> <li>○ Creation of platforms for businesses aimed at customers</li> <li>○ Matching/networking</li> </ul>	<b>Income protection beyond short-time work</b> <ul style="list-style-type: none"> <li>○ Support for parents and carers (financial or in kind)</li> <li>○ Paid sick leave</li> <li>○ Income support for unemployed people</li> <li>○ Extensions of income support to workers not covered by any kind of protection scheme</li> </ul>	
<b>Supporting businesses to stay afloat</b> <ul style="list-style-type: none"> <li>○ Access to finance</li> <li>○ Direct subsidies (full or partial)</li> <li>○ Deferral of payments or liabilities</li> <li>○ Rescue procedures in cases of insolvency or adaptation of insolvency regulation</li> </ul>		
<b>Employment protection and retention</b> <ul style="list-style-type: none"> <li>○ Income support for people in employment (e.g. short-time work)</li> <li>○ Working time and working time flexibility</li> <li>○ Wage flexibility</li> </ul>		
<b>Supporting businesses to get back to normal</b> <ul style="list-style-type: none"> <li>○ Measures to support a gradual relaunch of work</li> <li>○ Enhancing employability and training</li> </ul>		
<b>Promoting the economic, labour market and social recovery</b> <ul style="list-style-type: none"> <li>○ Active labour market policies, including subsidised job creation</li> <li>○ Flexibilisation and security</li> <li>○ Support for spending, stimulus packages</li> </ul>		

Source: COVID-19 EU PolicyWatch database

Income protection measures beyond short-time working made up the next largest share of measures, emphasising the importance of extending support to groups not previously covered (such as self-employed people) and enhancing sick pay schemes for workers affected by COVID-19 or self-isolating. In the first wave of the pandemic, when schools and crèches remained closed in many EU countries, measures to support parents who were unable to work were considered to be crucial. These initiatives became less relevant in the

context of the second wave, as childcare facilities and educational institutions remained open in most countries. In order to assist both individuals claiming unemployment benefits when the crisis struck and those losing their jobs as a result of the pandemic, most Member States extended access to – and in some cases increased the level of – unemployment benefit payments. In the face of diminishing job vacancy rates, requirements around job searching were also temporarily eased in a number of Member States.

Figure 8: Distribution of policy measures by category, October 2020, EU27 (%)



Source: COVID-19 EU PolicyWatch database

Employment protection and retention initiatives were largely focused on short-time working and temporary unemployment schemes. The other key measures used to maintain employment, production and service provision during the pandemic related to the large-scale implementation of telework, as mentioned in Chapter 1 (captured in the database under the heading ‘Protection of workers, adaptation of workplace’). The nature of the crisis as a health emergency is reflected in the high share of occupational health and safety measures put in place at the workplace level, initially for essential workers and those unable to work from home and later in preparation for the return to the workplace of a large share of the workforce.<sup>9</sup> Many governments and employers also supported broader well-being programmes, recognising the toll taken by the pandemic, not only on workers’ physical health but also on their mental health.

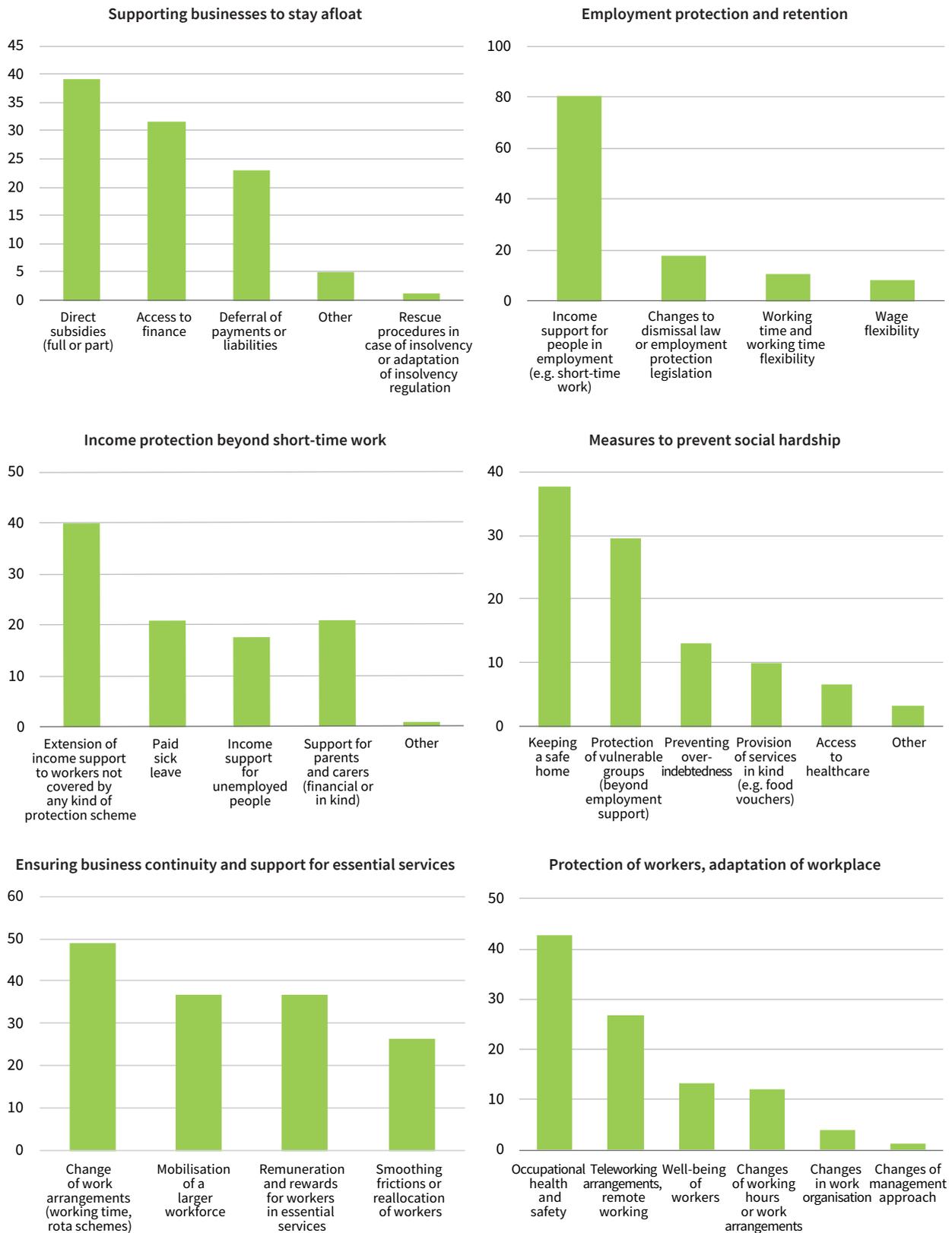
As shown in Figure 9, in terms of business continuity measures, during the first wave of the pandemic there was a particular emphasis on policies enabling the

mobilisation of a larger workforce and the reallocation of staff from sectors witnessing a decline in demand to those with a greater need for workers. Although the second wave again placed pressure on healthcare systems, in November 2020 this was not as pronounced as during the first wave, shifting the emphasis more to changes in working conditions.

Among the measures targeted at preventing social hardship, those allowing households to ‘keep a safe home’ through the introduction of mortgage moratoria and rent deferrals remained at the forefront, followed by policy initiatives to protect particularly vulnerable groups from the impact of the pandemic (including in-kind support such as food banks as well as financial support for particularly vulnerable groups, such as older people and people with disabilities). These measures, as well as employment protection and income support measures for workers and self-employed people, are described and analysed in more detail in the subsequent chapters of this report.

<sup>9</sup> The European Agency for Safety and Health at Work (EU-OSHA) has published a wide range of guidance documents to help sectors and workplaces manage the health and safety challenges of the pandemic. See [https://osha.europa.eu/en/themes/covid-19-resources-workplace#pk\\_campaign=ban\\_homecw](https://osha.europa.eu/en/themes/covid-19-resources-workplace#pk_campaign=ban_homecw) for more information.

**Figure 9: Focus of interventions in the most commonly implemented categories of measures, October 2020, EU27 (% of total measures in that category)**



Note: Data reflect the information in the COVID-19 EU PolicyWatch database as of October 2020.  
 Source: COVID-19 EU PolicyWatch database

# 3 Employment protection schemes

## Introduction

The experience of the 2008–2010 global financial and economic crisis demonstrated the importance of the continued attachment of workers to the labour market during temporary shocks, allowing firms to retain skills, expertise and labour (Boeri and Bruecker, 2011; Cahuc and Carcillo, 2011). In relation to the COVID-19 crisis, maintaining this attachment will allow affected organisations to have a smoother path towards recovery as restrictions are eased and demand grows (Eurofound, 2020c). Short-time working and similar schemes benefit employers as they allow them to ‘hoard’ workers, with a significant part of the associated cost being paid by the state. This can be particularly important for SMEs, which generally face more significant challenges in recruiting the workers they need. The state benefits equally, as lay-offs are limited (thus reducing the burden on unemployment benefit insurance and the welfare state) and purchasing power is maintained at a higher level than would otherwise be the case (Konle-Seidl, 2020). Calculations have shown that short-time working schemes, while costly, are cheaper than unemployment benefit schemes (even without taking into account the negative longer-term impacts of unemployment). Workers also benefit by retaining their jobs and (usually) receiving a higher level of income than would be the case if they were receiving unemployment benefits. One assessment of the German short-time work scheme (*Kurzarbeit*) introduced during the 2008–2010 global financial and economic crisis found that it preserved around 580,000 jobs (Hijzen and Martin, 2013).

This chapter describes the development and evolution of employment protection schemes aimed at salaried employees during the first phase of the COVID-19 crisis (March–September 2020) and maps differences between the measures in terms of eligibility and level and duration of support.<sup>10</sup> It also provides an assessment of the take-up of these schemes and budget implementation during the first wave of the COVID-19 pandemic and its aftermath, including the contribution of EU funding to these schemes. Particular attention is also paid to the question of whether the ‘downtime’

experienced during the take-up of employment protection schemes was used to enhance human capital through training.

The chapter concludes with a first analysis of the impact of short-time working on safeguarding employment and income levels between March and September 2020 and the policy lessons that can be learned from the use and strengths and weaknesses of these schemes in the context of the pandemic and beyond.

## Development and evolution of employment protection schemes

The information gathered in Eurofound’s COVID-19 EU PolicyWatch database demonstrates that the expansion of what it categorises as ‘employment protection’<sup>11</sup> schemes has been one of the key features of the pandemic, building on lessons learned during the 2008–2010 financial and economic crisis (Eurofound, 2020c). The use of such schemes to preserve jobs in companies experiencing a temporary drop in demand received strong backing from the European Commission and the Council of the European Union with the introduction of the SURE instrument.

### Changes to existing schemes and introduction of new schemes

Twelve countries introduced new schemes during the first phase of the pandemic (Cyprus, Denmark,<sup>12</sup> Estonia, Greece, Hungary, Ireland, Latvia, Lithuania, Malta, Poland, Romania and Slovenia), while others amended existing measures. These amendments primarily revolved around simplifying administrative access and broadening eligibility criteria. Austria, Finland, France, Germany, Italy, Portugal and Spain increased access to groups of workers not previously covered (for example, apprentices and workers on non-standard contracts, such as part-time and fixed-term contracts, and agency workers or workers in domestic settings). Eight countries also enhanced the generosity of benefits by temporarily increasing income replacement rates (Austria, Belgium, Czechia, France, Germany, Slovakia, Spain and Sweden).

10 Several tables (1, 4 and 10) in a working paper published at the same time as this report provide a full overview of the schemes covered by this report (Eurofound, 2021a).

11 In line with the descriptor used in the database, in this report the term ‘employment protection schemes’ is used to refer to short-time working and temporary unemployment measures. It should be noted that different terms are used in other publications. The Organisation for Economic Co-operation and Development (OECD), for example, refers to these schemes as ‘job retention’ measures (OECD, 2020a).

12 A type of short-time working scheme already existed in Denmark through job-sharing arrangements, but the temporary unemployment scheme is new.

## Categorisation of schemes

Eurofound (2010) categorised employment protection measures into two types that share a common feature: workers are paid for more working hours than they supply during the period of operation of such measures. The two types of measures are:

- short-time working schemes, in which working time is reduced but employees still work on an ongoing basis for the company, helping to stabilise employment and support workers' incomes
- temporary lay-offs, in which workers do not work at all for a period but their employment contract is maintained and they receive a certain level of income

Amendments to existing schemes and the development of similar measures in some Member States in response to the first phase of the COVID-19 crisis have arguably led to a degree of convergence between these approaches, but have also introduced greater complexity to the policy landscape, with some countries introducing several employment protection schemes aimed at different situations. This was done to meet the challenges of the far greater use of these schemes than was previously the case. New and amended schemes also addressed the specificity of the pandemic and associated public health responses, which closed down some sectors entirely and significantly impacted on the operation of others. In particular, this required the development of different approaches to the parameters within which working time could be reduced. Broadly speaking, three different approaches were taken in relation to this:

- enhancement of the flexibility of existing short-time working schemes by allowing working time to fall to zero for a period of time

- expansion of temporary unemployment measures to allow workers to perform some work and to alternate between periods of work and non-work
- establishment of separate schemes to meet the challenges of different situations (that is, through the introduction of a 'traditional' short-time working scheme and a temporary unemployment measure)

Another category of employment protection measures used in a number of countries was temporary wage subsidy schemes, which are used to subsidise hours worked and also to top up the earnings of workers on reduced hours (OECD, 2020a).

Table 7 lists the types of schemes in place in EU Member States in September 2020. It demonstrates that countries with rather well-established short-time working schemes, such as Austria,<sup>13</sup> France and Germany, allowed working hours to be reduced to zero on a temporary basis, while some countries with long-standing temporary unemployment measures enhanced the flexibility of these schemes to allow for (more) work to be carried out in some weeks. The amended Swedish scheme also provided significant flexibility with regard to the reductions in working hours that were allowed. The only measure provided by Hungary was a short-time working scheme that required at least some work to be performed. Hungary's new *Kurzarbeit* measure allowed reductions in working hours of between 15% and 75%. A similar measure in Spain allowed reductions in working hours of between 10% and 70%, while the Portuguese measure, in place from 30 July 2020, required 30% of working hours to be worked.

**Table 7: Categories of employment protection schemes, September 2020**

Type of scheme	Countries providing each type of scheme
Short-time working (some working hours required)	Bulgaria, Czechia, Denmark (job sharing), Hungary, Portugal, <sup>a</sup> Romania, Slovenia, Spain, Sweden
Short-time working (allowing for periods with no working hours)	Austria (COVID-19-specific provisions only), <sup>b</sup> France, Germany, Italy, Portugal
Temporary unemployment scheme (some working hours possible)	Belgium, Cyprus, Czechia, Estonia, Finland, Greece, Latvia
Temporary lay-off (no working hours allowed)	Cyprus, Denmark, Latvia, Romania (technical unemployment), Slovakia, Slovenia, Spain
Temporary wage subsidy schemes (either allowing or not allowing working hours)	Estonia, Ireland, Netherlands, <sup>c</sup> Poland

**Notes:** <sup>a</sup> The new measure, applied from 30 July 2020, allowed for a reduction in working hours of up to 70%. <sup>b</sup> The scheme required a minimum working time of 10%; however, it was possible to 'average this out' over the short-time working period. <sup>c</sup> The Netherlands replaced existing short-time working schemes with temporary wage subsidy schemes, with neither allowing working hours while on the scheme.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

<sup>13</sup> If an average of 10% of hours are worked over the period; see also Table 7.

The ‘traditional’ distinction between temporary unemployment (allowing for no working hours) and short-time working (requiring some working hours) was often maintained in countries newly introducing such schemes, which means that both types of measures now exist in Cyprus, Romania and Slovenia. In Denmark, a temporary unemployment scheme was created to meet the restrictions imposed in many sectors by the lockdown. This complemented a pre-existing job-sharing scheme that is similar to short-time working arrangements. By September 2020, Latvia had introduced only a temporary unemployment scheme requiring the full cessation of working hours.

### Ongoing amendments of employment protection schemes during the pandemic

Most of the new schemes, and indeed amendments to existing measures, were introduced very quickly in the early phase of the pandemic response (in early to mid-March 2020) in an effort to avoid large-scale job losses, as parts of the economy were forced to close down or had their operations significantly curtailed by government public health measures. This meant that existing systems of collaboration and consultation, including with social partner organisations, were disrupted or functioned less effectively in some countries (see also Chapter 6). Partly as a result of this more limited consultation process, but also because of the evolution of public health measures and their

economic impact over time, many schemes were subject to a range of further amendments. Such revisions can broadly be categorised as:

- clarifying and addressing initial shortcomings and anomalies (usually soon after initial implementation)
- addressing the longer-term nature of the economic impact of the pandemic and the requirement to adjust measures in response to the gradual opening up of the economy

The latter types of amendment can also be seen as efforts to ensure sustainability and prevent the emergence of adverse effects linked to the longer-term use of short-time working schemes, including deadweight effects or the sustaining of ‘zombie companies’ that would not have survived in the long term (Cahuc, 2019; Hijzen and Martin, 2013).

Examples of amendments falling into these different categories are summarised briefly in Table 8.

A key feature of the clarifying adjustments was the inclusion of additional groups of workers. For example, Ireland revised its temporary wage subsidy scheme to address unintended anomalies that had emerged, such as the exclusion of women who were on maternity leave and apprentices who were on block release for training on the cut-off date for access to the measure.

**Table 8: Amendments made to new and existing schemes after their initial introduction by type of amendment, September 2020**

Clarification/addressing anomalies	Adjusting to the evolving situation
Increase in the level of payment to affected workers beyond what was originally foreseen (for example, Denmark, Lithuania, Romania, Spain)	Extension of schemes beyond their original expiry date (most countries)
Inclusion of additional groups of companies and workers that were previously excluded (for example, France, Greece, Hungary, Ireland, Romania, Slovakia, Slovenia)	Extension of the generosity of benefits to workers on short-time working schemes for a long period of time (for example, Germany, Portugal)
	Changes to eligibility criteria and the generosity of scheme provisions, depending on the impact of the pandemic on specific sectors (for example, Belgium, Malta)
	Reduction in state contributions (either requiring employers to pay more or reducing payments to workers) (for example, France, Germany, Spain)
	Restrictions on eligibility (for example, through requirements to prove higher reductions in turnover) (for example, Belgium, Estonia)
	Inclusion of requirement for training to continue to obtain benefits (for example, Austria, Germany)
	Design of new (additional) schemes to meet the effects of the easing of health restrictions and economic impact (for example, short-time working instead of temporary unemployment) (for example, Czechia)

Source: Authors, based on information provided by the Network of Eurofound Correspondents

Other amendments were more wide-ranging and were introduced as a result of pressure from specific interest groups; for example, Romania adjusted its scheme to include freelance workers.

Among the amendments to accommodate the evolving health and economic impacts of the pandemic, temporal extensions, sometimes combined with greater targeting of measures to sectors and employers most significantly impacted, played the most important role. In order to reduce deadweight effects, several countries increased the requirements for employers to cover a higher share of the costs if they wished to continue to receive support (for example, France and Spain). In addition, further eligibility criteria for access were introduced in some countries that had initially provided broad support (sometimes without a requirement for proof of economic impact) in order to reduce deadweight effects (for example, Estonia).

All new and amended schemes were conceived to be time limited, with a number expiring by November 2020, although some schemes were subsequently reactivated with the emergence of the second wave of the pandemic in September/October 2020.

## Eligibility criteria

Eligibility criteria for access to employment protection schemes varied between Member States – and indeed between different schemes in a particular country – and could impact on the potential of these measures to mitigate the effect of the crisis on employment and incomes. This section looks at criteria linked to the types of events covered; criteria related to the size, sector and ‘financial health’ of employers; the groups of

workers who were eligible in terms of the nature of their contracts and status; and criteria related to the level of turnover and/or reductions in working hours and/or the share of the workforce affected. Finally, it assesses the flexibility available in terms of the scale of reductions in working hours.

## Reasons for reduced demand for working hours/workforce

In September 2020, almost all countries included economic reasons leading to temporary reductions in demand among the criteria for accessing employment protection schemes (Table 9). Explicit reference to unforeseen temporary emergencies was also made, including in countries where such schemes were new. Lithuania, for example, named this as the only relevant access criterion for its scheme. In Latvia, the link to the COVID-19 crisis was even more precise, underlining the temporary nature of its scheme. In Denmark, the only valid reason for accessing its short-time working measure was a definite loss of employment. In Belgium, Croatia, Czechia, the Netherlands, Portugal and Spain, issues in the supply chain leading to difficulties and reduced demand for work could also constitute a valid reason for accessing employment protection measures. In the COVID-19 health emergency, this may have been of particular relevance when a supplier company experienced issues in fulfilling orders, for example, because a share of the workforce was required to self-isolate. In Germany, where the system of *Kurzarbeit* is well established – and has one of the broadest scopes in terms of application – a reduced demand for working hours in restructuring situations was also included among the grounds on which to base applications.

**Table 9: Reasons for reduced working hours/workforce requirements, September 2020**

Reason for reduced demand	Countries applying each criterion
Economic reasons/temporary reductions in demand	Austria, Belgium, Croatia, Cyprus, Czechia, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden
Unforeseen temporary emergencies	Austria, Belgium, Croatia, Cyprus, Czechia, Estonia, Finland, France, Germany, Greece, Lithuania, Malta, Netherlands, Portugal, Spain, Sweden
Issues along the supply chain	Belgium, Croatia, Czechia, Netherlands, Portugal, Spain
Seasonal fluctuations in demand	Belgium, Germany, Netherlands
Definite loss of employment without the scheme	Belgium, Bulgaria, Cyprus, Czechia, Denmark, Hungary, Malta, Netherlands, Romania, Slovakia, Slovenia, Spain
Other reasons	Germany (restructuring situations), Latvia (direct link to COVID-19), Spain (isolation of staff because of the pandemic)

Source: Authors, based on information provided by the Network of Eurofound Correspondents

## Sector, size and financial health of employers

Although most countries covered both public and private sector employees in their schemes, a relatively sizable minority of countries covered only private sector companies and employees (for example, Austria,<sup>14</sup> Cyprus, Czechia, Finland, Greece, Hungary, Italy, Malta, Portugal, Romania, Slovakia and Slovenia<sup>15</sup>). The Maltese measure was different in that it covered only specific private sector enterprises considered to be particularly affected by the COVID-19 crisis and granted all of them access, irrespective of any proven loss of income. In the first version of the scheme (running from March until the end of June 2020), the government published two lists of eligible sectors. Annex A listed sectors that had suffered a dramatic impact or that had been forced to temporarily suspend operations, while Annex B listed other adversely affected sectors or subsectors. From July, three categories of sectors were established, depending on the scale of the pandemic's impact. As a result, businesses in different sectors had access to varying levels of support, which was considered by some industry associations to have led to some anomalies (for example, in relation to the support granted to restaurants located in hotels and that granted to independent restaurants).

In terms of the size of companies, a number of countries covered all sizes of company (including solo self-employed people; see also Chapter 4). However, in Austria, Cyprus, Hungary, Poland, Slovenia and Sweden,<sup>16</sup> companies were required to have at least one employee to access the employment protection schemes. Croatia, France, Germany and Spain stipulated a minimum company size of at least 10 employees, which could limit access by small retail and hospitality outlets that employed a limited number of staff, for example.

While the majority of countries did not set any specific requirements for companies to demonstrate their financial health in order to use the schemes, legislation in Austria, Czechia, Hungary, Latvia, Lithuania, Slovakia, Slovenia and Sweden required employers to demonstrate that they were not in a situation of insolvency or bankruptcy or that they had met all their social insurance and tax obligations or both. Such requirements were intended to avoid propping up businesses that were on the margins of survival before the onset of the pandemic.

## Groups of eligible workers

As indicated above, a number of countries increased the coverage of their schemes temporarily to include additional groups of workers, particularly those on non-standard contracts (for example, Finland, France, Germany, Italy, Portugal and Spain). Table 10 provides an overview of the coverage of the schemes included in this report. This demonstrates that most countries included not only workers on standard (open-ended and full-time) contracts but also workers on part-time contracts. Exceptions to the inclusion of part-time workers were schemes implemented in Croatia and Hungary (countries where the share of part-time workers is also relatively low; Eurofound, 2020d). Workers on fixed-term contracts were not eligible for employment protection schemes in Denmark, Hungary and Sweden. In Sweden, fixed-term employees, agency workers and consultants without critical roles are sometimes required to be laid off for employers to be eligible for short-time working schemes. In Finland, under normal circumstances, a fixed-term employee may be temporarily laid off only if they have been taken on to cover for a permanent employee. However, from March 2020, and based on a proposal from the peak-level social partners, a temporary measure was introduced allowing for the temporary laying off of fixed-term workers to avoid an anomalous situation in which employers affected by the impact of the COVID-19 crisis (particularly in the hospitality sector) were able to lay off permanent workers only and had to retain fixed-term workers.

Only 16 countries included temporary agency workers among the eligible groups. In Germany, such workers had been excluded from its employment protection scheme for a number of years, but were included again as a result of the COVID-19 crisis.

France, Ireland, Latvia, Malta, the Netherlands, Portugal and Romania are the only countries that explicitly included some casual workers among those eligible for relevant allowances through their employers. This mainly pertained to specific groups of seasonal workers. As part of its temporary revisions, France included apprentices and workers in domestic settings.

Staff in influential roles, such as chief executive officers (CEOs), managers and employed owner-managers, were excluded from benefiting from short-time working and similar allowances in Austria (depending on the type of employment relationship), Bulgaria, Croatia, Denmark and Italy.

14 Public sector undertakings were covered only if they took part in economic activities.

15 In Slovenia, insurance sector companies with more than 10 employees were excluded.

16 In Sweden, sole proprietors were excluded from the short-time working scheme.

**Table 10: Workers eligible for employment protection schemes (in addition to those on standard contracts), September 2020, EU27**

Eligible workers	Countries including each group of workers
Part-time workers	Austria, Belgium, Bulgaria, Cyprus, Czechia, Denmark, Estonia, Germany, Greece, Finland, France, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden
Fixed-term workers	Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain
Temporary agency workers	Austria, Belgium, Bulgaria, Cyprus, Czechia, Estonia, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Netherlands, Portugal
Workers on casual and other types of contracts (e.g. zero hours)	France, Ireland (except for some seasonal workers), Latvia, Malta, Netherlands, Portugal, Romania
Staff in influential roles (e.g. CEOs, managers, employed owner-managers)	Austria, <sup>a</sup> Belgium, Cyprus, Czechia, Estonia, Finland, France, Germany, Greece, Ireland, Latvia, Lithuania, Malta, Netherlands, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden

**Note:** <sup>a</sup> Shareholders were not eligible.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

Ireland specifically excluded workers earning in excess of €76,000 (gross) per annum, which led to a situation where some employers had to dismiss some of their highest qualified staff. Austria similarly excluded workers earning more than €5,730 gross per month from accessing its subsidy.

Marginal employees (below the income threshold for social security contributions) were explicitly excluded in Austria and Germany.

Despite many countries including fixed-term contract workers in employment protection schemes, this does not appear to have significantly contributed to safeguarding workers on such contracts (see Chapter 1). In this sense, the experience of the COVID-19 crisis does not appear to be very different from that of the financial and economic crisis of 2008–2010, during which short-time working schemes primarily benefited workers on open-ended full-time contracts (Hijzen and Venn, 2011).

### Scale of the downturn and share of workforce affected

Requirements around the minimum reduction in turnover, share of the workforce affected or decrease in working hours can have an important impact on the number of businesses capable of benefiting from employment protection schemes (Table 11). In September 2020, evidence of a reduction in turnover of more than one-quarter was required in Latvia and Portugal to access such schemes. In Latvia, the threshold was 30% for most undertakings but this was reduced to 20% for certain companies (for example, those with an export volume of at least 10% of total turnover). The new Hungarian *Kurzarbeit* scheme

specified its eligibility criterion in terms of reduced working hours, with a 75% reduction in working hours needed to access the short-time working support, thus significantly limiting the number of businesses that were potentially eligible.

In Croatia and Slovakia, a 20% reduction in turnover was required, with a lower reduction level allowed in the manufacturing sector in Croatia. In Estonia, a reduction of 30% was required initially; this increased to 50% from 1 June 2020. In Ireland and Malta (for sectors covered by Annex B of the relevant government regulation), a decline in turnover of 25% was required. In Germany, at least 10% of employees had to forego at least 10% of their working hours. The short-time working schemes in Romania and Slovenia required a minimum reduction in turnover of 10%, with access to the Belgian temporary unemployment scheme also limited to companies experiencing at least a 10% decline in turnover if they wished to include white-collar workers in their applications.

A number of Member States also stipulated the minimum share of the workforce that had to be affected by the downturn and reductions in working hours. In Germany, the 10% required represented a COVID-19-related expansion of access to the *Kurzarbeit* scheme, as before the pandemic 30% of the workforce had to be affected. Similar requirements were in place in Romania and Slovenia. In Croatia, employers with more than 50 employees had to demonstrate that 10% of their workforce was impacted; employers with fewer than 50 employees had to show that 20% of their workers were affected. This share also applied to employers in Belgium from September to December 2020 if they wished to include white-collar workers in their applications.

**Table 11: Eligibility criteria in terms of turnover reduction and share of workforce affected, September 2020**

Eligibility criteria	None stipulated	10%	20%	25%	30%	Other
Requirements regarding percentage reduction in turnover	Austria, Bulgaria, Czechia, Finland, France, Greece, Italy, Lithuania, Portugal, Romania, <sup>a</sup> Slovenia, <sup>b</sup> Spain, Sweden	Belgium Romania, <sup>b</sup> Slovenia <sup>c</sup>	Croatia, Estonia, (Latvia <sup>d</sup> ), Netherlands, Slovakia	Cyprus, <sup>e</sup> Ireland, Malta <sup>f</sup>	Latvia, Portugal <sup>g</sup>	Germany (at least 10% reduction in working hours) Estonia (50% after 1 June 2020) Hungary (75% reduction in working hours) Poland (15% over 2 months as a result of the pandemic; 25% month-on-month for any reason)
Requirements regarding share of workforce affected	Czechia, Finland, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Romania, <sup>a</sup> Slovakia, Slovenia, <sup>c</sup> Spain, Sweden	Croatia, <sup>h</sup> Germany, <sup>b</sup> Romania, <sup>b</sup> Slovenia <sup>b</sup>	Belgium, <sup>i</sup> Croatia <sup>i</sup>		Denmark, Estonia <sup>k</sup>	France (short-time working must usually apply to the whole workforce, but during the pandemic short-time working could apply to part of the workforce)

**Notes:** <sup>a</sup>Technical unemployment indemnity. <sup>b</sup>Short-time working scheme. <sup>c</sup>Temporary lay-off scheme. <sup>d</sup>Companies meeting specific criteria. <sup>e</sup>Partial suspension scheme. <sup>f</sup>Companies listed in Annex B of the relevant regulation. <sup>g</sup>Measure in place from 30 July 2020. <sup>h</sup>For employers with more than 50 workers. <sup>i</sup>From September until the end of December 2020, only companies using economic unemployment for at least 20% of the time during Q2 2020. <sup>j</sup>Employers with fewer than 50 workers. <sup>k</sup>Between March and May 2020, eligible companies had to be unable to provide at least 30% of their employees with work and had to cut the wages of at least 30% of their staff. From June onwards, this increased to 50%.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

In Denmark and Estonia, the required affected workforce share increased to 30%, and was as high as 50% in Estonia, from June 2020 onwards.

In France, as a matter of principle, short-time working as set out in the Labour Code is a temporary but also a collective measure that is generally accessible only if all workers are affected. However, to cope with the crisis, the government softened this rule.

### Dismissal protection and other eligibility criteria

In the context of the availability of European funding through the SURE instrument, the debate surrounding the question of whether or not access to short-time working and similar schemes should be linked to protection against dismissal for the employees concerned re-emerged (Müller and Schulten, 2020). In September 2020, Belgium, Finland, Germany, Hungary, Ireland and Sweden did not offer such protections in legislation. In Germany, however, protection against dismissal was part of many industry-level collective agreements regulating the terms and conditions linked to short-time working. In Hungary, such protections had initially been included in the legislation but were subsequently removed as they were considered unworkable by employer organisations.

In Austria, Bulgaria, Cyprus, Estonia, France, Lithuania, Portugal, Romania, Slovakia, Slovenia and Spain, protection against dismissal extended beyond the period during which employees received short-time working or similar allowances (Table 12). In Greece and Italy, it was extended to apply to a specific date.

In Romania, the level of protection afforded depended on the scheme used. Following the use of the technical unemployment indemnity and after 31 May, employers who used the scheme were obliged to maintain the employment relationship until 31 December 2020.

Austria, Greece, Italy, the Netherlands and Portugal did not limit dismissal protection to individual workers benefiting from short-time working or receiving similar benefits; rather, they ruled out dismissals among the entire workforce of businesses claiming this form of government support. In Austria, overall, employment numbers in companies/establishments/units could not be reduced during short-time working. Greece retained protection from dismissal for the duration of the emergency measure. In Italy, the protected period was set to last until the end of January 2021. In Portugal, the protection extended for two months beyond the end of the use of the scheme.

**Table 12: Duration of protection from dismissal following use of employment protection schemes, September 2020**

Duration of protection	Countries
1 month	Austria, Slovenia
2 months	Estonia, Portugal, Slovakia
3 months	Bulgaria, Lithuania (for at least 50% of the workforce retained using the short-time working scheme)
6 months	Spain
Equal to the period of participation in the scheme	Cyprus
Twice the period of authorisation of short-time working	France
Linked to a specific date	Greece, Italy, Romania

Source: Authors, based on information provided by the Network of Eurofound Correspondents

In the Netherlands, enterprises receiving funding through the NOW scheme initially could not make workers redundant; however, under NOW 2.0, if more than 20 workers are made redundant an amount proportional to the income of these workers is deducted from the wage subsidy payment provided to enterprises.

## Level and duration of support

A crucial difference between the employment protection schemes implemented in different Member States relates to the level of income received for the hours not worked (defined here as the replacement rate). Furthermore, the extent to which short-time working or temporary unemployment schemes impact household incomes in the short, medium and longer term depends not only on this replacement rate, but also on whether the basis for calculating the rate is the basic salary only or also includes any additional payments or benefits, whether any caps are applied, and the extent to which social security and pension contributions continue to be paid and at what level.

The duration for which support can be claimed and who covers this cost have an impact on how long employment is likely to be sustained from the employers' perspective.

### Level of support

Determining the replacement rate offered is a complex issue for the following reasons.

- It can depend on the status, age or income of the worker (for example, Austria, Denmark, Finland, Ireland, Latvia and Lithuania).
- Rates change depending on the overall duration of short-time working (for example, Germany and Portugal).

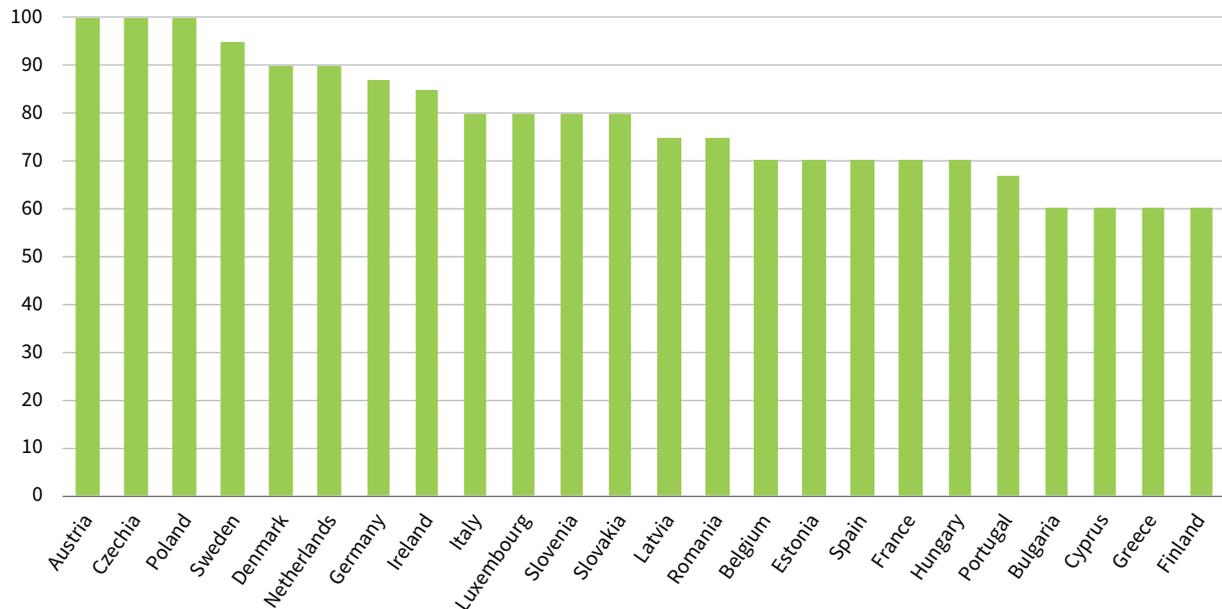
- Rates depend on the sector and the extent to which it was impacted by government-enforced closures, and the impact of the COVID-19 crisis more generally (for example, Czechia and Malta).
- Replacement rates changed during the pandemic (for example, Estonia, France and Spain).

The actual replacement rates received are also affected by the extent to which statutory payments are enhanced through collective bargaining. This was primarily important in Germany, where around 45% of workers saw their replacement rate for hours not worked enhanced through collective agreements. Although the short-time working allowance was also topped up by a number of companies in France and Italy, this was not considered to be a significant phenomenon. Collective bargaining did not play much of a role in other EU countries.

Figure 10 should therefore be interpreted as a simplified description of the statutory replacement rates offered in different Member States for employment protection schemes implemented between March and September 2020, using the maximum rate available. This shows that schemes in Austria, Czechia, Poland, Sweden, Denmark and the Netherlands offered replacement rates of between 100% and 90% of previous salaries, with Cyprus, Greece and Finland offering the lowest rates, of up to 60% (not taking into account any caps).

Caps applied to the maximum levels of wage support available can have a significant impact on the actual replacement income received by workers. Most national schemes applied such caps. In some countries, the cap was expressed in relation to the minimum wage. In France, for example, the cap was 4.5 times the minimum wage whereas in Portugal it was 3 times this level. In Poland, the limit was set at 40% of the national average wage. Most other countries set a maximum level of wage support that could be paid, meaning that, irrespective of the percentage of income to be paid, the amount could not exceed this level.

**Figure 10: Maximum replacement rates available through employment protection schemes, March–September 2020 (% of previous salary)**



**Notes:** Croatia was excluded as it is challenging to calculate the replacement rate.<sup>17</sup> Lithuania has been excluded as the replacement rate is linked to the minimum monthly wage (MMW).<sup>18</sup> Malta has been excluded as it offers a flat-rate payment depending on the sector.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

Depending on where the cap is placed and the workforce affected, such maximum limits tend to be more beneficial in preserving the income of lower wage earners. As mentioned above, in Austria and Ireland, workers earning above a certain threshold were fully excluded from access to short-time working or similar allowances (that is, they were not able to receive income replacement rates even up to this threshold).

As previously indicated, another aspect of employment protection schemes that can impact on workers' incomes in the medium to longer term relates to the extent to which – and at what level – social security and pension contributions continue to be paid while a worker is working reduced hours and receiving a lower income. With the exception of France, Hungary, Ireland and Latvia, these contributions continued to be paid at a level reflecting the full salary (rather than at the level of the reduced salary). In most cases, this cost was covered (at least in part) by the state.

### Duration of support

The duration for which support could be claimed also varied significantly, with Germany and France offering support for the longest periods of time while eligibility criteria were met. In Belgium, support for full-time workers was limited to eight weeks (Figure 11). The relatively short durations over which support could be claimed in a number of countries with new schemes (Estonia, Hungary, Poland and Romania) were delimited by the time periods for which the measures were implemented. The maximum durations of support are in flux, as a number of countries reinstated measures to support employers and workers during the second wave of the pandemic.

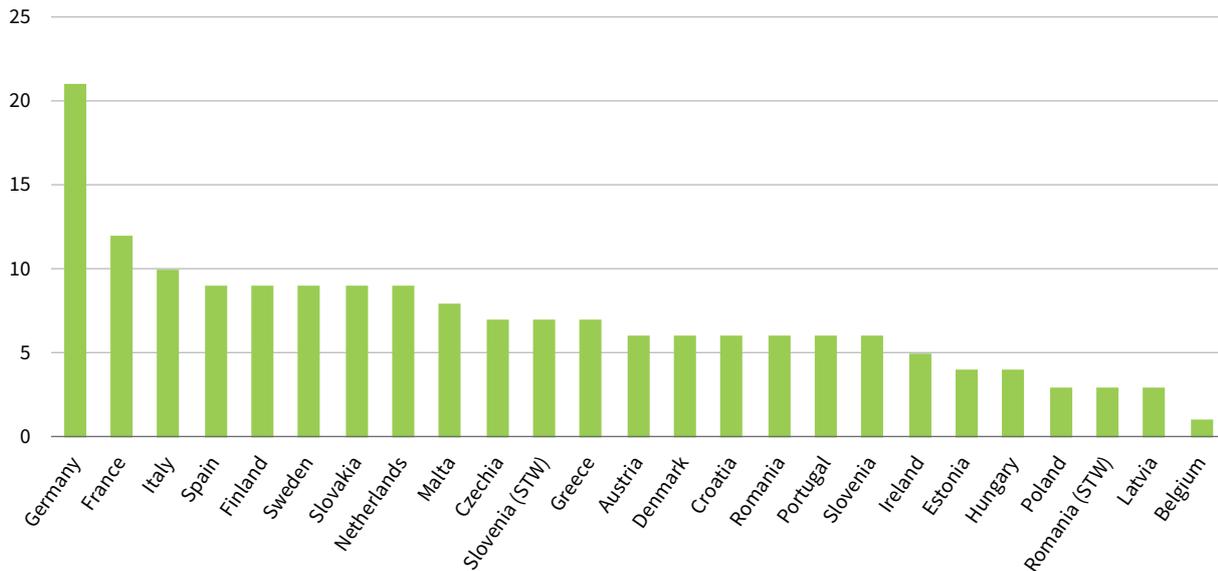
### Source of funding

Particularly in the early phase of the pandemic, in most countries the cost of covering contractual hours not worked was set at zero for employers, thus encouraging the take-up of employment protection schemes (OECD,

<sup>17</sup> Under the Croatian scheme, if working hours were reduced by 50%, workers were eligible for 50% support for wages, up to a maximum of €266. If working hours were reduced by 25%, workers were eligible for 25% support for wages, up to a maximum of €133. For reductions in working hours of 10%, support up to a maximum of €53 was provided.

<sup>18</sup> For employees aged up to 60 years, employers could choose whether a subsidy of 90% or 70% of the previous salary was provided. If an employer contributed 10% and chose a 90% subsidy, the state contributed a maximum of 1 MMW (€607 gross); if the employer contributed 30% and chose a 70% subsidy, the state contributed more – 1.5 MMW (€910.50 gross). Wages accrued during idle time could not exceed those fixed earlier in the employment contract. For employees aged 60+ years, if the employer chose a 100% subsidy, the state contributed a maximum of 1 MMW (€607 gross); if the employer chose a 70% subsidy, the state contributed 1.5 MMW (€910.50 gross).

Figure 11: Duration of support, September 2020 (months)



**Notes:** No data were available for Bulgaria or Luxembourg. Cyprus has not been included, but it should be noted that support from the scheme for complete suspension of business is available for eight months and for the scheme for partial suspension of business for three months. Lithuania has not been included, but the measure was available while the state of emergency was in place. STW = short-time working.  
**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

2020a). Only Czechia, Estonia, Lithuania and Poland required employers to contribute to this cost from the outset. In Finland, the share of the cost borne by the state was also limited, with the remainder covered by the unemployment insurance system (to which both employers and workers contribute). In Hungary, the state covered the full cost of hours not worked up to 50% of unworked hours. Under the new Polish scheme, the employer contribution required was comparatively high, at 60%. These countries also required employers to cover a greater share of ongoing social insurance contributions. Higher employer contributions were subsequently also introduced in France and Slovenia, and Germany restricted the continued payment of employer social insurance contributions after June 2021 to employers offering training.

### Turning challenge into opportunity: Enhancing skills during downtime?

A question that had been raised during the global financial crisis relates to the extent to which short-time working and temporary unemployment schemes can effectively be combined with training to utilise the enforced downtime to enhance human capital and employability (Eurofound, 2010), particularly in light of digitalisation and the push towards a carbon-neutral recovery. Although the proposal appears reasonable, particularly considering that in ‘normal’ economic

circumstances it is often challenging to free up employees to pursue ongoing training commitments because of higher opportunity costs, lessons learned from the 2008–2010 crisis demonstrated that the implementation of training during short-time working was difficult. Even when such training was required or encouraged, the difficulties in predicting the duration of the crisis, the lack of accessible and suitable training facilities, and the lack of planning around training requirements meant that this potential was rarely utilised.

With the expansion of digital training provision, this study sought to assess if the situation had substantially changed during the COVID-19 crisis by analysing whether or not training was a compulsory or encouraged element of short-time working and temporary unemployment schemes, the extent to which such training was undertaken, and whether any evidence could be found of a growing demand for training measures.

A review of the measures implemented showed that only three Member States (Austria, Belgium and Hungary) implemented or introduced some requirement for workers to take up training during downtime while in receipt of short-time working or temporary unemployment allowances, and for employers or public agencies to fund such training (Box 4). A further two countries (France and Germany) provided financial incentives for training during such periods.

#### Box 4: Requirement for training while temporarily unemployed or on short-time working schemes

In **Austria**, in the case of short-time working among apprentices, at least 50% of the non-worked hours must be used for training. In phase 3 of the scheme (1 October 2020–31 March 2021), if an employer offers training during short-time working, employees are obliged to participate. The public employment service covers 60% of the training costs during short-time working.

In **Belgium**, employers wishing to make use of the temporary unemployment system after 1 September 2020 have to provide and fund two training days per month for all white-collar workers in their organisation. These training days must be offered in the month concerned as soon as an employee is temporarily unemployed for at least one day. The number of unemployment days therefore has no impact on the requirement to provide training nor on the number of training days. The content of the training is not specified in the regulations and training does not have to be provided externally nor take place over a full day on each occasion (for example, a 2-hour webinar complies with the regulations). The training can be either collective or individual. No information is available on the use of these training days as they were not a requirement from the start of the measure.

**Hungary's** new *Kurzarbeit* scheme requires that, in cases of a reduction in working hours of more than 50%, the employer and employee must agree on 'individual development time' (IDT). The IDT must cover 30% of the downtime, with the employer required to pay the worker a full basic wage during this time. The IDT can be used for formal training, but other individual development activities are also possible. Both employers and trade union representatives have expressed concern about this requirement. While trade unions have argued that the time available is insufficient to organise meaningful training, particularly as there is no specific requirement for formal accredited training, employers consider the requirement to be too restrictive, especially because of the limited supply of online training. The introduction of the scheme was considered too recent to provide any significant evidence on the take-up and value of the training offered.

In Germany, a financial incentive has been introduced to encourage the provision of training from June 2021. If an employer wishes to receive a full refund for social insurance contributions during short-time working, training has to be provided. It must be proved that there is a specific need for training, at least 150 hours of training must be provided and the training provider must be recognised by the relevant authorities.

In the crisis context, the main measure adopted by the French government linked to training during downtime was an amendment to the rules governing the National Employment Fund (FNE-Formation), which is managed by the Ministry of Labour to foster vocational training. The aim is to encourage companies to develop the skills of their employees placed on short-time working and thus facilitate the resumption of activity after the crisis. The measure supposes an agreement between companies and the local administration, the French Regional Department of Enterprise, Competition, Consumer Affairs, Labour and Employment (DIRECCTE), and applies to training actions set up between 1 March 2020 and the end of December 2021 (initially envisaged until the end of September 2020). Between the beginning of March and the end of September 2020, 100% of the training costs incurred by employers were

covered, without any hourly cost ceiling. Since October 2020, 70% of the training costs have been covered. No wage compensation in addition to the short-time working allowance is offered during training time. Training actions to be carried out are set out in the agreement between each company and the local administration. This can cover training implemented remotely or face-to-face, with no time limit. The following actions are eligible for the scheme:

- skills assessment, validation activities and literacy training
- training for tutors and apprenticeship trainers
- actions promoting employee multiskilling
- training actions leading to certification

Compulsory training and distance learning without support are excluded from the scope of the agreement. FNE-Formation received a budget of €1 billion from the state to support training under France's different short-time working schemes. According to the employer organisation the Movement of the Enterprises of France (MEDEF), the administrative procedure required to obtain this financial support has been simplified for measures introduced under the pandemic.

Figures from September 2020 show that €167 million had been committed by DIRECCTE for such measures, and 75,000 company applications, involving 226,000 employees, had been registered; these related to a total of 3.8 million hours of training, with an average training cost per employee of €741 and an average hourly training cost of €44. However, both social partner representatives interviewed highlighted that the use of training during downtime is especially difficult in the crisis context. A trade union representative highlighted that, during the pandemic, human resources representatives, particularly in smaller companies, were already overwhelmed with other issues and lacked the time to adjust their training plans to effectively utilise the support available. Employers emphasised the limited capacity of training providers during the health emergency to deliver face-to-face training. Although online learning is considered to have developed during the pandemic, this has often occurred at speed and has lacked the quality required. Furthermore, distance learning is seen as being difficult to adapt to certain professional situations and to use for training whose technical or manual nature requires face-to-face interaction.

In the Netherlands, there is a 'soft' requirement in the NOW scheme that enterprises receiving support encourage their workers to engage in learning and the development of competencies to make them more prepared for the changing labour market. Spanish legislation also advises companies to provide training for workers on short-time working schemes to enhance their employability. Royal Decree-Law 30/2020 states that workers on these schemes should get priority access to on-the-job training initiatives. However, there is no mandatory requirement to provide training and no fiscal incentives are applied. As a result, both the trade union and employer representatives interviewed considered that the take-up of such training during the pandemic has been limited.

In Malta, although the short-time working scheme implemented during the 2008–2010 financial and economic crisis included a requirement for training, this was not included in the COVID-19-related scheme. This was considered to be largely linked to the need to implement a simple-to-use scheme very quickly in response to the rapidly evolving crisis.

In a number of countries, trade union representatives spoke out in support of a more explicit link between entitlements to short-time working allowances and training. This was the case, for example, in Denmark, Estonia and Sweden, where training is possible but not required while in receipt of such allowances. Although employer organisations are in principle supportive of the use of downtime for training, they emphasised the difficulties experienced in accessing training because of the restrictions imposed on education and training facilities during the pandemic. There is, however, an acknowledgement that more digital training facilities have been established. In Belgium, regional employment services reported an increase in applications for online courses, although these were not specifically linked to workers in temporary unemployment.<sup>19</sup> In Estonia, the Unemployment Insurance Fund stipulated a new requirement for its accredited training partners to provide online training.

In October 2020, the Swedish government proposed setting aside a budget of around €8 million for training for workers affected by short-time working. If approved, this funding will be retroactive to April 2020, with applications accepted from January 2021.

Although there is some evidence of collective agreements providing for training for workers on short-time working or temporary unemployment schemes, and training being provided by individual employers, overall it appears that the opportunity to combine such schemes with ongoing learning opportunities has been missed, mirroring the experience of the 2008–2010 crisis. While this may appear surprising in the context of the expanded availability of digital training, the effective utilisation of online learning platforms has proved challenging during the pandemic.

There are a number of reasons for the relative absence of training measures combined with short-time working and these warrant consideration by policymakers.

- The specific design of measures seeking to combine short-time working or similar schemes with training, and the broader policy environment, deserve careful consideration. In the case of Hungary, the requirement in the short-time working scheme for employers to pay enhanced compensation for workers undergoing training, together with the ability to make workers redundant while continuing to utilise the allowance for part of the workforce, acted as a disincentive to the take-up of IDT.

<sup>19</sup> In August 2020, the Flemish Public Employment Service (VDAB) reported a fourfold increase in requests for online courses since mid-March 2020.

- The severe economic impact of the pandemic on many sectors meant that the offer of public financial support for training became more relevant (as demonstrated by the French example) but was not specifically linked to short-time working measures in most Member States.
- Collective agreements at sectoral and company levels have an important role to play in ensuring the regular planning of training requirements and (in some cases) the setting up of training funds; however, collective agreements do not currently exist in many Member States.
- For many of the sectors affected by lockdown measures during the height of the first and second waves of the pandemic, particularly those requiring more manual or direct customer-facing skills, the development of online training is more challenging.
- Online training presupposes sufficient digital literacy among learners, which has been shown to be more limited among low-skilled workers, who have been disproportionately affected by the pandemic (Cedefop, 2016).
- SMEs, in particular, may lack the resources to implement robust systematic training plans, particularly if these must be activated quickly, as was the case in the COVID-19 crisis.<sup>20</sup> This makes it challenging to implement meaningful training measures at short notice.
- Commitments to longer-term training measures are difficult to carry out when the development of the pandemic – and associated lockdown and public support measures – remains uncertain. On the other hand, however, the lockdown situation arguably provides certainty around the period during which no (or limited) work will be possible. Flexibility around the number of training hours required by schemes may be needed.
- Much of the (accredited) training remains based on face-to-face and on-site delivery; the rapid onset of the pandemic has not provided sufficient time to switch the content to online platforms, even where this might – in principle – be possible. There appears to be significant scope, therefore, to develop more robust, flexible and accredited online learning courses, as well as approaches for the better dissemination of such training.

## Take-up and budget

Even when considering only the first wave of the pandemic and its aftermath, the number of people using employment protection schemes dwarfed the number of people using such schemes during the 2008–2010 financial and economic crisis. Between March and September 2020, close to four million employers and over 40 million workers in the EU made use of such measures, meaning that more than 20% of the EU workforce benefited from short-time working or temporary unemployment allowances at some point during the first wave of the pandemic.<sup>21</sup> At the peak of the financial and economic crisis in 2009, this figure was less than 1.8 million. Expenditure on these schemes was close to 10 times higher in the first wave of the pandemic than during the whole of the 2008–2010 financial and economic crisis.

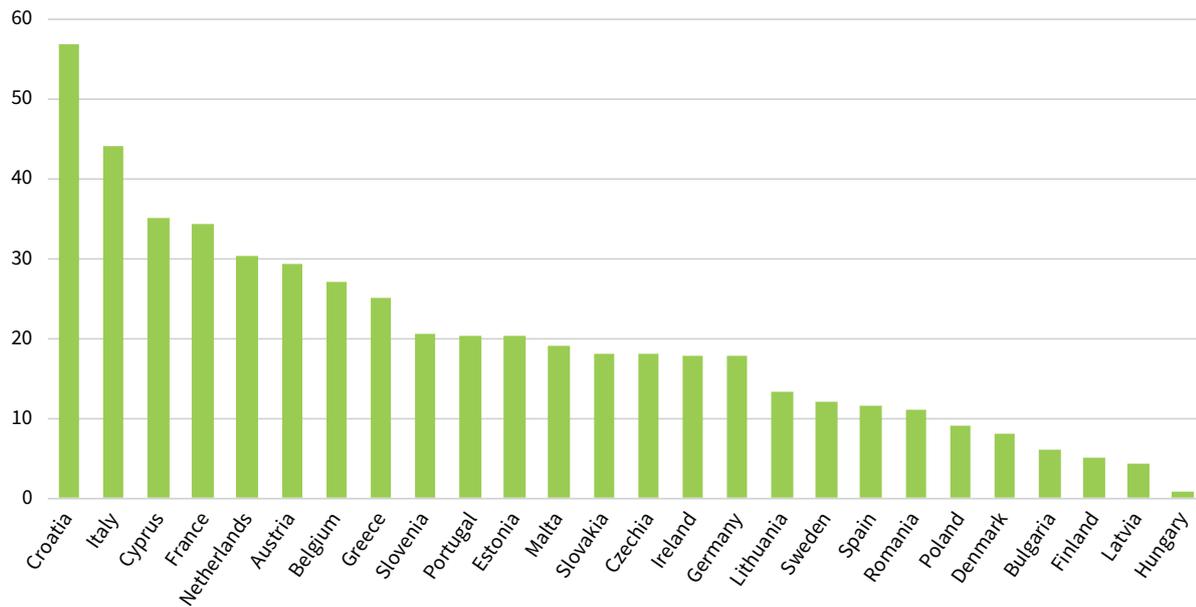
### Take-up during the first wave of the pandemic and its aftermath

As shown in Figure 12, in April 2020 the highest shares of workers making use of short-time working or temporary unemployment schemes were reported in Croatia and Italy, followed by Cyprus, France, the Netherlands and Austria, with the lowest shares reported in Hungary, Latvia, Finland and Bulgaria. In Germany, the number of approved applications covered around 30% of the workforce, but the support requested was ultimately used for less than 20% of workers; similarly, in France, the number of approved applications tended to exceed the actual use of the schemes. However, in most countries, the number of applications approved and data on benefits paid tend to be relatively aligned.

<sup>20</sup> In Austria, a requirement to have such training plans in place to qualify for a higher short-time working training allowance was dropped to reduce this barrier to entry into the scheme.

<sup>21</sup> The number of applications received was in excess of 50 million, but in some countries, such as Germany and France, the number of applications significantly exceeded the eventual use of short-time working schemes.

Figure 12: Take-up of short-time working or temporary unemployment benefits, April 2020, EU27 (%)



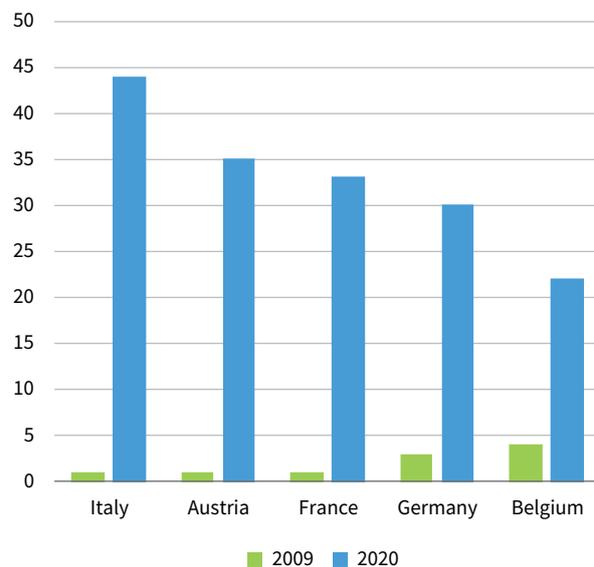
**Notes:** Data for Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Estonia, France, Germany, Hungary, Ireland, Latvia, Lithuania, the Netherlands, Portugal, Slovakia and Slovenia are from Eurostat, whereas the data for other countries are based on information from national ministries and national statistical offices reported by the Network of Eurofound Correspondents. Data for Croatia refer to the measure ‘Support for preservation of jobs in sectors affected by coronavirus’ (see COVID-19 EU PolicyWatch database record number 2020-12/361), which ended in June 2020 and predated the SURE-supported measure reported here. Data from the Netherlands are for March 2020.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

As shown in Figure 13, the take-up of short-time working and similar schemes significantly exceeded the take-up of such schemes during the financial and economic crisis. In Germany, take-up in May 2020 was around 30%, whereas during the peak of the 2008–2010 financial and economic crisis it was 3%.<sup>22</sup> In France, Austria and Italy, take-up at the peak of the economic crisis was around 1%, whereas in May 2020 take-up was 33%, 35% and 44%, respectively. The higher take-up of short-time working and similar schemes in May 2020 was linked to the lockdown measures imposed, which had a huge impact on a broad range of sectors. During the economic crisis, the manufacturing sector was responsible for the largest share of take-up (80% in France and Germany, despite accounting for around 20% of employment at the time; OECD, 2020a); however, during the pandemic, other sectors were equally or more significantly impacted.

In line with the most severe lockdown restrictions, the highest levels of applications were recorded in April and May 2020, with take-up declining as economies began to slowly reopen from June 2020 onwards.<sup>23</sup>

Figure 13: Take-up of short-time working schemes in economic crisis versus COVID-19 crisis, share of dependent employees, Q2 2009 and May 2020 (%)

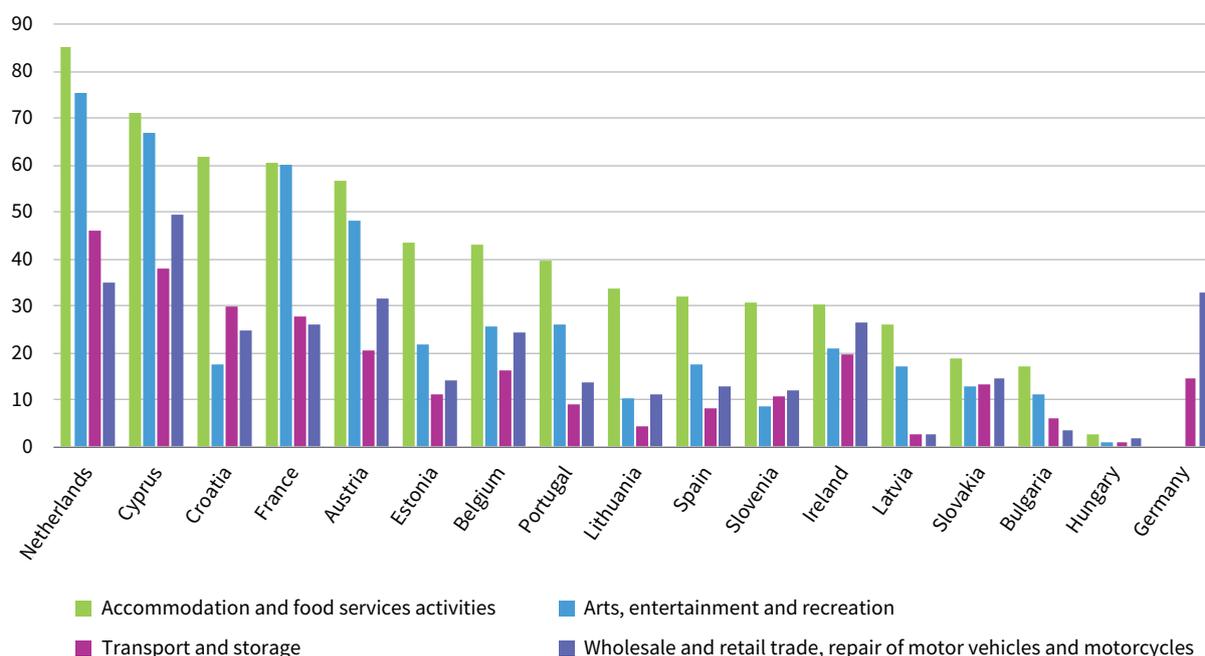


**Sources:** Authors, based on information provided by the Network of Eurofound Correspondents and OECD (2020a)

<sup>22</sup> An OECD report from 2020 gives a figure of 4% for Germany (OECD, 2020a).

<sup>23</sup> Patterns differed in countries where such schemes were established later.

**Figure 14: Share of workers supported by employment protection measures in selected sectors, March–August 2020 (%)**



**Note:** Percentages are averages between March and August 2020.

**Source:** Eurostat

As of November 2020, it remained to be seen whether another spike in take-up would occur in line with increasing restrictions following the emergence of a second wave in most countries in September/October 2020.

As demonstrated in Figure 14, in the majority of countries, the highest take-up of employment protection measures was evident in the accommodation and food services sector and the arts, entertainment and recreation sector. This is because these sectors were impacted the most by the full lockdowns implemented at the peak of the first wave of the pandemic. Germany is one of the few countries where these sectors do not feature in the top two in terms of the share of the workforce benefiting from such schemes. Here, the manufacturing, wholesale, administrative and support services sectors and the professional, scientific and technical activities sectors had the highest share of workers benefiting from short-time working arrangements in March, April and May 2020.

### Budget and budget utilisation

Underpinned by the overall rationale of employment protection schemes, the financial resources expended on these measures are generally perceived to be an investment in protecting employment and preparing the ground for a more rapid recovery as economies reopen. They are also seen as a way of protecting purchasing power and preventing the high financial and

human costs associated with long-term unemployment and labour market reintegration schemes.

This section summarises available information on the projected and actual levels of expenditure on these schemes between March and September 2020 and the perceived financial sustainability of these measures in the face of the second wave of the virus and associated public health protection measures, including full or partial shutdowns of parts of the economy.

Based on national data reported by the Network of Eurofound Correspondents, between March and September 2020 over €125 billion was spent in the EU on employment protection schemes. This is 10 times more than the amount expended at the height of the economic and financial crisis in 2009 – €12.3 billion (European Commission, 2020b).

Key among the reasons for this significantly greater expenditure (up to September 2020) on such schemes during the pandemic are:

- the much broader sectoral impact of the COVID-19 crisis
- the larger number of countries that have developed short-time working and similar schemes
- the changes introduced to existing schemes, which have expanded eligibility to a larger share of companies and the workforce
- the significantly larger number of companies and workers taking up benefits under these schemes

Given the reintroduction of tighter lockdown restrictions in many EU countries with the emergence of the second wave of the pandemic in September/October 2020, it was likely that this expenditure would rise substantially by the end of 2020 (and beyond). Table 13 presents the overall budgets anticipated for short-time working and similar schemes in Member States and the levels of budget expenditure between March and September 2020. Not all countries were able to provide initial budget estimates. Based on

these figures, it appears that, at present, there are sufficient resources to ensure the sustainability of these schemes (although in Spain it is considered that the funding allocated under the SURE instrument will not be sufficient); however, this will depend partly on the duration of the crisis and any associated extensions to support such schemes. There will also clearly be an impact on overall budget deficits and resources available in unemployment insurance funds in countries utilising such resources to finance their schemes.

**Table 13: Overall budget foreseen and amounts expended between March and September 2020**

Country	Overall budget foreseen	Budget expended
Austria	€12 billion (€1.5 billion foreseen for 2021)	€4.8 billion
Belgium	Estimated cost if 800,000 workers access the system: €1.8 billion	Approximately €3 billion based on this estimate
Bulgaria	€81.8 million	€8.2 million
Croatia	€397 million by the end of 2020	€39.7 million
Cyprus	€745 million	No data
Czechia	€1 billion	€672 million (March–August)
Denmark	No data	€1.7 million
Estonia	€328.6 million	€258.5 million
Finland	Government estimated that companies would save €370 million and the costs related to unemployment security would increase by €160 million if 300,000 employees were temporarily laid off; income of temporarily laid-off employees would decrease by €100–140 million	Around 200,000 workers affected by temporary lay-offs
France	€147 million forecast for the system; subsequently increased to €31 billion for 2020	€20 billion (March–July 2020)
Germany	No data	€14.3 billion (€8.1 billion for short-time working allowance and €6.2 billion for social security coverage)
Greece	€5 billion	No data
Hungary	Initially €554.1 million; subsequently reduced to €285.7 million	€92.9 million
Ireland	No data	€2.9 billion
Italy	€18 billion	No data
Latvia	No data	€54 million
Lithuania	€250 million	€141 million
Luxembourg	No data	No data
Malta	€215 million	Approx. €170 million
Netherlands	€10 billion	No data
Poland	No data	No data
Portugal	€185 million	€137 million
Romania	€520 million (technical unemployment)	€380 million
	€2.4 billion (short-time working scheme)	No data
Slovakia	€1.2 billion for the entire first aid programme	€459 million (March–July)
Slovenia	No data	€281 million
Spain	Estimated approximately €40 million needed, but only around €22 million allocated under the SURE instrument	€22 million for all unemployment support
Sweden	€9.5 billion by the end of 2020	€250 million

Source: Authors, based on information provided by the Network of Eurofound Correspondents

## Role of SURE in supporting employment protection and income support schemes for employees and self-employed people

Funding under the SURE instrument is primarily targeted at the creation or extension of national short-time work schemes and at other similar measures put in place for employees and self-employed people as a result of the COVID-19 pandemic. Emphasis was placed on such measures because, according to the Commission, ‘by avoiding wasteful redundancies, short-time work schemes can prevent a temporary shock from having more severe and long-lasting negative consequences on the economy and the labour market in Member States. This helps to sustain families’ incomes and preserve the productive capacity and human capital of enterprises and the economy as a whole’ (European Commission, 2020c). In launching SURE, the Commission also drew on lessons learned from the successful implementation of short-time working in Germany during the 2008–2010 financial and economic crisis (Eichhorst et al, 2020).

Assistance under SURE comes in the form of loans granted on favourable terms to Member States, repayable over an average maturity period of 15 years. In order to fund this, the Commission has been borrowing on financial markets, making use of its strong credit rating to issue social bonds (EU SURE bonds). The loans are underpinned by a system of voluntary guarantees from Member States based on their share of EU gross domestic product (GDP), with the instrument coming into effect on 22 September 2020 once all Member States had committed to these guarantees, which are worth €25 billion.

No pre-allocated financial envelopes were established for Member States. In order to apply for funding, governments had to provide evidence of a ‘sudden and severe rise’ in expenditure to safeguard employment in the context of the health emergency, indicate the relevant measures in place or being implemented, and provide a projection of the financial resources required to fund such supports.

Based on applications received from national governments, as of November 2020 the European Commission had proposed and the Council had approved €90.3 billion in financial support for 18 Member States under the SURE instrument and €9.7 billion remained unspent.

Table 14 summarises the support agreed for the 18 Member States and highlights the measures covered in this report for which the SURE support can be used. By November 2020, €39.5 billion had been disbursed to

Belgium, Croatia, Cyprus, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain.

The table shows that for all countries where relevant schemes are in place, SURE funding is used to finance income support measures for employees and self-employed people.

Given the recent nature of the adoption of the Council Implementing Decisions linked to the use of the SURE instrument, it was difficult to assess, as of November 2020, the programme’s specific contributions in relation to the national measures included in Table 14.<sup>24</sup> This is largely because the Council Implementing Decisions were reached after research at the national level (including interviews with representatives from ministries responsible for the implementation of these measures) had been carried out (July–September 2020). Furthermore, in most Member States, although responsibility for the design and implementation of measures and assessment of the likely use of the scheme rests with the national ministries responsible for employment and social affairs, budgetary matters associated with European funding often lie within the remit of other government departments. This may have led to a lack of certainty over the commitment of financing from the EU at a time when Council decisions had not yet been reached.

These issues, as well as the fact that most Member States began to run employment protection programmes from March/April 2020 using national resources – or in some cases other EU funding streams – contributed to a situation whereby, in at least five of the Member States included in Table 14 (Bulgaria, Czechia, Hungary, Latvia and Slovakia), government representatives who were interviewed indicated that SURE funding was not being utilised to support these measures, or that the availability and use of loans administered through the instrument were not yet clear – even though information on planned and actual expenditure on these schemes was required to request SURE support.

In Malta and Slovenia, although the use of SURE funding to support employment protection measures was considered likely, it was argued that the instrument was not well known at Member State level and it was not yet certain which national measures would be supported once funding was approved.

Having said that, as shown in Box 5 (p.39), other countries were keen to emphasise the importance of the SURE programme for the sustainability and scale of the support being offered.

<sup>24</sup> The SURE programme imposes no conditionality on the design of national schemes; therefore, although the financial contributions from the SURE programme can be analysed, examination of their effectiveness in ensuring the preservation of jobs is outside the scope of the programme.

**Table 14: SURE support measures for self-employed people, November 2020**

Country	Total SURE funding	Short-time working and support measures
Belgium	€7.8 billion	Temporary unemployment scheme as provided for by a Royal Decree of 30 March 2020; crisis bridging right for self-employed people provided for by the law of 23 March 2020.
Bulgaria	€511 million	Wage subsidies for undertakings as provided for in Decree No. 55 and Decree No. 151.
Croatia	€1 billion	Job preservation subsidies in sectors affected by the COVID-19 crisis based on the Employment Service decision of 20 March 2020 and aid for reduced working hours as provided for by the Employment Service decision of 29 June 2020.
Cyprus	€479 million	Schemes supporting companies for the partial and total suspension of operations provided for in Law 27(I)/2020; special scheme for the self-employed provided for in Law 27(I)/2020.
Czechia	€2 billion	Antivirus Programme as provided for by Government Resolution No. 353 of 31 March 2020; partial waiver of social and health security contributions from self-employed people.
Greece	€2.7 billion	Special allowance for employees whose labour contract has been suspended and associated social security coverage as stipulated in Article 13 of the Legal Act of 14 March 2020; special allowance for self-employed professionals as covered by Article 8 of the Legal Act of 20 March 2020; short-time work schemes as provided for by Article 31 of Law 4690/2020.
Hungary	€504 million	Suspension of the employers' social contribution tax in certain sectors for the period March–December 2020, as provided for by Article 4(a) of Government Decree No. 47/2020 (amended), for the part of expenditure related to companies that reduce or suspend working time or when the employees were continuously in employment; and exemptions from the employers' training levy in certain sectors for the period March–December 2020, for the part of expenditure related to companies that reduce or suspend working time or when the employees were continuously in employment.
Ireland	€2.5 billion	Temporary COVID-19 Wage Subsidy Scheme (TWSS).
Italy	€27.4 billion	Extension of existing short-time working schemes for employees as provided for in Articles 19–22 of Decree-Law 18/2020; allowance for self-employed people as provided for in Articles 27, 28 and 44 of Decree-Law 18/2020.
Latvia	€192 million	Scheme for compensation of idle time for workers as provided for in Cabinet Regulations No. 179 and No. 165; downtime allowance as provided for in Cabinet Regulation No. 236.
Lithuania	€602 million	Wage subsidies during and after time without work as provided for in Article 41 of the Law on Employment No. XII-2470; benefits for self-employed people as provided for in Articles 5-1 and 5-2 of the Law on Employment No. XII-2470.
Malta	€244 million	COVID-19 wage supplement as provided for in the Malta Enterprise Act and Government Notice No. 389 of 13 April 2020.
Poland	€11.2 billion	Reduction in social security contributions for the part of expenditure related to support for self-employed people; downtime benefit for self-employed people; subsidies for salaries and social security contributions for companies using short-time working; and subsidies for self-employed people without employees as provided for in Article 15 of the Act of 2 March 2020.
Portugal	€5.9 billion	Support for the maintenance of employment contracts during the temporary interruption of work or reductions in normal working time as provided for in Articles 298–308 of Law No. 7/2009 of 12 February; new and simplified special support for the maintenance of employment contracts during the temporary interruption of work or reductions in normal working time as provided for in Decree-Law No. 10-G/2020 of 26 March 2020.
Romania	€4 billion	Technical unemployment benefit and similar benefit for self-employed people as provided for by Government Emergency Ordinance 30/2020; benefit for people whose employment contract has been suspended as provided for by Government Emergency Ordinance 92/2020; short-time working scheme as provided for by Government Emergency Ordinance 132/2020.
Slovakia	€631 million	Short-time working scheme as provided for in Article 54(1)(e) of Act No. 5/2005 Collection of Laws on Employment Services.
Slovenia	€1.1 billion	Wage compensation scheme and exemption from payment of social insurance contributions for workers benefiting from this scheme; short-time working scheme; and basic income support and financing of social security contributions for self-employed people, as provided for by the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic.
Spain	€21.3 billion	Short-time working scheme (ERTE) as provided for by Royal Decree-Law 8/2020 of 17 March 2020 and associated extraordinary social security contribution exemptions; benefit to cover 'cessation of activity' and accompanying social security contribution exemptions as provided for by Royal Decree-Law 8/2020 of 17 March 2020.

**Notes:** This table includes only those measures covered in this report. Legal bases mentioned are original decisions – subsequent amendments are not mentioned.

**Source:** Council of the EU (2020)

## Box 5: Importance of SURE funding in Member States

In **Belgium**, it is acknowledged that SURE funding has played an important role in maintaining the temporary unemployment scheme and the crisis bridging right for self-employed individuals, brought in to address the impact of the pandemic, as demonstrated by a public statement by the then Finance Minister Alexander De Croo:

*This [SURE funding] shows that Europe can act quickly in times of crisis and that it is capable of concrete solidarity on a large scale. Member States can only effectively tackle the negative social and economic consequences of the crisis if they work together intensively, of which SURE is an excellent example. SURE helps Belgium to diversify the financing of its public debt and at the same time obtain additional support for the financing needs of the communities and regions. In this way, SURE is helping the Belgian government to enable more than one million employees, the self-employed and SMEs to overcome this difficult period.*

(De Croo, 2020)

While the various employment support schemes implemented in **Greece** for employees and self-employed people were initially fully funded from the state budget, government representatives stated that SURE funding would eventually be used almost entirely to cover expenditure on the SYN-ERGASIA short-time working measure, in force from June 2020, as stipulated in the relevant Council Implementing Decision.

Given the limited fiscal space available in **Romania** and the high cost of borrowing on international markets, respondents argued that, in the absence of the SURE programme, the new short-time working measures adopted to support workers as the impact of the pandemic persisted would not have had the same scope.

While **Spain** similarly anticipated the use of SURE funding to support its short-time working scheme and self-employment allowances, it was reported in the media that the allocated resources might not be sufficient to cover the associated expenditure, depending on the severity of the second wave of the pandemic (see, for example, El Mundo, 2020).

With regard to the administrative requirements for funding, most countries making use of SURE funding indicated that it was relatively straightforward to provide the required documentary evidence of a sudden and severe rise in expenditure. What was more challenging, given the uncertain nature of the pandemic, was to estimate the resources likely to be needed to fund the schemes being implemented, particularly as the timetables for implementation often shifted – particularly later in the year as the second wave of the pandemic became more evident (and the estimated total amount of funding required was necessarily based on assessments of the likely progression of the pandemic).

Only a limited number of government officials contacted during the preparation of this report expressed concerns about the requirements for accessing SURE funding, which mainly concerned queries about the specific types of measures that could be funded and the requirement to satisfy specific provisions linked to state aid regulations.

In most of the countries not applying for SURE support, the reason provided was that national funds were – at least for the time being – available to cover the additional expenditure. In France, the view was expressed that, if necessary, the country might be able to borrow capital on the financial markets at a lower rate than that offered by the SURE instrument.

Respondents in Austria did express some concerns around the administrative burden associated with applying for EU funding. However, this was not considered to be the most important reason for not applying for SURE funding, which was mainly attributed to the ability of the country to cover this expenditure from its own resources.

A number of countries (for example, Romania) indicated that, before SURE funding was available, the greater flexibility created for the use of other EU funding (and in particular the European Social Fund) was used to help fund aspects of employment protection schemes developed to address the impact of COVID-19 on the labour market. It is anticipated that cohesion funding, as well as the RRF, will have an important role to play in the recovery efforts, particularly for individuals who have lost their job or who are struggling to enter the labour market for the first time as a result of the pandemic.

In the communication setting out its coordinated economic response to the pandemic, the European Commission committed to accelerating the preparation of its legislative proposal for a European Unemployment Reinsurance Scheme (EURS) (European Commission, 2020e). When the SURE programme was announced, this was seen as the emergency operationalisation of a EURS. The Commission's work programme for 2021 does not

mention the development of a EURS; instead, the Commission is relying on the full implementation and use of the SURE instrument to help workers maintain their incomes and ensure that businesses can retain staff (European Commission, 2020e). The work programme indicated that Commission services will ‘carefully evaluate these measures in the coming years’ and will gather evidence that might inform a more permanent EU instrument on the basis of learning from SURE. It therefore remains to be seen to what extent the SURE programme will ultimately act as a pilot for the introduction of a more permanent EURS (Tesche, 2020).

As it was designed as a rapid response to the crisis, the SURE programme did not include any requirements relating to the elements of support to be granted, including, for example, whether short-time working or similar schemes should be expanded to vulnerable groups of workers as a further demonstration of EU solidarity and in line with the principles behind the European Pillar of Social Rights. In this context, Vandembroucke et al (2020) characterised the SURE programme as a necessary, but limited, expression of European solidarity with the Member States, firms and workers affected in unprecedented ways by the COVID-19 crisis. Some observers have argued that a more permanent EURS would require at least a minimum level of harmonisation regarding the core functions and parameters of the schemes implemented (Andor, 2020). Others maintain that in addition to ensuring that the most vulnerable people are supported at a ‘sufficient’ level, access to European funding instruments should be linked to other forms of protection, including, for example, a ban on dismissals (Müller and Schulten, 2020).

## Impact of employment protection schemes

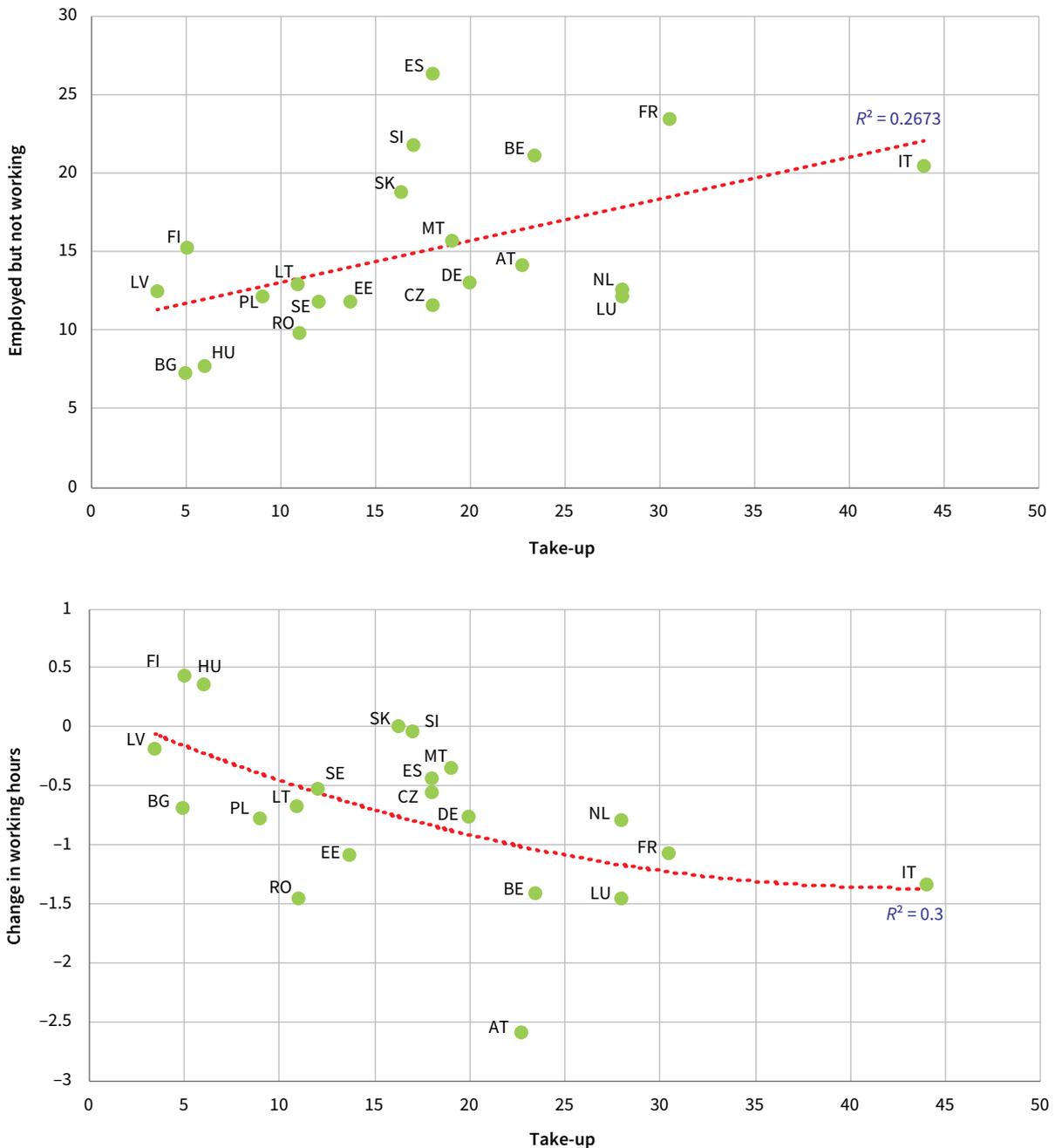
Given the ongoing nature of the COVID-19 emergency, the respondents from national labour ministries and social partners contacted as part of this research were unable to provide evidence-based assessments of the extent to which short-time working and similar measures had succeeded in safeguarding employment and incomes. The high take-up rate in many countries combined with a relatively modest increase in unemployment compared with the drop in GDP experienced were largely seen as indicators of the success of these schemes in sustaining employment through the first wave (together with the move, wherever possible, to telework, as described in Chapter 1).

Figure 15 shows the relationship between the take-up rates for short-term working schemes, the share of employed people who reported not working in the reference week and changes in working hours between Q2 2019 and Q2 2020. There are moderate associations between the employment indicators and take-up rates: the higher the share of those in employment but not in work, the higher the take-up rate of short-term working schemes. Furthermore, take-up was higher in countries experiencing larger reductions in working hours between Q2 2019 and Q2 2020.

Although employment protection schemes were expanded in a number of countries to include workers on temporary or fixed-term contracts, it is worth noting that the potential of these schemes to protect workers on non-standard contracts appears to have been more limited than expected in some countries. This issue was highlighted in particular for France and Spain, the latter being a country with a high share of such contracts in the labour market. Employers were able to let temporary contracts expire, while continuing to pay workers for the remaining running time of the contracts, or placing workers on temporary unemployment schemes, during which time the contracts were frozen. In Spain, in early March 2020, over 670,000 workers on temporary contracts lost their jobs, although more than half of them have since re-entered employment. A high turnover of temporary employment has thus remained a feature of the Spanish labour market during the pandemic, despite such workers being included in employment protection schemes.

Simulations carried out by the OECD show that employment protection schemes reduced the number of jobs at risk of termination by 10 percentage points, from 22% to 12% (OECD, 2020a). This report also noted that workers on such schemes were comparatively better off than workers receiving full-time unemployment insurance benefits. This was particularly true for low-wage workers (partly because of the caps applied). As indicated in Chapter 2, many countries have increased the level and/or duration of unemployment benefit payments during the pandemic; however, the level of unemployment benefit payments remains below the level of benefits offered by employment protection schemes in most countries (OECD, 2020a). The combination of the level of such payments and the ‘generosity’ and administrative ease of access to short-time working or similar measures is significant in terms of the take-up of such schemes. In the case of Ireland, the pandemic unemployment payment offered a similar level of income to the Temporary COVID-19 Wage Subsidy Scheme (TWSS) but was significantly easier to access for employers and this acted as a disincentive for employers to utilise the TWSS.

Figure 15: Take-up of short-time working schemes (%), share of workers not working (%) and change in working hours between Q2 2019 and Q2 2020, EU27



Note: Insufficient data available for countries not shown.

Source: Authors, based on Eurostat data and information on take-up rates provided by the Network of Eurofound Correspondents

As demonstrated by the results of Eurofound’s ‘Living, working and COVID-19’ e-survey, individuals benefiting from employment protection schemes are less likely to experience financial hardship. These schemes also helped to support higher levels of consumption than would otherwise have been the case. Studies show that beneficiaries also expressed greater trust in their governments (Eurofound, 2020b; OECD, 2020a). Using data from France, Germany, Italy, the Netherlands and Spain, Dias da Silva et al (2020) estimated that, in the absence of short-time working benefits, the drop in euro

area household income from labour could amount to 22%. According to their estimates, the presence of short-time working benefits reduced this decline to 7% during the most severe lockdown phases.

However, the actual level of income reduction depends very much on the numbers of hours worked and the specific features of the scheme. Box 6 presents the findings of research carried out in Austria and Germany on this issue. The findings from Germany, in particular, demonstrate the importance of collective agreements in mitigating these employment effects.

### Box 6: Impact of short-time working on incomes

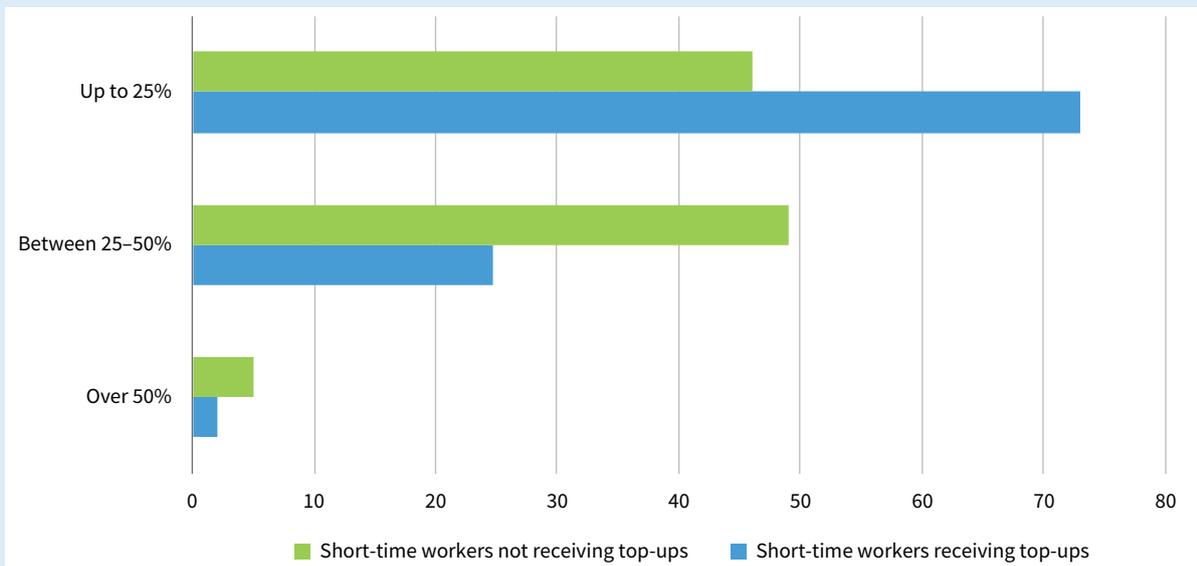
The Austrian ‘Corona short-time working scheme’ offers replacement rates of between 80% and 100% during the time not worked, depending on the status of the worker and their income level, with workers earning more than €5,730 (gross per month) not eligible for the subsidy.

A simulation carried out on behalf of the Austrian Ministry of Labour, Family and Youth found a decrease in the available annual household income of workers on short-time working of €39 (median) or 0.2% for the lowest income quintile, and €681 or 1.5% for the highest income quintile. On average, the model found a median decrease in available annual household income of €390 (1.1%). In all income groups, the simulated loss was substantially lower than it would have been if those affected had experienced unemployment. The study concluded that short-time working is an important instrument for cushioning labour market shocks in the short run, while at the same time highlighting that long-term effects, such as potential tax increases or a reduction in social benefits because of the costs of the instrument, should be analysed to enable a full assessment of the measure to be carried out (Bundesministerium für Soziales, Gesundheit, Pflege und Konsumentenschutz, 2020).

In Germany, for the first three months, the *Kurzarbeit* scheme offers a replacement rate of 60% (67% for parents). This increases to 70% (77%) from the fourth to the sixth month and to 80% (87%) from the seventh month.

Pusch and Seifert (2020) found that for around 46% of workers the replacement rate paid was increased as a result of company-level agreements, with such works agreements more common in companies and sectors where collective agreements are in force. Figure 16 shows the level of income reduction experienced by workers on short-time working allowances that were and were not topped up through collective agreements, demonstrating the significant impact of top-up agreements on the ability to make ends meet.

**Figure 16: Income reductions experienced by workers receiving short-time working allowances with and without top-ups, Germany (%)**



**Note:** The data are based on a survey carried out by the Wirtschafts- und Sozialwissenschaftliches Institut in June 2020.  
**Source:** Pusch and Seifert (2020)

Two other issues were raised in a number of countries in relation to income. One relates to reductions in income experienced by workers still working (full-time) as employers sought to reduce their cost base. This was reported in Romania and Slovenia. In Slovenia, this led to a situation whereby, within a single company, employees who were still working could be on the same income as those partly or fully temporarily laid off, triggering motivation issues among those still working. Some limited concerns were also expressed about workers receiving higher payments on the subsidy than their normal income. This was reported in Estonia, Ireland and Malta, among other countries, but it was not considered to be a widespread phenomenon.

## Policy lessons

As was the case in the 2008–2010 financial and economic crisis, it appears from labour market data (reported in Chapter 1) that the widespread introduction of employment protection measures served to cushion the impact of the first wave of the crisis. The extent to which jobs and workers' incomes were protected depends on the precise nature of the eligibility criteria and the level and duration of support offered under different schemes in different Member States and the distribution of the costs of such measures.

Limited replacement rates in many countries have meant that it was necessary to bring in additional support measures to address the impact of declining household incomes, as shown by the prevalence of new measures to prevent social hardship and ensure the security of housing, described in Chapter 2 and further elaborated on in Chapter 5.

In relation to the design of policy measures (discussed in more detail in Chapter 6), experience gained during the crisis shows that efforts to include social partners and other key stakeholders in decision-making produce favourable outcomes in the longer term, as this can prevent anomalies, potential deadweight effects and the dissemination of confusing or conflicting information around new or amended policy measures. The value of policy learning from other countries was also acknowledged by some stakeholders.

In terms of clarity and speed of implementation, it also appears that there are benefits to putting in place short-time working and similar schemes so that they can be activated quickly when the necessary criteria are met, rather than introducing new measures that have to be designed in emergency situations. This also lends itself more easily to longer-term planning, as shown in

relation to the extension of COVID-19-related provisions (with revised conditionality criteria and links to training) in Austria, France and Germany. In granting access to such benefits, inclusiveness is an important factor in order to avoid leaving the most vulnerable groups without protection and to limit deadweight effects. However, labour market data show that, despite efforts to include workers on temporary contracts in employment protection schemes, many such contracts have been terminated nonetheless. In addition, fixed-term contract workers are often not included in any extended dismissal protection arrangements.

Mirroring the experience of the financial and economic crisis of more than a decade ago, it appears that opportunities to combine enforced downtime with training have been missed. It remains difficult to plan suitable training programmes and ensure that adequate resources are available to realise such human capital enhancement measures at short notice, despite the increase in online learning opportunities.

Although not yet discussed to a great extent in the context of the COVID-19 crisis, it is important to be mindful of the risk of creating 'zombie companies' and tying up human resources in businesses that are ultimately not sustainable. Arguably, because of the particular nature of this crisis, it is more challenging to determine the nature of such enterprises and sectors as declines in demand have been triggered by public health restrictions rather than a lack of spending power among consumers.

The SURE instrument has contributed to allowing Member States experiencing sudden and severe increases in expenditure to enhance or extend the support available. However, as of November 2020, there were clear signs that the use of the programme and its impact was not yet well known. The lessons learned to date do not provide enough information to determine the best way to progress discussions on a EURS. Where there was some clarity around the use of the SURE funds, the assessment tended to be positive, with only limited concerns expressed about delays in negotiating the details of the funding and about the administrative requirements. Furthermore, with the high degree of diversity of existing schemes, including in relation to dismissal protection following the granting of income support, the question remains as to whether or not the introduction of such a scheme at EU level would benefit from requirements being laid down, while acknowledging that the harmonisation of such measures at EU level is neither feasible nor desirable (Guipponi and Landais, 2020).



# 4 Income support for self-employed workers

## Introduction

While employment protection schemes were implemented, adapted and extended to provide a degree of employment and income security (in the short to medium term) for employees, similar support was previously largely inaccessible to freelancers, solo-self-employed and other self-employed groups, placing them at particular risk of economic shocks (OECD, 2020a). The lack of income protection for these groups is linked to a range of factors, including the lack of, or more limited coverage by, social protection systems,<sup>25</sup> an inability to bargain collectively to ensure greater levels of protection or limited levels of organisation (Eurofound, 2020c) and the lack of provision of what might be described as universal minimum income schemes. The need to address some of these issues has been under discussion at national and European levels for a number of years, with only limited progress being made – such as the Council Recommendation on access to social protection for workers and self-employed people (European Commission, 2019). Even before the outbreak of the pandemic, calls for better social protection coverage for self-employed workers were becoming increasingly prominent in the context of concerns around the high rates of poverty in this group, particularly among solo self-employed people (Eurofound, 2017a; Horemans and Marx, 2017; Spasova et al, 2017).

As was the case in previous crises, workers in non-standard employment relationships, including self-employed people, have been particularly vulnerable to the impacts of the COVID-19 crisis. Eurofound's 'Living, working and COVID-19' e-survey showed that the likelihood of becoming unemployed during the COVID-19 crisis was much higher for solo self-employed people (13%) than employees (8%) and self-employed people with employees (2.3%), although a significant share of the latter group (5.9%) shed employees to become solo self-employed.

Self-employed people who remained in employment were also much more likely than employees to report that their working hours had reduced (around 50% compared with 25%) (Eurofound, 2020a). These findings are echoed in national surveys. In Germany, over half of self-employed individuals saw their working hours reduced by an average of 16 hours and 60% declared an associated decline in income (Kritikos et al, 2020).

As not all self-employed people are equally at risk, it is important to consider the distribution and types of self-employment in EU countries (Box 7). In terms of the impact of the COVID-19 pandemic, it is also notable that the proportion of self-employed people is particularly high in some of the sectors acutely impacted by the crisis, including the construction, accommodation, wholesale and retail, arts and recreation and transport sectors.

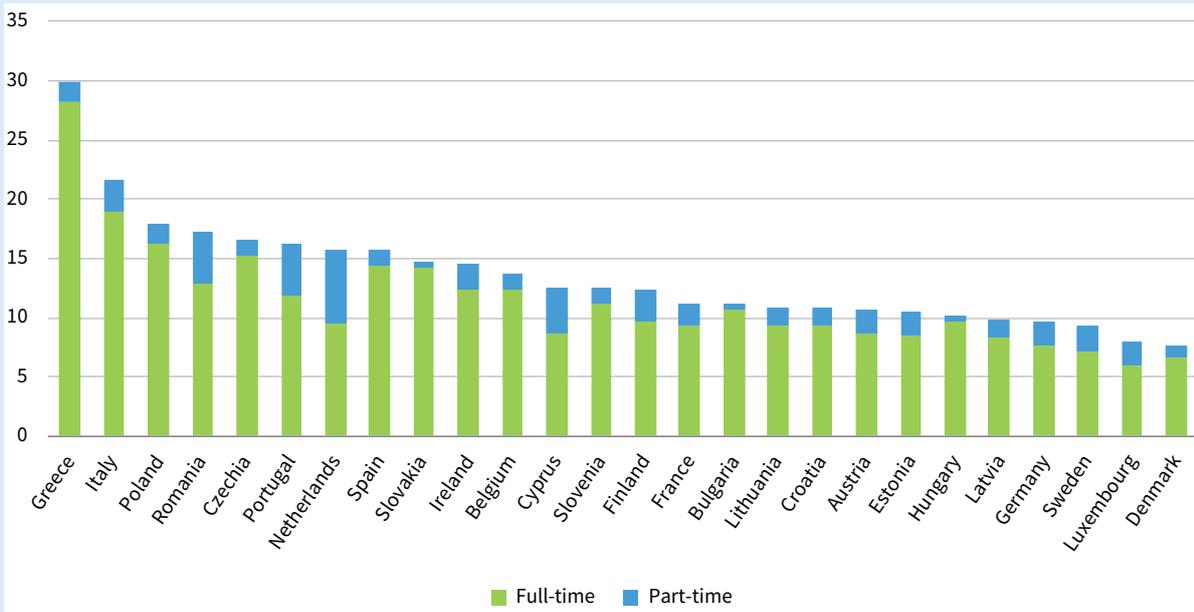
This chapter looks at the public policy measures introduced to cushion the impact of the pandemic on the income of self-employed individuals. It should be borne in mind that, in most countries, self-employed people are able to combine such payments with other initiatives aimed at assisting businesses that have been forced to close down or that have seen a significant drop in revenue because of the pandemic, including support to cover running costs, credit payment moratoria, delays in tax and social security liabilities and better access to lower cost loans (see Chapter 2). Furthermore, self-employed people with employees are often able to access short-time working and similar measures, which reduce labour costs in the short term. A catalogue of business support measures was designed in most countries to prevent significant numbers of business failures. However, arguably, for the most vulnerable groups of self-employed people, including solo self-employed people and micro companies, income support measures are likely to play a more important role in maintaining livelihoods than other measures, as low levels of capitalisation among this group of self-employed people mean that even a more limited, short-term downturn in turnover can prove to be an existential threat (Becker, 2020).

25 This is often because there is no compulsory contribution requirement for such schemes or there are no opportunities to contribute.

### Box 7: Nature of self-employment in the EU

In 2019, 14% of the EU workforce was self-employed, with over 10% being self-employed without employees and around 4% with employees. The share of self-employed people varies significantly between countries. In 2018, Greece had the highest share of self-employed people, followed by Italy, Poland, Romania, Czechia and Portugal, with Denmark, Luxembourg, Sweden and Germany having the lowest share (Figure 17). While the majority of self-employed people work full time in entrepreneurial activity, an average of 2.5% of self-employed people in the EU worked part time in 2018. The share of part-time self-employed people was particularly high in the Netherlands.

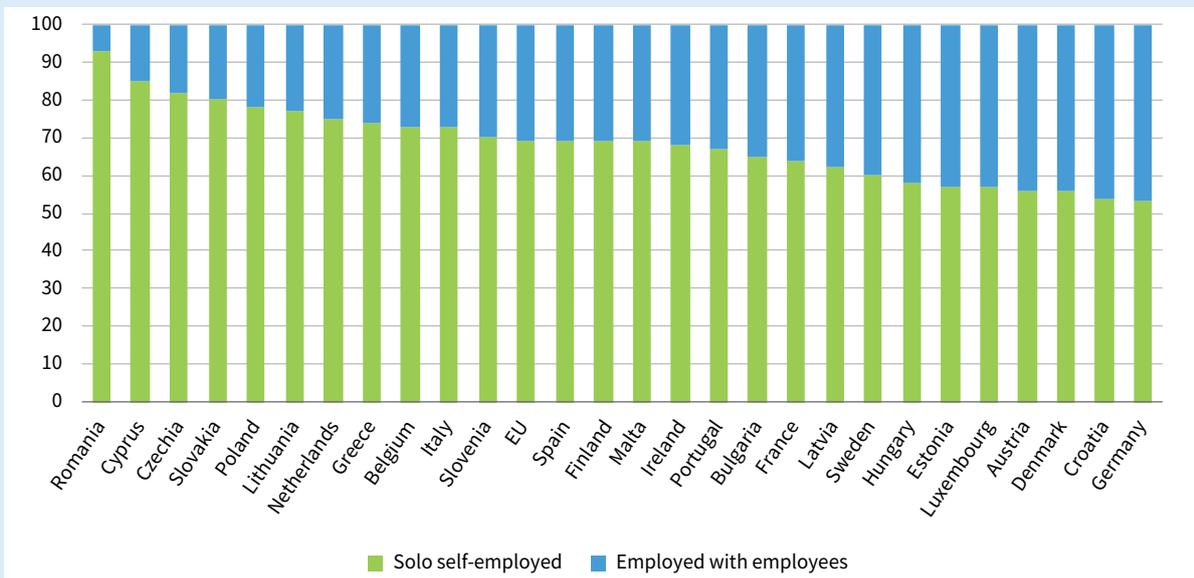
**Figure 17: Proportions of full- and part-time self-employed individuals, 2018, EU27 (%)**



Note: No data were available for Malta.  
Source: EU-LFS

In 2019, the proportion of solo self-employed people was particularly high in Cyprus, Czechia, Slovakia and Poland and comparatively low in Germany, Croatia, Denmark and Austria (Figure 18).

**Figure 18: Proportions of solo self-employed people and self-employed people with employees among total self-employment, 2019, EU27 (%)**



Source: EU-LFS

Applying latent class analysis to European Working Conditions Survey (EWCS) 2015 data, Eurofound (2017b) identified five distinct clusters of self-employment. Of these, two have broadly favourable working and employment conditions – ‘stable own-account workers’ and ‘employers’; two are potentially more problematic categories – ‘vulnerable’ and ‘concealed’ self-employed workers – accounting for one-quarter of the self-employed population; while a final cluster – ‘small traders and farmers’ – shows a more mixed picture. The ‘vulnerable’ cluster is characterised by dependence on one or a limited number of clients, a relatively low income and a higher likelihood of being self-employed out of necessity than out of preference. This cluster is also distinct in that it includes more women and older people than the self-employed population as a whole. The ‘concealed’ cluster was identified to most resemble employees, with individuals in this cluster working regular five-day weeks in the company of co-workers, being paid on a weekly or monthly basis and having limited decision-making discretion or autonomy despite their self-employed status. The majority of workers in this cluster would be economically insecure in the event of sickness. Self-employed people in this cluster were more likely to be male and younger. The ‘vulnerable’ cluster accounted for 17% and the ‘concealed’ cluster for 8% of all self-employment, which together is the equivalent of around eight million workers in the EU.

## Development of income support policies for self-employed people

Governments in at least three-quarters of the Member States have recognised the significant impact of sector closures on self-employed people and have implemented income support measures that would previously have been unthinkable (Eurofound, 2020c; Fana et al, 2020). As mentioned previously, policy discussions on the need for enhanced social protection for non-standard workers and self-employed people have been ongoing at EU and national policy levels for some time, with limited progress being made. This is partly due to the prevailing view that self-employed people have voluntarily accepted the entrepreneurial risk and can decide for themselves whether or not to

opt into public (where possible) and private protection schemes when this is not a requirement. In the context of the COVID-19 crisis, it was recognised that the impact was out of the control of self-employed people and hence there was more willingness to provide support to maintain livelihoods, employment and overall purchasing power and keep businesses afloat.

With the exception of the measures in place in Belgium, Finland and Spain (Box 8), income support initiatives for self-employed people were entirely new and were implemented as a specific response to the crisis.<sup>26</sup> They were also time limited, although many have been extended beyond their initial intended timescale as the impact of the pandemic has proved to be more long lasting.

### Box 8: Amendment of existing income support measures for self-employed people

The bridging right in place in **Belgium** prior to the pandemic used more restrictive eligibility conditions and was primarily intended to prevent bankruptcy. It also covered externalities, which required businesses to cease operations for at least one month. This was reduced to seven days for the COVID-19-specific measure. The goal of the ‘corona bridging right’ was to offer the same kind of support to self-employed individuals significantly affected by government actions to limit the spread of COVID-19 as that given to employees under the temporary unemployment system.

Similarly, **Finland** introduced the temporary extension of labour market support to self-employed people through temporary unemployment benefits. Before the COVID-19 crisis, the access of self-employed people to such benefits was limited to those who were part-time self-employed. To address the reduced (or fully curtailed) earnings potential of self-employment activity as a result of the pandemic, the Unemployment Security Act was amended to allow full-time self-employed people to access this labour market support if their full-time employment from such activity ceased or their monthly income from such activity fell below €1,089.

<sup>26</sup> This report covers measures from 15 Member States that had been reported to the COVID-19 EU PolicyWatch database by July 2020. More details on the measures covered can be found in the working paper published with this report (Eurofound, 2021a).

The possibility of using an allowance supporting self-employed people whose activity ends because of a force majeure event or for economic, technical or organisational reasons, leading to a loss in revenue of more than 10%, was already laid out in **Spanish** legislation before the pandemic (Royal Legislative Decree 8/2015 of 30 October 2015). The COVID-19-related measure, although new, essentially built on these provisions but enabled easier access to benefits for self-employed people whose activities are suspended or whose income is reduced by at least 75% compared with the average income during the previous six-month period. Specific provisions were added for self-employed people involved in seasonal activities to take account of annual fluctuations in income.

However, in a number of countries, income support measures for self-employed people were introduced only after support measures for employees had been extended and as a result of pressure from business groups seeking similar support for entrepreneurs who had been equally affected by government public health measures. In Denmark, Germany and Greece, the introduction of one-off grants to cover ongoing running costs, low-cost loan measures and the ability to defer tax liabilities preceded the implementation of income support measures by a number of weeks, leaving many particularly vulnerable self-employed people largely without protection. This forced them to fall back on savings (where feasible) and other ways of reducing business costs, ensuring an income in the short term and reducing expenditure in their private sphere to shore up their business (Block et al, 2021).

Given the speed with which many of the new measures were introduced, it is perhaps not surprising that a great number of these initiatives were subject to amendments in the weeks and months following their initial introduction. While in Finland, for example, such amendments were largely limited to temporal extensions, in Austria, Czechia, Denmark, France, Italy, Latvia, Poland, Portugal and Romania the eligibility criteria – and in some cases the generosity – of their schemes were broadened to enable better support to be offered to additional groups of self-employed people. Once the first wave of the pandemic subsided, a number of countries, including Belgium, France, Greece and Italy, moved to tighten the eligibility criteria again by restricting access largely to the sectors most affected by public health restrictions on physical contact.

Significant differences are also evident in terms of the overall duration of implementation of the measures introduced for self-employed people, with some (at least as of November 2020) only in place for a few months during the first wave of the pandemic (for example, in Czechia, Greece, Latvia and Romania) and others extended to the end of 2020 and beyond (for example, in Austria, Belgium, Finland, France, Portugal and Spain). Although short-time working and similar support measures for employees were also initially time limited in many countries and were subsequently extended, this gradual expansion of income support for self-employed people has arguably

led to even greater uncertainty for this group of workers because of the difficulties of planning ahead in relation to business operations – for example, stock management, employment of staff, investment decisions – in the context of an ongoing public health emergency.

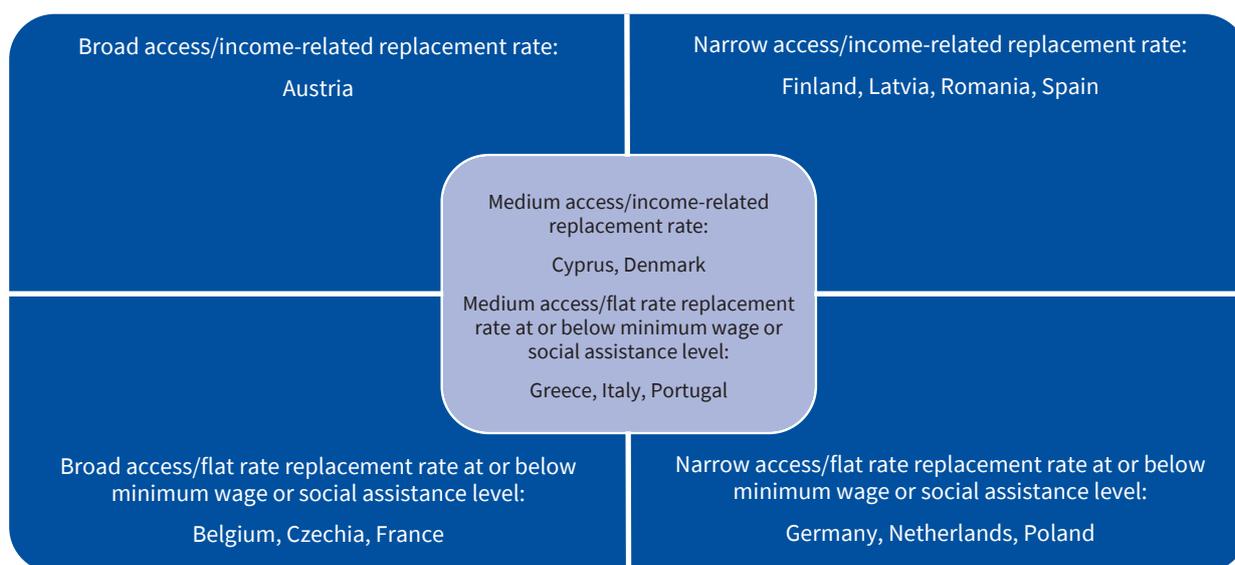
In addition to the overall duration of implementation of such schemes, the precise eligibility criteria for accessing them significantly influence their potential to lessen the impact of the pandemic on income from self-employment and to therefore prevent hardship among this group (as well as having a knock-on effect on dependent employment). Although a rapid response to an exceptional situation was the first goal of these measures, some consideration was given to potential deadweight effects and the risk of propping up businesses that, ultimately, would not be sustainable in the long term. In designing policies, a balancing act had to be struck between breadth of coverage and administrative ease of access and the prevention of any unintended side-effects.

## Eligibility criteria

Generally speaking, governments have recognised the wide-ranging impact of the COVID-19 crisis on self-employed people and have included relatively wide eligibility criteria in income protection schemes in terms of accessibility. However, a number of eligibility criteria that were implemented have contributed to the exclusion of certain groups of self-employed people from these important support measures. In summary, these criteria primarily relate to:

- sectoral restrictions
- limitations to particular groups of self-employed people/types of company structures
- thresholds with regard to required reductions in revenue
- maximum and minimum income thresholds (size of turnover and income prior to the pandemic)
- cut-off points linked to the start date of self-employed activity
- the financial health of a business prior to the onset of the pandemic

Figure 19: Categorisation of income replacement schemes for self-employed people, September 2020



Source: Authors, based on information provided by the Network of Eurofound Correspondents and Eurofound (2020e)

The extent to which such measures (in combination with other support initiatives for businesses) have been able to prevent significant income loss, associated job loss and business failures also depends on the level of income support granted. This section will examine the eligibility criteria and levels of support available in more detail. Figure 19 seeks to characterise the schemes covered in this report in terms of these two factors. It should be noted that this assessment is relative and relies on some generalisations, as many schemes underwent various amendments during their implementation phase.

### Sectoral focus and groups of self-employed people covered

In terms of sectoral coverage, most measures targeted all sectors, with a number of Member States introducing additional schemes primarily targeted at the arts, entertainment, recreation and transport sectors, which have been particularly hard hit by public health restrictions.

The French solidarity fund for small companies was initially accessible to all entrepreneurs able to demonstrate the required economic impact. However, from June 2020 this became limited to the most affected sectors, such as hotels, restaurants, tourism and events. A similar approach was taken for the Belgian replacement income scheme for self-employed people.

The majority of measures covered in this report were designed to support solo self-employed people, self-employed people with employees, and freelancers. Only the Netherlands and Poland focused their income support measures on solo self-employed people.

The measure in Slovenia was initially limited to solo self-employed people but was subsequently extended. Other types of support measures are available for self-employed people with employees, including credit moratoria and access to loans. A number of countries, including Sweden, made support available only for specific legal company structures, meaning that some groups were left without this form of income protection despite being faced with the same challenges.

In the main, access to these measures was not strictly limited to those for whom self-employed income was their sole source of income. Only Finland, the Netherlands and Romania restricted access to this category. Other countries set a maximum threshold for earnings from other activities and/or specified the types of earnings that could be combined, for instance pension benefits and income from self-employed activity (Austria, in relation to the hardship fund for self-employed people, Belgium, Czechia, France, Latvia, Portugal and Spain). No such limits on other activities were explicitly specified for the company subsidy for fixed costs (*Fixkostenzuschuss*) in Austria and for the measures in Italy and Poland, which also allowed self-employment to be combined with other activities.

Czechia, Greece, Poland and Portugal did not allow self-employed income support to be combined with other government support. Other Member States did allow this, but tended to take other grants or benefits into account in calculating the level of support to be granted. In the Netherlands, capital reserves and, latterly, partners' income, were also considered when determining eligibility for income support, whereas Germany temporarily suspended means testing for solo self-employed people who applied for social assistance benefits.

Austria (hardship fund for self-employed people), Belgium, Denmark, France, Italy, Portugal and Spain (since 1 July 2020) set either maximum or minimum income thresholds (or both) for self-employed activity, thus excluding those for whom income from self-employed activity was either relatively marginal or, indeed, significant prior to the pandemic. For example, in Austria, solo self-employed people, freelancers and self-employed people running micro businesses with net earnings above €33,800 in the last year for which a tax assessment was available were not eligible for support. An upper threshold of around €14,000 per year applied to any potential claimants in Belgium in secondary self-employment. To be eligible for the

Danish support measure, self-employed earnings had to be between €1,300 and €107,000 per year. In Finland, the temporary unemployment benefit was available only for self-employed people with an income of less than €1,090 per month. In France, access was restricted to self-employed people with an annual turnover of less than €1 million and maximum monthly earnings of €1,500 from other sources.

Such restrictions necessarily precluded some self-employed people from benefiting from these measures, although no clear and comparable information is available to date on the share of self-employed people who found themselves excluded as a result of these criteria.

### Box 9: Public and social partner support for platform workers affected by the COVID-19 crisis

Platform work, the matching of demand for paid labour with supply through an online platform or app, emerged in Europe as a new employment form and business model about 15 years ago (Eurofound, 2015, 2018a). Harmonised and comparable data indicating the prevalence of platform work in Europe are not available, but most national research points towards rates of 1–2% of the workforce doing platform work as their main job, and about 10% doing it occasionally (Eurofound, 2020f). In spite of its comparatively small scale, platform work is increasingly gaining attention in public and policy debate. This is both because of its dynamic and continuous growth, which is expected to continue in the future (particularly in labour market crisis situations, as has been experienced in the COVID-19 pandemic), and the risks identified in relation to the employment and working conditions of some types of platform work (Eurofound, 2019).

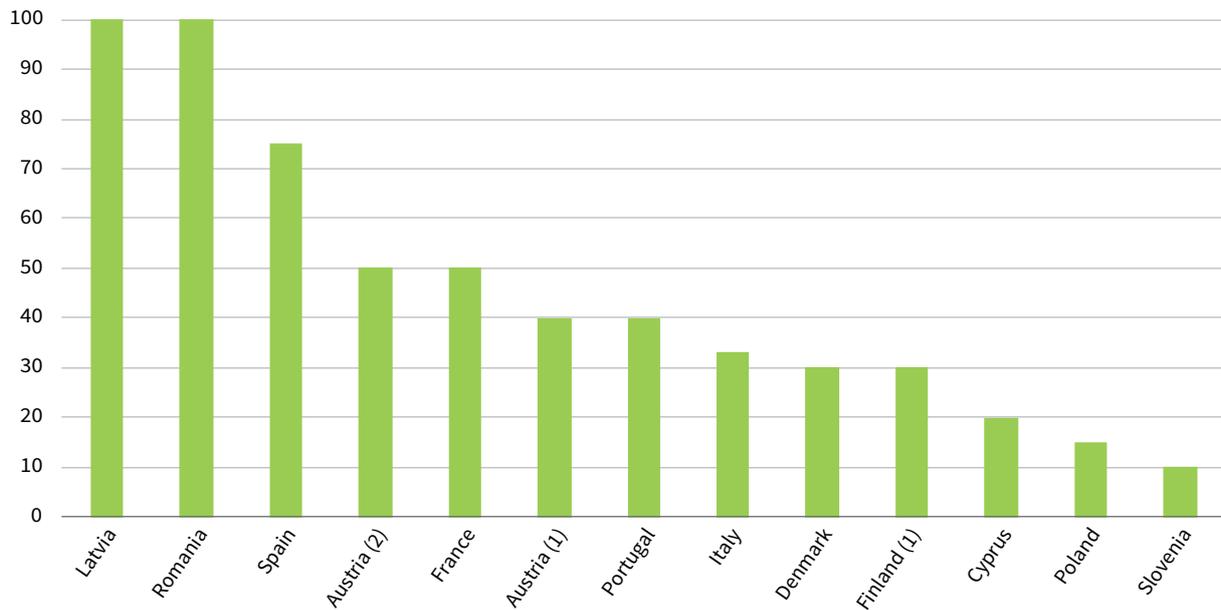
When the COVID-19 pandemic hit Europe in early 2020, platform workers were immediately affected (Eurofound, 2020g). In particular, platform workers providing personal transport or carrying out household tasks – but also some workers engaged in specific online tasks – experienced a drop in demand because of government restrictions, clients' preferences or platforms' policies, with some workers experiencing a complete loss of work and hence income. In contrast, the demand for food delivery services surged, and delivery services were subsequently expanded to other goods such as medicines. While these platform workers did not suffer from a loss of income, they experienced increased health risks from potential exposure to the virus, higher levels of work intensity and long and unsocial working hours.

In short, the COVID-19 crisis aggravated several of the risks previously identified for some types of platform work with regard to employment and working conditions. Examples of such risks are the unpredictability of the work and hence income, the uncertainty around who is responsible for health and safety measures and the limited access to social protection measures. Most, if not all, are related to the unclear employment status of platform workers, resulting in a situation in which most are considered to be self-employed.

Against this background, platform workers affected by the pandemic were observed to have limited or no access to public and social partner-based support targeting employees, such as short-time working support or instruments addressing workers' well-being. At the same time, although they should be able to access the support available for self-employed people, in practice it is questionable whether the related eligibility criteria (for example, the need to show evidence of a loss of income can be very challenging for platform workers because of the irregularity of income or lack of business documentation) allow them to benefit from such support, as few of the available self-employment support instruments explicitly include platform workers in their target groups.

Across Europe, a few initiatives specifically addressing platform workers' needs in the pandemic were identified (Eurofound, 2020h). These have mainly been driven by employee organisations and refer to actions to make sure governments or platforms provide income support for workers, to give platform workers information related to their health and safety or to assist them through collective action (such as strikes or court cases) to achieve better health and safety standards. The effectiveness of such measures remains to be seen.

**Figure 20: Minimum income or turnover loss required to access self-employment income support schemes, September 2020 (%)**



**Notes:** No specific income reduction thresholds were set in Belgium, Czechia, Greece and the Netherlands. Austria (1) refers to the company subsidy for fixed costs and Austria (2) refers to the hardship fund for self-employed people and microenterprises. Finland (1) refers to financial aid for self-employed people.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

### Income reduction thresholds

In many countries, access to income protection for self-employed people was further restricted to those able to demonstrate a loss of income above a certain threshold. The schemes in Latvia and Romania were designed to support self-employed people who had been forced to cease operations by government decree for public health reasons.<sup>27</sup> Although this group was also the key target of the Belgian scheme, some access to this scheme was possible if lockdown measures led to the partial closure or severe limitation of operations. As shown in Figure 20, Spain also imposed a rather high threshold (75%) for loss of income, while Poland and Slovenia provided access to income protection for self-employed people having a 15% and 10% reduction in turnover, respectively. As indicated above, the Polish scheme was targeted only at solo-self employed people, who are arguably more vulnerable to even a small drop in income (the same was initially the case for the Slovenian measure).

Only Austria, Finland, Latvia and Slovenia put legislation in place that included some provisions requiring self-employed people to demonstrate the financial health of their business before the crisis to qualify for support, and only the Austrian company

subsidy for fixed costs required self-employed people to commit to do all that is feasible to continue to create sales and maintain jobs. With the exception of Austria and Greece, there was no direct link between income support schemes for self-employed people and the prohibition of redundancies (for self-employed people with employees). This became relevant only when employers also accessed support through short-time working schemes.

### Level and duration of support

The majority of the income support measures for self-employed people provided continuous payments, usually available for the whole period for which a measure was in force and while eligibility criteria were met (the exceptions were the measures introduced in Austria in phase 1 and the Netherlands). As mentioned above, this could still cause uncertainty, particularly when the initial implementation phase was short and the period of support was extended only after subsequent revisions and amendments.

In the case of the Austrian hardship fund for self-employed people and the Italian benefit, the implementation of more continuous support in phase 2 represented a

<sup>27</sup> In Romania, self-employed people are, however, also eligible for the technical unemployment allowance.

change from the original design, as both measures were initially intended to provide one-off payments. In the Netherlands, entrepreneurs were offered a choice between a low interest loan and a monthly social insurance payment.

As shown in Table 15, the level of income support available to self-employed people fell short of that granted to employees on short-time working schemes.

**Table 15: Level of income support for self-employed people, September 2020**

Country	Level of support
<b>Austria (1)</b>	Phase 1: 25% cost compensation for sales losses of 40–60%; maximum of €30 million per company. 50% for sales losses of between 60% and 80%; maximum of €60 million per company. 75% for sales losses of more than 80%; maximum of €90 million per company.
<b>Austria (2)</b>	Phase 1: Fixed-rate grant of €500 if net annual income is below €6,000 and €1,000 if net annual income is above €6,000; can be topped up with a ‘comeback bonus’ of €500. Phase 2: Income-related payment based on net income loss from self-employment; the support covers 80% of the income loss, or 90% when average monthly income is maximum €966.65; a minimum of €500 is paid per month. Maximum of €2,000 per month for a maximum of 6 months; can be topped up with a ‘comeback bonus’ of €500 per month. Maximum support for both phases is €30,000 per applicant.
<b>Belgium</b>	Full benefit: Flat rate of €1,614 per month for self-employed people with a family and €1,291 per month for self-employed people without a family. Partial benefit: €807 (€645) per month.
<b>Cyprus</b>	60% of income up to €900 per month.
<b>Czechia</b>	€19 per calendar day (maximum of €1,660).
<b>Denmark</b>	Between April and May 2020, 75%, and subsequently 90%, of average monthly revenue loss, exclusive of tax, up to a maximum of €3,090 per month.
<b>Finland (1)</b>	60% for part-time self-employed people entitled to an earnings-related unemployment allowance; others receive €33.66 per day.
<b>Finland (2)</b>	€2,000.
<b>France</b>	First component is an allowance equal to the declared turnover loss up to a maximum of €1,500 per month; second component is a one-off allowance of €2,000–€10,000 for companies in the hardest-hit sectors.
<b>Germany</b>	€432 per month for single claimants with additional payments of between €250 and €354 for claimants with children (support to cover rent and heating can also be claimed).
<b>Greece</b>	€800 or €524/€300 per month depending on the sector.
<b>Italy</b>	Flat-rate grant of between €500 and €1,000.
<b>Latvia</b>	For self-employed people in micro companies: 50% of average monthly income up to a maximum of €700 per month; for self-employed people in the general tax regime: 75% of average monthly income subject to social insurance contributions up to a maximum of €700 per month.
<b>Netherlands</b>	Choice between a social insurance payment of €1,050 for a single person or €1,500 for a couple or a loan of up to €10,000 as capital for an enterprise to be paid back within three years at an interest rate of 2%.
<b>Poland</b>	Flat-rate grant of 80% of the national minimum wage. Freelancers reporting previous income of below 50% of the minimum wage can claim full income; self-employed people paying tax on the basis of a tax card can claim a lump sum of €290.
<b>Portugal</b>	Maximum level of support €439 per month in March 2020; as of April 2020, the amount provided took into consideration the average remuneration recorded in the 12-month period prior to the date of application (maximum of €635 per month); from May 2020, a minimum payment was introduced, corresponding to 50% of the minimum wage.
<b>Romania</b>	Originally, the allowance was equal to the national minimum wage (€458 gross/€277 net per month); changed in March 2020 to 75% of the value of the median wage (€840 gross).
<b>Slovenia</b>	Flat-rate grant of €350 per month for March 2020 and €700 for subsequent full months.
<b>Spain</b>	70% of previous income up to a maximum of 175% of multiple effects income (Public Multiple Effects Income Indicator – IPREM) and a minimum of 80% of IPREM; from October 2020, 70% for self-employed people who are currently benefiting and whose activity remains affected. In addition, an extraordinary cessation of activity allowance was established for two groups – self-employed people who have to stop their activity by decree and self-employed people who were not previously eligible because of short periods of contribution – with a replacement rate of 50%.

**Notes:** Austria (1) refers to the company subsidy for fixed costs and Austria (2) refers to the hardship fund for self-employed people and microenterprises. Finland (1) refers to financial aid for self-employed people and Finland (2) refers to temporary recognition of entrepreneurs as recipients of unemployment benefit.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

The exceptions are Finland, Greece, Latvia (for self-employed people in the general tax regime), Romania and Spain, where the replacement rates and/or levels of benefits available to employees and self-employed people were aligned. Grants were income related in Austria (support for fixed costs and during phase 2 of the hardship fund for self-employed people), Denmark, Finland (for part-time self-employed people who were entitled to an earnings-related unemployment allowance), Latvia, Portugal, Romania and Spain. A flat rate was provided in Austria (during phase 1 of the hardship fund for self-employed people), Belgium, Czechia, France, Greece, Italy, the Netherlands and Poland. Where payments were income related, caps were in place in all countries except Finland.

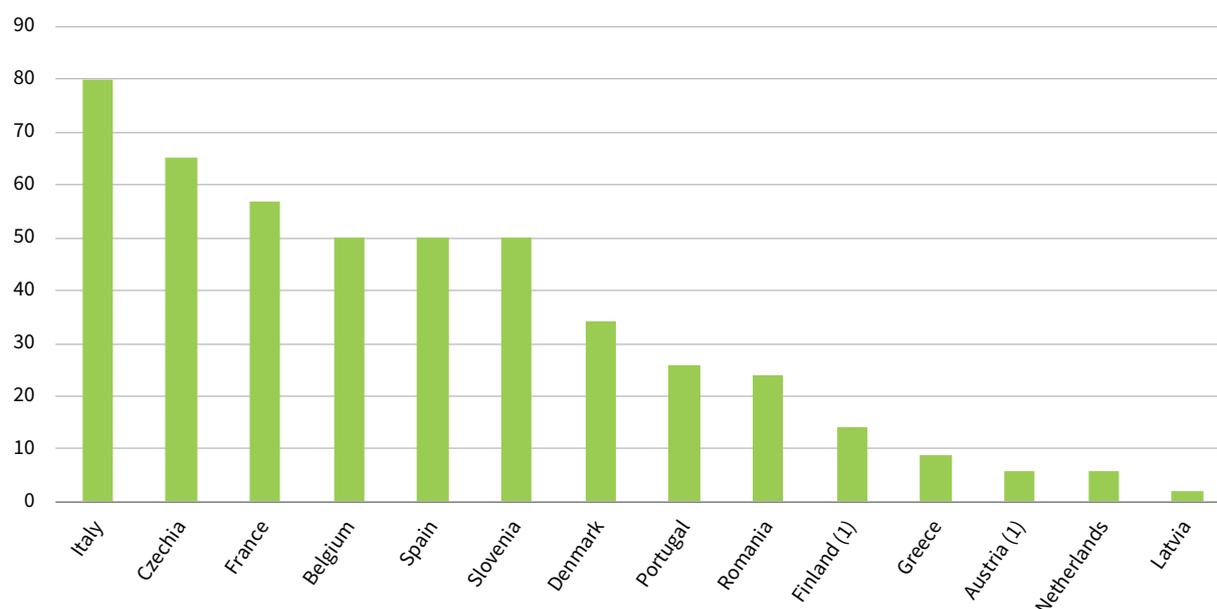
## Take-up and budget

Between March and August 2020, close to 15 million applications for income replacement grants were approved at a cost of around €22 billion for the measures in the 20 countries covered by this report. Peaks in applications were observed in April, May and June 2020. Figure 21 and Table 16 present take-up and budgetary information in more detail. Generally speaking, more limited information is available on the precise uptake of income support schemes by self-employed people than is the case for short-time working and similar schemes. Some of the data in Figure 21 rely on estimates and should be treated with caution. The available data make it difficult to discern patterns in take-up, for example linked to breadth of

access or level of replacement income granted. Although a number of the countries providing narrow or medium (sector-specific) access to support, such as Greece, Latvia, the Netherlands and Romania, are at the lower end of the take-up range, the same is also true for the fixed-cost income support benefit in Austria. Policymakers and social partners in Austria attribute the relatively low take-up rate to the 30% threshold for demonstrated reductions in income and the relatively complex and challenging application process (see also below), as well as to the delay in applications from larger companies linked to accounting cycles. However, other countries with higher income reduction thresholds (France and Spain) report larger take-up rates. More research is therefore needed to gather detailed take-up data and to explain differences in the use of these new schemes to draw lessons for future policymaking.

In Finland, the use of the support measure was also lower than expected. Here, the projected budget for the scheme was €250 million, assuming take-up by around 125,000 solo self-employed people. However, by August 2020, only around €85 million had been allocated. According to a representative from the Ministry of Economic Affairs and Employment, the reason for this was related, at least in part, to the requirement to demonstrate a 30% drop in revenue after March 2020. Furthermore, many new solo self-employed people were unable to access support because of the cut-off date for eligibility and the need to demonstrate an entrepreneurial income of not less than €20,000 per year.

**Figure 21: Take-up rates for income support schemes for self-employed people in March–September 2020, as share of support paid out (%)**



**Notes:** Austria (1) refers to the company subsidy for fixed costs. Finland (1) refers to financial aid for self-employed people. No data are available for Poland.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents and Eurostat self-employment data from 2019

**Table 16: Take-up, budget and budget utilisation in March–September 2020**

Country	Take-up	Budget	Budget expended
<b>Austria (1)</b>	44,000 applications by the end of September 2020 and 26,261 companies granted the subsidy.	€8 billion for phase 1 €4 billion planned for phase 2	€250 million approved and €172.8 million paid out as of 30 September 2020
<b>Austria (2)</b>	1.1 million approved applications as of 30 September 2020.	€2 billion; additional €200 million budgeted for 2021	€595 million as of September 2020
<b>Belgium</b>	527,000 grants awarded between March and July 2020.	No pre-determined budget	€1.9 billion
<b>Cyprus</b>	22,000 self-employed people out of a total of 49,500 received support.	€745 million (also includes temporary unemployment schemes)	No data
<b>Czechia</b>	One million grants awarded between March and June 2020.	No pre-determined budget framework	No pre-determined budget framework
<b>Denmark</b>	70,256 companies/self-employed people received a grant.	Approx. €1 billion	€564 million
<b>Finland (1)</b>	41,000 payments made between April and July 2020.	€160 million	€88 million
<b>Finland (2)</b>	34,000 payments made.	€250 million	€83 million
<b>France</b>	1,733,000 businesses supported.	€8.9 billion	€6 billion
<b>Germany</b>	Between March and April 2020, the number of employed social assistance (SGB II) claimants increased by 70,000, of whom 32,000 were self-employed.	No data	No data
<b>Greece</b>	480,000 businesses received a grant of €800 between March and April 2020. 178,000 received the monthly allowance up to May 2020.	No data	€500 million to date
<b>Italy</b>	4,100,000 approved applications (of five million in total).	€9 billion	Close to €9 billion
<b>Latvia</b>	4,176 self-employed people submitted 9,658 applications between March and July 2020; of these applications, 3,047 were refused, mainly because the minimum threshold for social insurance payments was not reached.	No specific budget frame set	€2.2 million
<b>Netherlands</b>	64,140 self-employed people used the measure between April and June 2020.	€3.8 billion	No data
<b>Poland</b>	2.5 million allowances awarded to date.	No specific budget frame set	€1.1 billion
<b>Portugal</b>	163,000 self-employed people have received the allowance (out of 209,000 applications); around 90% of these received the payment because of a complete shutdown of activity.	€185 million	€137 million up to July 2020
<b>Romania</b>	279,000 self-employed people have received the allowance (out of 354,000 applications).	€370 million	Around €150 million
<b>Slovenia</b>	94,000 grants between April and June 2020.	€80 million	No data
<b>Spain</b>	1.5 million self-employed people received support up to June 2020.	No data	No data

**Notes:** *Austria (1)* refers to the company subsidy for fixed costs and *Austria (2)* refers to the hardship fund for self-employed people and microenterprises. *Finland (1)* refers to financial aid for self-employed people and *Finland (2)* refers to temporary recognition of entrepreneurs as recipients of unemployment benefit.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

In many countries, the unprecedented nature of the schemes and the high level of need caused some difficulties and bottlenecks in terms of processing applications. Despite the fact that the new measures are generally considered to have been communicated well, the differences in eligibility criteria and the administrative information required to claim benefits posed problems in some Member States. In Austria, the relative complexity of the process for accessing the company subsidy for fixed costs led to an interpretation guide and frequently asked questions document being prepared, running to 40 pages in total.

It is considered that most self-employed people have needed their accountants' help to provide the information required to make a claim. In Greece, according to business organisations, the number of new and amended legislative acts adopted and the presence of different and parallel systems for the submission of claims, together with relatively tight schedules for the submission of materials, have led to confusion and the exclusion of some potential beneficiaries from the support available. In France, representative organisations of self-employed people have suggested that the second level of support, more targeted to

businesses still impacted after the first wave of the pandemic, has been prone to access issues because of the introduction of more eligibility criteria.

Even when the application process was eased through the use of online systems and simplified proof of eligibility, the sheer number of applications caused some delays in the allocation of support. Speed of access was considered to be a key challenge in Spain, which employer organisations claim caused liquidity problems for businesses, particularly in the early phase of the pandemic. Similarly, in Italy, the high volume of applications in the first week of April 2020 (when 60% of all applications were received) led to delays in payments, sometimes of over one month. In Slovenia, despite the use of online systems for the submission of applications, payments often took over a month to reach beneficiaries.

Furthermore, in some countries, a relatively high number of applications were rejected (for example, in Latvia and Romania), which is believed to be because of the complexity of the qualifying criteria and the administrative documents required.

Where the administration process was decentralised (for example, in Finland in relation to support for solo self-employed people), there are some anecdotal reports of different interpretations of the rules being applied in different areas.

The administration process, whether handled centrally or decentralised, led to significant additional costs in staffing and information technology development for the authorities responsible; there is also likely to be a

follow-up burden for the bodies responsible for auditing the allocation of funds through these measures, to enable the detection of any misuse. In addition to some (relatively limited) concerns around misuse, concerns have been raised in some countries with rather broadly accessible schemes, including those without a specific – or with a rather low – threshold for income losses, over deadweight effects associated with making support accessible to entrepreneurs who did not strictly require it (for example, in Czechia and Italy).

In terms of the duration of support measures, business organisations and representatives of self-employed people have raised concerns about the measures being potentially phased out too early and have argued in favour of ongoing transition support, particularly while the threat of further waves of the pandemic remains very real. Furthermore, the crisis has highlighted the ongoing debate about weak social safety nets for self-employed people and reinvigorated the debate on the need to address this issue in the longer term (Wukovits-Votzi, 2020).

## Impact of income support schemes

As shown in Chapter 1, Eurostat data indicate that the share of self-employed people in the labour market declined by around 2% between Q2 2019 and Q2 2020, with self-employed people with employees impacted more significantly by the pandemic than solo self-employed people (see Figure 3). Table 17 demonstrates that this impact was more marked in a

**Table 17: Change in self-employment in different NACE Rev. 2 sectors, Q2 2019–Q2 2020, EU27**

Sector	Change in self-employment (%)		
	All	Men	Women
Total: all NACE Rev. 2 activities	-2.1	-1.7	-2.4
Agriculture, forestry and fishing	-3.5	-1.9	-7.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	-6.6	-7.0	-5.6
Professional, scientific and technical activities	2.3	1.5	3.6
Construction	-4.0	-3.5	-14.5
Human health and social work activities	2.9	8.1	-0.3
Manufacturing	0.5	2.0	-4.6
Other service activities	5.9	13.5	2.7
Accommodation and food service activities	-8.6	-8.7	-8.5
Transportation and storage	-3.9	-3.5	-7.1
Information and communication	1.6	0.7	5.6
Administrative and support service activities	-7.2	-10.5	-0.8
Arts, entertainment and recreation	1.5	1.9	0.8
Education	-3.4	-1.6	-4.8
Financial and insurance activities	-7.6	-6.1	-11.7

**Notes:** NACE Rev. 2, Statistical Classification of Economic Activities in the European Community revision 2.

**Source:** Eurostat

number of sectors, including the accommodation and food service activities, financial and insurance activities, administrative and support activities and wholesale and retail trade sectors. Somewhat surprisingly, the share of self-employed people in the arts, entertainment and recreation sector increased slightly.

Eurofound's second edition of the 'Living, working and COVID-19' e-survey in July 2020 found that 27% of self-employed people reported they felt they were likely to lose their jobs in the next three months. This is despite the fact that nearly three-quarters of self-employed people with employees and 56% of solo self-employed people had taken some steps to adapt their business models in order to continue trading in some form. A survey carried out by the research institute of the Hellenic Confederation of Professionals, Craftsmen & Merchants (GSEVEE) in Greece in June 2020 showed that over 50% of solo self-employed people and 40% of small companies estimated that they had enough capital to keep going for one month only. Findings from a regular panel survey in Germany (with interviews carried out between April and May 2020) indicated that half of the self-employed people negatively impacted by the crisis had sufficient reserve liquidity for three months. The same study found that, while employees affected by the pandemic (for example, as a result of short-time working) suffered an average loss of income of €400 in the period between April and May 2020, this loss was three times greater for self-employed workers. As a result, entrepreneurs were significantly more likely to have to rely on any savings or to claim welfare benefits (Kritikos et al, 2020). Although not covered in this report, findings from research carried out by the London School of Economics show that in August 2020 – a month that saw the economy recovering somewhat from the first lockdown – close to 60% of the UK's five million self-employed workers still had less work than would normally be the case. One-fifth of self-employed people anticipated leaving self-employment altogether, a figure that increased to nearly 60% for self-employed people under the age of 25 years (Blundell et al, 2020).

Despite some evidence of a significant knock-on effect of the COVID-19 crisis on the incomes and business sustainability of a large number of self-employed people, in the short term, the newly implemented (or amended) support schemes have been positively assessed in most Member States by policymakers, social partners and representative organisations of self-employed people.

## Policy lessons

As previously mentioned, gaps in social protection coverage for self-employed people have been the subject of policy debate at both EU and national levels for a number of years. In the context of the COVID-19 crisis, it became urgent to provide income support for self-employed people (in addition to other measures to support entrepreneurs – for example, in relation to fixed costs) to prevent hardship and avoid rapid business failures. As a result, most of these measures were introduced at very short notice. Where decisions were taken to provide highly simplified access to a flat-rate grant, this raised some deadweight issues as well as questions of whether or not a 'one size fits all' payment is suitable for a highly diverse range of self-employed activity. The relatively low level of income support put in place also raised concerns in many Member States. In countries where a more nuanced approach was used, requiring strong evidence linked to income reductions, this could be seen as administratively complex, requiring self-employed people to seek support to complete applications. In both scenarios, adjustments of these schemes were often needed over time to address any initial shortcomings, and a strong communication effort was needed to explain the eligibility criteria. There was also some concern expressed that the connection between the degree of compensation and the level of decline in turnover could act as a disincentive for self-employed people to maintain their operations as much as possible and to adjust their business models. This demonstrates the dilemma of finding the right balance between simplifying access to allow a wide range of self-employed people to benefit and targeting measures to avoid misuse or unwanted effects.

Public administrations dealing with applications have come under pressure because of the high volumes of applications, leading to delays in payments. Stakeholders in many countries have suggested that the subsequent process of audit and inspection (to ensure that support has not been misused) will be challenging.

Despite these criticisms and concerns, overall it is believed that these schemes were much needed and that they have provided a relevant buffer in the short term, particularly when combined with other support measures put in place, with future lessons to be learned on enhancing social and income security for self-employed workers in the longer term.

# 5 Measures to limit the impact of the COVID-19 crisis on citizens

## Introduction

The economic contraction brought about by the COVID-19 pandemic has taken a toll on household earnings. The fall in household disposable income generated by the pandemic is estimated to be around 3.6%, despite the policy measures implemented by governments (Almeida et al, 2020). The loss in income is reflected in individuals' assessments of the status of their personal finances. Eurofound (2020a) survey data show that, in July 2020, one in three Europeans, on average, reported that their financial situation had worsened in the previous three months. At the same time, one in 10 Europeans reported being in arrears in relation to utility bills, telephone bills, mobile phone and internet payments and healthcare insurance. Furthermore, 7% of Europeans stated that they were in mortgage arrears while 9% were in consumer loan arrears. In contrast, according to the most recent EU Statistics on Income and Living Conditions (EU-SILC) data, in 2019, before the pandemic, 2.9% of Europeans were in arrears with rent or mortgage payments (Eurostat, 2020c).

The impact of the crisis is regressive, with poorer households more likely to be negatively impacted (EAPN, 2020). This adds to the strain on housing security, which already existed for poorer households before the pandemic. Eurofound (2016) has shown that 31% of people in the bottom income quartile lack absolute housing security compared with 19% in the top income quartile. In the bottom quartile, the level of financial strain is similar for people living in privately owned accommodation, homeowners with a mortgage and renters in social housing. However, housing insecurity is more acute for renters in the private market (Eurofound, 2018b).

Poorer households are also more likely to be in arrears. On average, in 2018, 27% of people in the bottom income quartile were in arrears, 19% were in arrears with utility bills and 11% were in arrears with rent or mortgage payments (Eurofound, 2020b). Furthermore, EU-SILC data demonstrate that two groups are particularly likely to be in arrears with respect to

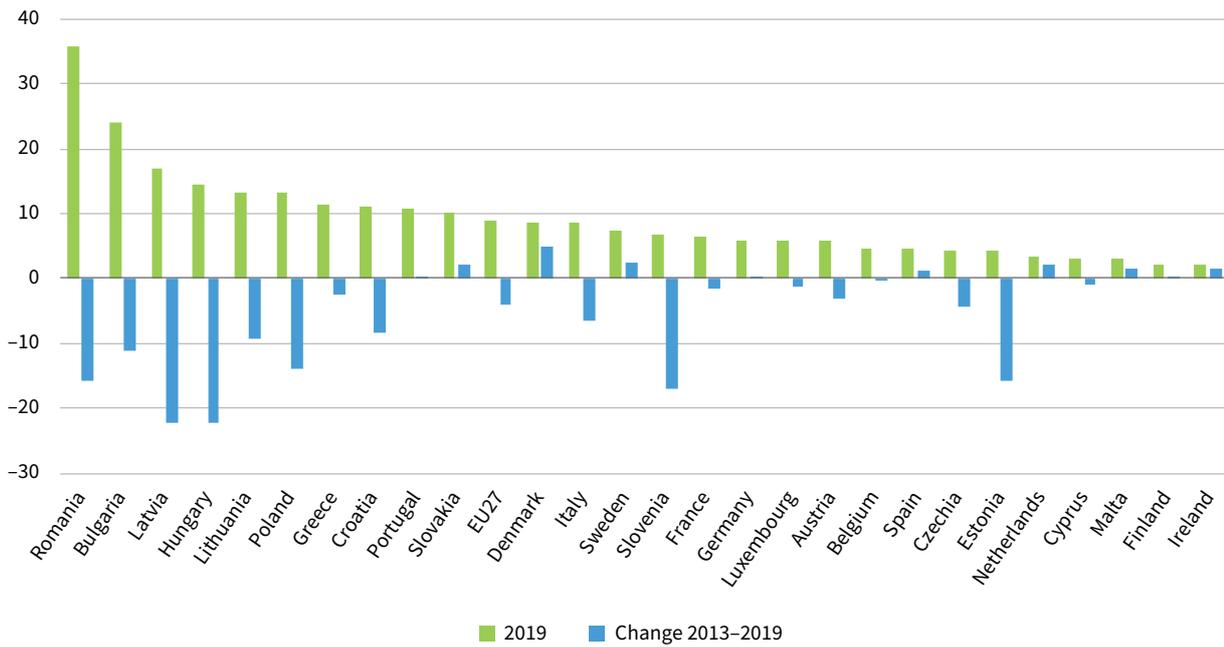
mortgage or rent payments, hire purchase instalments or other loan payments, or utility bills: single-parent households and people at risk of poverty (earning below 60% of the median equivalised income). In 2018, 19.1% of single-parent households were in arrears in one of these areas while 9.6% were in arrears with mortgage or rent payments. In the same year, 19.7% of households at risk of poverty were in arrears in one of the three areas cited above (Eurofound, 2020b).

Issues of security and affordability are compounded by poor-quality housing, which is linked to lower levels of health and well-being and heightened risks of poverty and social exclusion (Eurofound, 2016). Figure 22 illustrates the severe housing deprivation rate for households in the bottom income quintile.<sup>28</sup> On average, in 2019, 8.9% of EU residents in the bottom quintile suffered from severe housing deprivation – a decline of 4.1 percentage points from 2013. Figure 22 also shows that, although the severe housing deprivation rate declined in the majority of EU countries after 2013, the share of the population affected varies significantly between countries. The country with the highest share of the population in the bottom income quintile experiencing severe housing deprivation in 2019 was Romania (35.7%), followed by Bulgaria (24.2%) and Latvia (17%). In contrast, in Finland and Ireland, the severe deprivation rate in this income group was below 3%.

Both unemployed workers and employees whose working hours declined as a result of the COVID-19 crisis have experienced financial difficulties. The share of unemployed people reporting that their household has difficulties in making ends meet was 79% in July 2020, compared with 36% for households in employment (Eurofound, 2020a). Furthermore, as shown in Chapter 3, the financial impact of the pandemic on employees on short-time working benefits has varied across countries, depending on replacement rates and specific criteria relating to the calculation of benefits for time not worked. The pandemic has therefore amplified existing housing affordability challenges while also making it more difficult for citizens to find alternative accommodation due to the restriction on movement

<sup>28</sup> The severe housing deprivation rate is defined as the percentage of households living in a dwelling that is considered overcrowded while also exhibiting at least one of the housing deprivation measures (a leaking roof, damp or rot; no bath/shower; no indoor toilet; or a dwelling that is considered too dark).

Figure 22: Severe housing deprivation rate in the bottom income quintile, 2019, EU27 (%)

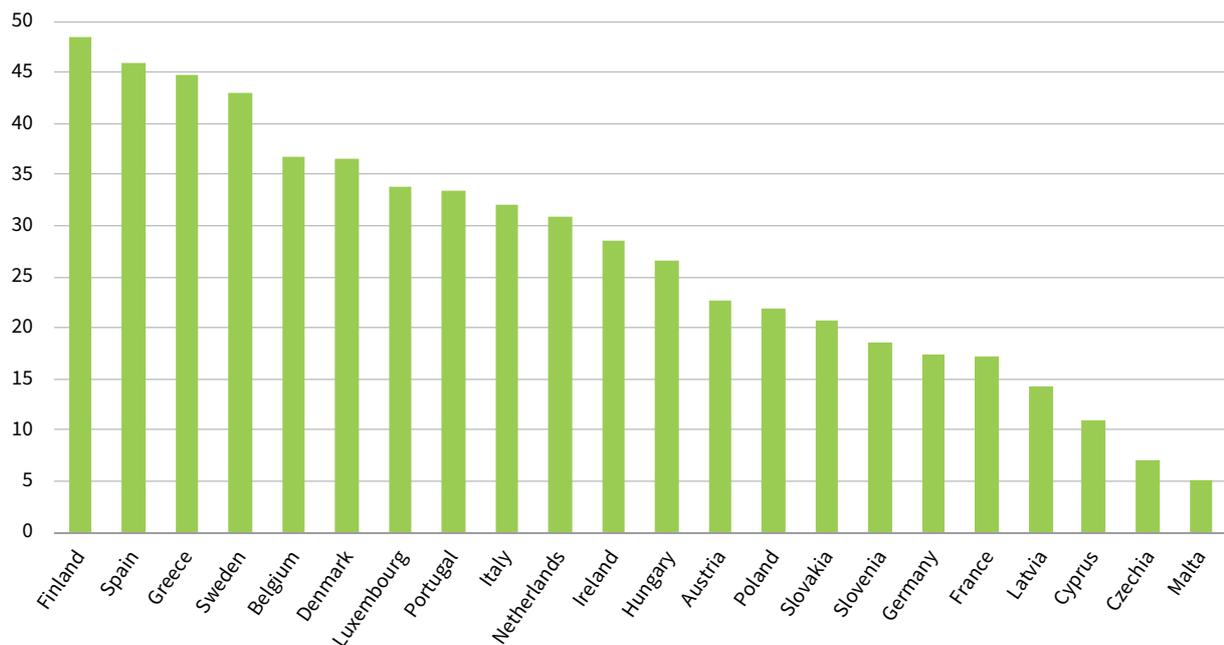


Note: Data for Slovakia are from 2018.  
Source: EU-SILC

because of national lockdowns. It has also increased the financial vulnerability of households. As shown in Figure 23, in many countries, a significant proportion of low-income earners use more than 40% of their

disposable income to cover rent or mortgage expenditure, potentially placing housing arrangements at risk as income declines.

Figure 23: Housing cost overburden among low-income tenants, 2018 (%)



Notes: The figure shows the share of the population in the bottom income quintile spending more than 40% of their disposable income on mortgage and rent. Data unavailable for Bulgaria, Croatia, Estonia, Lithuania and Romania.  
Source: OECD (2020b)

This chapter explores the implications of the policies introduced by national governments to protect household incomes during the pandemic. It argues that the breadth of measures adopted by Member States to tackle the stability of housing and to prevent social hardship demonstrates that income support and enhanced unemployment benefit measures alone have often proved insufficient to ward off significant challenges to individuals' living conditions. The first section discusses policies aimed at providing support for mortgage and rent payments, focusing on their coverage, eligibility criteria and impact on the ability to keep a safe home. The second section examines policies aimed at providing income support to low-income households to prevent social hardship.

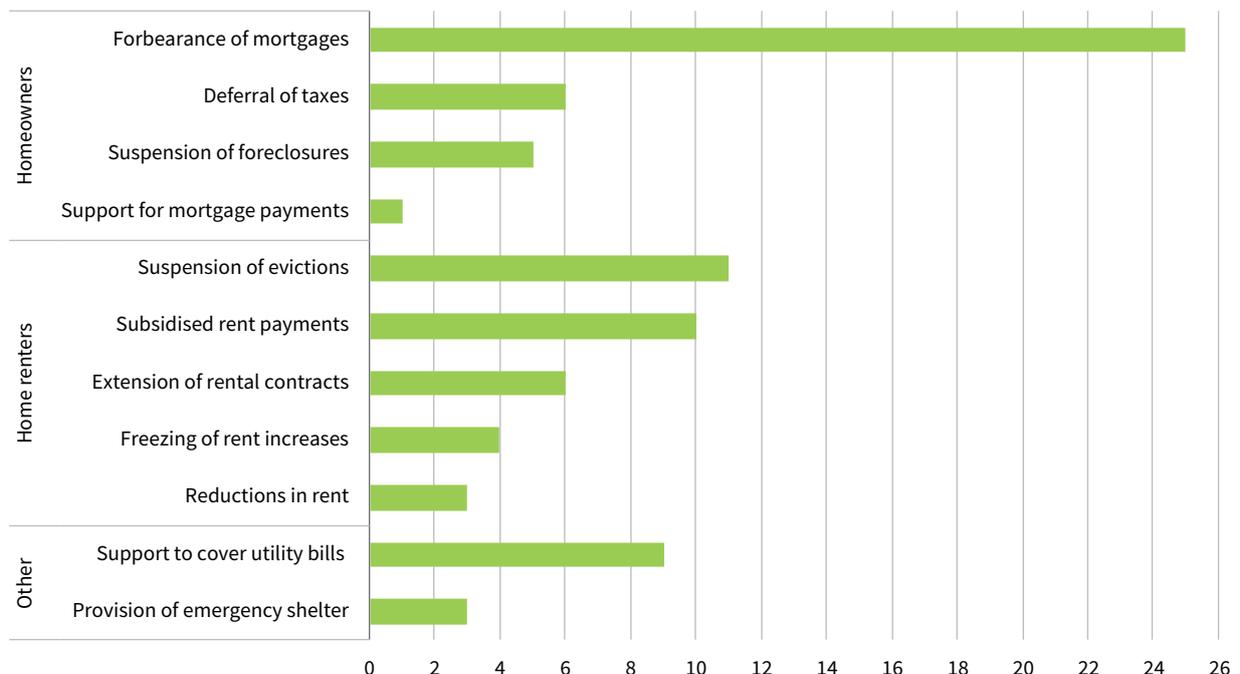
## Mortgage and rent deferrals

To address the impact of the pandemic on the economic vulnerability of households and to secure housing arrangements and prevent a rise in evictions and homelessness, Member State governments introduced a wide array of temporary policy measures. The aim was to protect homeowners and renters in the short term from the knock-on effects of any decline in household income and the associated challenges around meeting housing costs. These measures were part of broader policy packages that have sought to enhance the

resilience of European welfare states faced with the economic consequences of the pandemic.

As shown in Figure 24, as of September 2020, the most common policy used in Europe to mitigate the financial impacts of the pandemic on homeowners was the adoption of moratoria on mortgage payments. These grant a temporary break in the repayment of the principal amount or both the interest and the principal amount. Once the moratorium period is over, the usual payments must resume. Mortgage payment moratoria have been introduced in all EU countries except Finland and Denmark, and have been implemented through both national legislation and sector-wide initiatives in the banking industry. The length of the payment break varies between 3 and 18 months. These measures have helped provide temporary financial relief to borrowers while also ensuring that the economic shock triggered by the pandemic does not produce effects similar to those seen during the 2008–2010 financial and economic crisis, when many households experienced an increase in mortgage and rent arrears (Clair et al, 2016). The widespread use of moratoria has been facilitated by the guidelines adopted by the European Banking Authority (EBA) in April 2020 during the early phase of the pandemic, which helped banks provide short-term relief to borrowers and ensured the consistent application of measures across national jurisdictions (EBA, 2020).<sup>29</sup>

Figure 24: Numbers of measures targeting living and housing conditions, September 2020, EU27



Source: Authors' own calculations, based on European Commission (2020f) and Eurofound (2020b)

<sup>29</sup> The EBA guidelines clarify which legislative and non-legislative moratoria do not trigger a forbearance classification while requiring financial institutions to continue to observe prudential lending requirements.

As shown in Figure 24, the most widespread policies used to support home renters have been bans on evictions, subsidies for rent payments and automatic extensions of rental contracts. Rental market regulations have been amended in favour of tenants, both to address housing instability and to limit the public health risks associated with forced evictions. In some countries, these measures have been complemented by rent subsidies for poor households that are financed through public budgets (these were additional to any housing benefit provisions already in place for lower income households).

The following sections draw on in-depth information on selected mortgage moratoria and rent deferral policies from Austria, Czechia, Hungary, Ireland, Italy and Spain that were reported to the COVID-19 EU PolicyWatch database up to July 2020. Despite the common goals and economic rationales of these policies, there is substantial cross-country variation in terms of funding, coverage, generosity and types of policies. In addition, different policy combinations have been used across countries to protect households against housing instability, resulting in different levels of support for homeowners and renters.

## Eligibility

To ensure ease of access, mortgage moratoria generally have broad eligibility criteria. A common rule across all European countries was that only the primary residence of the mortgage holder was eligible for the mortgage deferral. Except in Hungary, where enrolment was automatic for all mortgage holders (they had to request to opt out of the scheme), eligibility was linked to the submission of proof of hardship. For example, the Austrian payment deferral scheme for bank credits required applicants to demonstrate that their loss of income due to the pandemic made the repayments of their loans (which could include mortgage payments) impossible or very difficult.

In Spain, the legislative moratorium linked eligibility to whether the debtor had become unemployed or their income had been reduced or, in the case of self-employed workers, professionals and entrepreneurs, where they experienced a loss of income or drop in sales greater than 40% (in relation to property used for business purposes). For self-employed workers, the deferral was applicable with respect to property related to their economic activity. Furthermore, households whose disposable income, adjusted for family composition, did not exceed three times the monthly value of the IPREM (Public Multiple Effects Income Indicator) (€1,613), households whose debt obligations and payments for basic supplies exceeded or were equal to 35% of their income and households whose debt burden had multiplied by 1.3 also qualified for the scheme. In addition, the Spanish legislative moratorium included an exception to the primary residence rule, specifying that landlords who owned property and whose rental

income had stopped because their tenants were able to benefit from the rent moratorium were also eligible.

In Italy, eligibility criteria for the existing Gasparrini Fund were relaxed to include mortgages up to a value of €400,000, with access to the fund also allowed for self-employed workers. In the case of employees, eligibility criteria were conditional on reductions in working time. Employees whose contracts were suspended for at least 30 consecutive working days or employees whose working hours were reduced by at least 20% for at least 30 consecutive working days were eligible to apply for the moratorium.

In the case of measures aimed at providing support for tenants, eligibility criteria varied depending on the fiscal impacts of the measures on public budgets. Budget-neutral measures that introduced temporary changes in rental market regulations, such as temporary bans on evictions, temporary freezes on rent levels or rent deferrals, were universal and did not require proof of hardship. For example, in Ireland, the government prohibited rent increases and rent evictions during the state of emergency for all tenants. In Austria, the termination of rental agreements as a result of financial problems caused by the pandemic and evictions as a result of rent arrears were both banned. In Spain, a distinction was made between landlords with small and large portfolios, the former having to comply with the rent moratoria on a voluntary basis.

In comparison, means-tested benefits such as rent subsidies or rent supplements required proof of hardship. In Spain, similar regulations applied for rent subsidies and legislative moratoria. In Ireland, rules for the existing rent supplement programme were relaxed to allow people with tenancies of longer than four weeks to qualify for the scheme if they became unemployed because of the pandemic. Furthermore, the rent limits used for assessing whether or not a tenant qualified for the rent supplement were applied in a flexible manner to allow the scheme to provide assistance in situations where the level of rent was higher than the legal limit.

## Level and nature of support and sources of funding

An important aspect of mortgage moratoria is whether or not banks can charge interest for the duration of the moratoria and who bears these additional costs. Legislative moratoria in Spain and Hungary banned interest charges while payments were deferred, which shifted the full costs associated with foregone interest payments on to credit institutions. In Czechia, banks continued to charge interest payments on the principal amount, thus increasing the total costs of mortgages. In Italy, interest payments were split between the mortgage holder and the state, which financed 50% of the interest payments. All voluntary moratoria allowed credit institutions to charge interest on the principal amount.

The maximum duration of legislative moratoria ranged from 3 months in Spain to 6 months in Czechia, 10 months in Austria and 18 months in Italy. In Hungary, the initial duration of the legislative moratorium was set at nine months. However, an amendment adopted by the government in October 2020 (Act CVII of 2020) extended the moratorium for an additional six months for vulnerable groups such as families with children, unemployed people, participants in the public works scheme and older people.

In Ireland and Spain, public funding was used to extend financial support for tenants. Spain introduced a rent support programme and a state-backed micro-loan programme. Under the rent support programme, vulnerable tenants received a maximum of €900 per month for a maximum of six months to cover up to 100% of their rent. The micro-loan programme provided access to interest-free credit of up to €5,400, with a 10-year maximum repayment schedule.

In contrast, in Austria, the rent deferral programme was budget-neutral. The government prohibited the termination of rental contracts between 1 April and 30 June 2020 because of delayed rent payments as a consequence of the pandemic. The measure also included a temporary ban on the recovery of rent arrears and the possibility of extending fixed-term rental contracts that expired between 30 March and 30 June 2020 until 31 December 2020. It also allowed landlords to charge 4% annual interest for rent arrears.

### Take-up, budget and budget utilisation

Generally, mortgage moratoria have been budget-neutral, with the costs of payment deferrals being incurred by either mortgage holders or credit institutions. The take-up of payment moratoria varied across countries, from 10% of active mortgages in Ireland to 30% in Hungary. In Ireland, evidence published by the Central Bank of Ireland showed that moratoria are more common among young borrowers under the age of 28 years than among older borrowers (Gaffney and Greaney, 2020). The only European country where the state has shared the burden of interest payments with mortgage holders is Italy. To finance the measure, the Italian government

supplemented the budget for the Gasparrini Fund with €400 million from the state budget. Although applications for the scheme have risen sharply as a consequence of the pandemic, increasing from an average of 6,000 per year in the past decade to 160,000 between April and August 2020, by September 2020 approximately 42% of the budget had been utilised. This suggests that in the short and medium term the measure remains financially sustainable.

Precise data on the numbers of households whose housing situation was secured as a result of bans on evictions, rent subsidies or rent freezes are scarce. However, initial evidence suggests that these schemes had the intended effects. For example, in Ireland, the number of applications for dispute resolution decreased by 21%. In Spain, 75,000 household applications for direct rental aids and 4,000 applications for micro-credits were received by October 2020. Anecdotal evidence from Austria suggests that the rent deferral measure was particularly beneficial for students and young people.

## Social hardship funds

European countries have also scaled up their social insurance and social assistance programmes to alleviate the impact of the pandemic on poorer households and to protect households experiencing sudden financial hardship as a result of the pandemic. As shown in Table 18, 11 countries adjusted their systems of social assistance to respond to the social consequences of the pandemic. In eight countries, adjustments to existing social assistance programmes were introduced. These included relaxing eligibility criteria, extending coverage levels, increasing the generosity of programmes and simplifying administrative burdens. New measures were implemented in seven countries, most of them being temporary in nature. Such measures have focused on providing temporary financial assistance to poorer families either through cash transfers (Austria, Finland, Hungary, Lithuania, Slovenia) or in-kind benefits (Romania). Spain introduced a new minimum income scheme that aims to alleviate severe social exclusion (Box 10).

**Table 18: Social assistance interventions by type and duration**

Intervention	Countries employing each intervention
Adjustment to existing programmes	Austria, Belgium, Czechia, Finland, France, Germany, Lithuania, Spain
Introduction of new measures	Austria, Finland, Hungary, Lithuania, Romania, Slovenia, Spain
Temporary measures	Austria, Finland, Hungary, Lithuania, Romania, Slovenia, Spain
Permanent measures	Spain

Source: Authors, based on information in Eurofound's COVID-19 EUPolicyWatch database, 2020

## Box 10: New minimum income scheme in Spain

In June 2020, the Spanish government introduced a new (permanent) minimum income scheme that aims to prevent poverty and social exclusion among vulnerable people. Discussions around the scheme began before the pandemic, but the crisis amplified the need for such a scheme and prompted the government to prioritise its longer-term plans for action in this area. This new safety net is managed through the social security system. Regional minimum income programmes are in place, complementing the national measure.

The scheme is intended to reach 850,000–900,000 households once it becomes fully operational. The most recent data indicate that, during the first months of operation, 750,000 applications were submitted and benefits were granted to over 130,000 households (as of November 2020). The number of successful applications is low because the majority of applicants were already enrolled in regional schemes. Furthermore, the application process is complicated by bureaucratic hurdles generated by strict access criteria. As of November 2020, the government had already addressed some of these issues and passed legislation to simplify the application process (Royal Decree-Law 28/2020).

The benefit was initially available to legal residents who had maintained continuous residency for at least one year and who were aged between 23 and 65 years; as a result of an amendment in the provisions, those aged over 65 years without a pension can also now benefit. Applicants younger than 30 years need to prove that they have lived independently in Spain for at least three years prior to the date of application. Age criteria do not apply to women who are victims of gender violence or human trafficking and sexual exploitation or to women aged under 23 years with dependent children. Applicants also need to prove that their average individual or family monthly income is lower than the national minimum income by at least €10. The benefit can be claimed by both employees and self-employed people.

The minimum income level is set annually and depends on the family structure or cohabitation unit. In 2020, it was fixed at €5,538 per year for a single adult and at €10,522 per year for two adults with two children. The benefit is calculated as the difference between the income of the person or family and the guaranteed income.

The estimated budget for the new scheme was €3.5 billion in 2020.

### Eligibility

Eligibility criteria for social hardship funds were relaxed to improve coverage and increase the resilience of social assistance programmes in the economic crisis. In Germany, the emergency child supplement could be accessed based on an assessment of parental income over the previous month instead of the previous six months. In France, benefits paid to vulnerable people that were due to expire were automatically extended for an additional six months. In Lithuania, the income threshold to qualify for social assistance was increased.

Different approaches were used across countries to determine eligibility for these benefits. In several countries (Austria, Finland, France and Slovenia), the provision of benefits was targeted at those already enrolled in social assistance programmes. For example, in Finland, only people receiving basic social assistance in the month preceding the payment of the compensation were eligible. In a second group of countries, measures were targeted at specific subgroups, such as older people, homeless people or people with disabilities. For example, in Romania, the new hot meal vouchers programme targeted the homeless and people aged over 75 years. In Lithuania, a one-off payment was available for older people and people with disabilities. In a third group of countries,

benefits were extended to include people who had suffered a loss of income as a result of the pandemic and other specific groups such as students. In Austria, families suffering an income loss because of the pandemic qualified for a one-off payment through the family hardship fund. In Hungary, students could apply for a one-off interest-free loan to cover their living expenses during the pandemic.

In several countries (Austria, Finland, Lithuania and Slovenia), one-off payments were made to recipients of social benefits or people whose income fell below a set threshold. These allowances were conditional on the net monthly incomes of people or households, benchmarked against set national thresholds. In Slovenia, recipients of social benefits, older people, students and people whose income fell below the poverty line qualified for the one-time solidarity support. Students did not receive the benefit automatically but had to submit an application. In Austria, the newly established family hardship fund provided assistance to families with children; to qualify, the net monthly income of a single parent with one child had to be below €1,600. Those who were unemployed before the pandemic did not qualify for the family hardship fund but received a top-up allowance financed by a newly established family crisis fund.

## Level and nature of support and sources of funding

Temporary measures, covering a broader range of recipients, tended to be frugal and were financed through much smaller budgetary allocations than short-time working schemes, as the central focus of pandemic response packages has been on keeping businesses afloat and preserving employment (see Chapters 3 and 4). For example, the maximum level of benefits paid through the Austrian family hardship fund was €1,200 per month for a maximum of three months. The Austrian family crisis fund added a €50 allowance for two months for each child. In Finland, payments to social assistance recipients were temporarily increased by €75 per month. In Slovenia, the value of the one-off payment depended on the income of the beneficiary and could be up to a maximum of €300 for older people earning €500 or less.

In Spain, the level of benefits paid through the new minimum guaranteed income scheme varied according to the income of recipients and their family structure. The benefit was determined by deducting the net income of recipients.

All countries apart from Romania funded social assistance measures through subsidies paid from national budgets. In Romania, the hot meal vouchers for the elderly programme was financed through the Fund for European Aid to the Most Deprived.

## Take-up, budget and budget utilisation

Budgets and take-up levels varied depending on the type and duration of the measure. In Austria, €180 million was earmarked in 2020 and 2021 for the family hardship and crisis funds. The most recent data (as of September 2020) indicate that 250,000 households received benefits through the family crisis fund. In Slovenia, benefits were paid to 550,000 people (26% of the population), amounting to €88 million.

## Policy lessons

Mortgage- and rent-related measures have provided short-term relief to vulnerable households. The swift deployment of legislative and voluntary mortgage moratoria across Europe, combined with the use of a flexible approach towards assessments of criteria for access, increased coverage rates and ensured that those in need could access such schemes. Flexibility has also been exercised regarding the assessment of vulnerability, with some schemes open to both low-income households and households whose financial situation has worsened as a result of the pandemic. This has assisted in extending coverage for groups whose income has been affected by the pandemic.

Rental market restrictions have contributed to lowering volatility in the housing market and mitigating the adverse effects of the crisis. Early evidence also shows that in some countries these measures have contributed to a decline in homelessness (for example, in Ireland). However, as the restrictions interfere with fundamental property rights, policymakers have had to ensure that there would be no risk of court cases ensuing. Policymakers have also had to make sure that restrictions are communicated in a transparent manner and are implemented in response to the exceptional situation for a limited period, after which normal market operations will resume.

The implementation of mortgage moratoria has been facilitated by coordination between banking institutions and governments. At the European level, the European Banking Authority issued guidelines that allowed banks to extend payment break programmes without causing mortgages to be classified as defaulted or forborne.

A key weakness of mortgage deferral programmes and rental market restrictions is that they can necessarily be deployed only for short periods of time. This limits their effectiveness, as payments have had to resume even though the economic impact of the pandemic has continued. Fears of defaulting or having to relocate can also have negative effects on health and well-being.

The effectiveness of mortgage moratoria will also be conditional on the duration of the pandemic and its implications for employment and the economy. These factors also have consequences for macroeconomic financial stability. As the debt service capacity of borrowers will become visible only once these programmes are phased out, it remains to be seen how the quality of assets held by banks and the rates of non-performing loans will develop over the coming year. This generates two interrelated risks. First, the number of private insolvencies might increase if the financial situation of households has not improved by the time the payments are resumed, which could increase the burden on public finances. Second, both private banks and landlords could experience shortfalls in revenues in light of a potential increase in the number of non-performing loans and rent arrears.

National policy responses introduced to address the short-term consequences of the pandemic have proved that countries can use swift targeted action to address housing vulnerabilities. New interventions have improved on already existing policies, expanding their coverage and easing access, or have built on lessons from other European countries to enable novel regulations to be set up. Policy responses to the pandemic have therefore highlighted the areas in housing policies where states can intervene in the medium and long term, while also underscoring the

value of cross-national policy learning. In the short and medium term, governments could address housing instability by funding financial assistance programmes to help people who have been severely impacted by the crisis to cope with housing costs. In the long term, a stronger focus on affordable and decent housing could be achieved through better regulation of the housing market and public investment in affordable housing projects. Effective policy interventions have provided relief to both landlords and tenants, combining budget-neutral measures with means-tested subsidies. These were tailored to the needs of the target groups while also preserving a degree of flexibility with regard to the enforcement of rules.

Key policy challenges emerged in cases where regulations lacked clarity or introduced additional administrative burdens. Cooperation between governments, sectoral associations and voluntary organisations has helped to clarify regulations and facilitate policy implementation.

At the same time, the pandemic has augmented existing problems in social assistance systems, such as limited access, poor targeting and inadequate benefit levels. Existing evidence also shows that vulnerable people have been disproportionately hit by the crisis (Eurofound, 2020a).

Temporary cash transfers were extended to groups receiving inadequate benefits before the onset of the crisis or to groups that were previously not covered by social assistance systems. These provided short-term income protection for those struggling to make ends meet.

However, bottlenecks emerged as the numbers of applications for support exceeded projections; even countries with well-developed welfare systems faced difficulties over processing times, highlighting the need for adequate staffing and computer-based processing systems to ensure timely responses.

Effective measures expanded on the existing social assistance infrastructure to improve the coverage and targeting of vulnerable groups, particularly vulnerable families with children, unemployed people or older people. Effectiveness was also bolstered by the temporary relaxation of eligibility criteria, which boosted take-up levels.

These measures can provide the foundation for designing long-term permanent programmes. The pandemic has caused an unprecedented economic slowdown that has manifested itself in economic and debt crises (Chudik et al, 2020; Eurostat, 2020c). Governments will need to establish robust social assistance systems to respond to surges in poverty and social exclusion.

## 6 Role of social partners in design and implementation of measures

The report on social partner involvement in policymaking in the context of the COVID-19 outbreak (Eurofound, 2021b), which used information gathered in the COVID-19 EU PolicyWatch database, showed that the involvement of trade unions and employer organisations has been greatest in relation to employment protection measures designed to address the impact of the pandemic (Figure 25). Involvement has been lowest with regard to measures to prevent social hardship. When it comes to income support measures for self-employed people, organisations representing businesses and self-employed people were more likely to be involved than trade unions, as trade unions do not represent self-employed people in many countries.

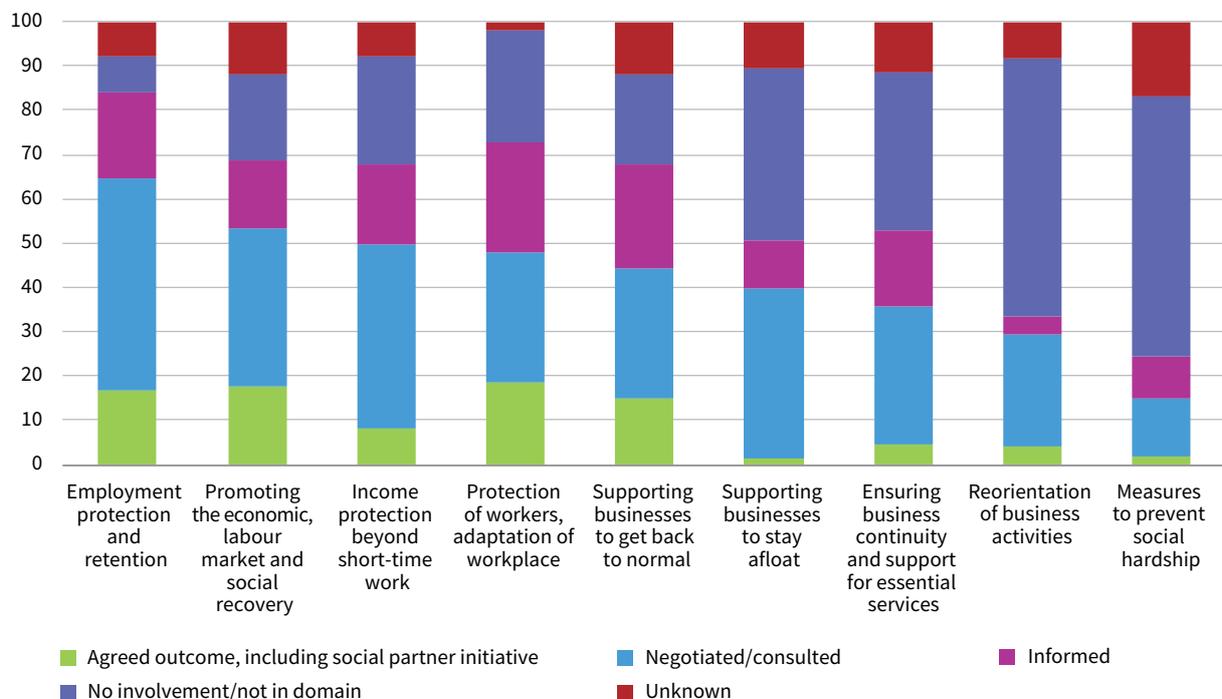
The level and quality of involvement of social partners in the design and amendment of employment protection schemes, as well as income support

measures for self-employed people, were influenced by a number of factors:

- the pre-existence of strong systems of bipartite and tripartite consultation and involvement of social partners in the implementation of short-time working schemes
- the urgency with which measures to address the impact of the pandemic were implemented
- concurrent political developments (such as the impact of general elections in a number of countries)

While the existence of a strong tradition of bipartite and tripartite social dialogue contributed to a high level of involvement of social partners in some countries, the speed with which measures had to be implemented meant that, even when such processes were normally in place, involvement was not always ensured in the early phases of the pandemic.

**Figure 25: Involvement of social partners in the design of policy measures addressing the socioeconomic impact of the pandemic, September 2020, EU27 (%)**



**Note:** Based on 659 cases of legislation/recommendations and tripartite agreements as at 5 November 2020.  
**Source:** Eurofound (2021b)

**Table 19: Level of involvement of social partners in employment protection measures, September 2020**

Level of involvement	Countries
Involvement in designing/amending measures	Austria, Denmark, Finland
Strong involvement including through tripartite bodies	Belgium, Cyprus, Estonia, Germany, Hungary (employers), Ireland, Malta, Netherlands, Spain, Sweden
Involvement in consultation and evaluation through tripartite bodies	Portugal
No or weak involvement in the early phase of the pandemic but stronger involvement in the subsequent design or amendment of measures	Czechia, France, Greece, Italy, Lithuania, Slovenia
Information only (including in tripartite bodies)	Bulgaria, Latvia, Romania
No involvement	Croatia, Hungary (trade unions), Poland, Slovakia

**Note:** No information is provided for Cyprus and Luxembourg.

**Source:** Authors, based on information provided by the Network of Eurofound Correspondents

In spite of this, the common desire to find a rapid and effective response to the challenges brought about by the COVID-19 crisis also contributed to dialogue processes being reinvigorated in some countries. Table 19 provides an overview of the level of involvement of social partners in the design of short-time working and similar measures up to September 2020.

The strongest involvement of social partners was found in three countries with a tradition of high levels of social partner involvement in labour market policy design and implementation. The Austrian short-time working system, in particular, traditionally involves a high level of involvement from the social partners and this did not change during the pandemic. The COVID-19-specific amendments to the scheme were negotiated and agreed among the social partners and then presented to the government to obtain legal backing. There was a strong common commitment between the government and the social partners to develop a scheme that could meet the COVID-19-specific challenges and no specific push was required from the latter to ensure the necessary budget increase. Furthermore, the public employment service that administers short-time working support has a tripartite governance structure that was also consulted regarding the operational feasibility of the amendments, such as the application design or how the change to net income replacement could be implemented. The social partners particularly emphasised the strong spirit of collaboration independent of political ideologies, which facilitated the rapid amendment of the short-time working scheme. Apart from the redesign of the scheme, individual applications for short-time working must also be based on a social partner agreement. If a works council exists in a company, the application must be jointly agreed and submitted.

In Denmark, the overall design of the wage compensation scheme was established through tripartite negotiations between the government and

social partner organisations. This was facilitated by the strong desire expressed by the government to establish a scheme capable of saving jobs quickly and its willingness to make the necessary resources available.

The amendments introduced to the Finnish temporary lay-off scheme were also based on a joint proposal made by the social partners, which also included various other policy measures to address the impact of the pandemic. The extension to the scheme was also grounded in a joint request by the social partners, submitted in May 2020. As in Austria, the rapid implementation of the amended scheme also depended on the updating of collective agreements, which was accomplished in a reduced timescale, as laid down in the legislation.

Another group of countries (Belgium, Estonia, Germany, Ireland, Malta, the Netherlands, Spain and Sweden) also saw amendments to the employment protection schemes introduced and – in some cases – new systems were established, with the strong involvement of cross-sector social partner organisations. Belgium, Germany, the Netherlands, Spain and Sweden are traditionally characterised by rather strong social partner involvement in the regulation of the labour market. As in the case of Austria, employer and worker representatives at company level in Germany have a key role to play in the implementation of short-time working, given that, in companies where a works council is present, a joint agreement is required as part of any application for a short-time working allowance. In Sweden, social partners were involved in the development of the response to the pandemic, although both employers and trade unions initially criticised the government for what they considered to be a delay in the response. Social partners were involved in the implementation of measures in the sense that they renewed collective agreements in accordance with the new regulations.

In Belgium and Estonia, social partners on key tripartite bodies played an important role in the design and amendment of relevant measures. In Belgium, the social partners were involved through the Economic Risk Management Group and the National Labour Council. Within the latter, they negotiated and agreed a new national collective agreement that arranges temporary unemployment benefit for white-collar workers in companies without an existing arrangement. A number of sectoral joint committees also negotiated additional supporting provisions, including additional flat-rate benefits payable by employers. In Estonia, the peak-level social partner organisations are members of the Council of the Estonian Unemployment Insurance Fund, which allowed them to contribute to the design of the relevant measure, in addition to being consulted by the relevant ministry.

Social partner collaboration at a bipartite level and in tripartite consultations with governments is considered to have been positive. Social partners were deeply involved in the development of employment protection schemes in the Netherlands. The social partners, the public employment service and the Ministry of Labour held weekly meetings to discuss the measures implemented, their progress and where adjustments were needed.

In Spain, the social partners reached a bipartite agreement in early March 2020 and issued a joint statement that agreed on extraordinary measures calling for, among other things, new regulations in the use of new short-term working schemes linked to the pandemic and the easing of procedures. Trade unions generally expressed satisfaction with the measures adopted by the government, while employer organisations were initially dissatisfied with the lack of a tripartite agreement, as the new measures were implemented by the government without including some of the demands in the bipartite agreement (for instance, employers' social security exemptions for all types of short-time working schemes). After a tripartite agreement was reached in May 2020 extending the use of short-time working schemes (with two further agreements in June and September 2020), all sides expressed satisfaction with the level of social dialogue.

In Ireland and Malta, the contribution of social partners to the development of employment protection schemes as part of a tripartite process could be seen as a return to past practice (in Ireland) or as a relatively rare example of strong tripartite collaboration and agreement. In Malta, the COVID-19 wage supplement scheme was approved by all social partners represented on the Malta Council for Economic and Social Development (MCESD), Malta's highest forum for tripartite concertation. Malta's Prime Minister hailed the agreement with the social partners as 'a historic social pact, one that is unprecedented' (Malta Independent

Online, 2020). It should be noted that in Malta it is relatively rare for the government, unions and employer associations to unanimously pledge support for particular policies or strategies; agreement only came about after criticism of the initial, rather unilateral, approach by the government and a unanimous appeal by both unions and employer associations to hold discussions in the MCESD.

In Ireland, where the once well-established process of tripartite collaboration has been defunct for a number of years, formal dialogue tended to be limited. This changed in response to the pandemic, not least because employer organisations and trade unions had a shared interest in improving existing income protection measures. Both of the cross-industry social partner bodies referred the government to evidence of effective schemes in other EU countries, and this is thought to have been a factor in the design of the temporary wage subsidy scheme.

In Portugal, since the beginning of the crisis, the government has held tripartite meetings of the Standing Committee for Social Concertation (CPCS) to inform and consult regularly with the social partners. Although the social partners were not involved in the drafting of the initial measures and no formal agreements were reached about their design, they were actively engaged in expressing their views on necessary adjustments. In addition, the employment protection measures implemented in March 2020, as well as subsequent measures, were subject to regular evaluation by the CPCS. On 12 May 2020, the social partners and the government signed a Declaration of Commitment expressing their joint engagement to tackle the crisis and protect employment. In addition, social dialogue improved with the preparation of the recovery measures, which were presented to the social partners at the beginning of June 2020.

In Czechia and France, the level of social partner involvement was initially considered to have been low because of the nature of the emergency situation, but this subsequently improved. Although Czech social partners did not participate in the setting up of the Antivirus Programme because of its rapid development, proposals were submitted for its amendment, and involvement in the latest iteration of the measure was stronger, although not all demands (particularly by employers in relation to the waiver of employer social security contributions) were accepted. Social partners also supported the introduction of a short-time working scheme (under discussion as of November 2020). In France, social partners similarly observed that, in the initial phases of the pandemic, the government took the lead in the redesign of the short-time working scheme, although compulsory consultations did take place. The social partners played an important role in gathering feedback on implementation of the scheme and this

contributed to subsequent amendments. As the social partners jointly run the unemployment insurance fund, their involvement in the implementation of the scheme is also important.

In Bulgaria, Greece, Latvia, Romania and Slovenia, the involvement of social partners is considered to have been limited to consultation, with somewhat different views expressed by employer and trade union organisations in some countries on the impact of their representation on the final design and amendment of the schemes established. In Greece, this is largely attributed (by all parties) to the urgency with which measures had to be designed and adopted. While employer organisations largely expressed their support for the measures adopted, trade unions would have liked to see improved benefits put in place for affected workers. In Latvia, consultations were moved online; however, it was generally agreed that social partners were consulted as would normally have been the case, albeit with reduced time available for contributions. Their main involvement was deemed to relate to the fine-tuning of policy mechanisms and ensuring the extension of the income protection scheme beyond the period originally anticipated.

In Slovenia, the first two packages of anti-COVID-19 measures/legislation were adopted in April 2020 without the participation of the Economic and Social Council. However, this was because of a change in government, which meant that relevant representatives were appointed in time for discussions around the third package of legislation/measures only. Despite this, social partners confirmed that they were formally consulted and had the opportunity to provide opinions and suggestions in written form. Overall, involvement in Slovenia and Greece is considered to have improved over time.

While both trade unions and employer organisations in Romania agreed that they were consulted over various aspects of the design and implementation of income protection measures, not all inputs were taken into account equally. At the request of the trade unions, a derogation from social insurance law was introduced, which stipulates that the period for which employees' activity is discontinued is considered to be the contributory period for the unemployment insurance system. The social partners were also instrumental in easing access to the system in relation to implementation. To apply for the technical

unemployment indemnity, the initial policy required employers to submit a certificate of emergency from the Ministry of Economy and to prove a decrease in income in March 2020 of at least 25% compared with average income from the previous two months. The policy also capped the number of employees who could receive the allowance to 75%. These requirements were removed following discussions between the social partners and the government. At the same time, consultations with the social partners led to a reduction in the payment deadline from 30 to 15 days and the introduction of a requirement for employers to transfer the net benefits into employees' accounts no later than three days after receiving the transfers. However, other demands by social partners were not taken on board. For example, both employer organisations and trade unions advocated for the introduction of a requirement for employers to uphold employment contracts during or immediately after the temporary suspension of activity, a demand that was not adopted by the government (BNS, 2020). Overall, social partners considered the level of social dialogue and their involvement in policy design and implementation to be more extensive than usual.

No social partner involvement in the development or evolution of income protection measures was reported by Croatia, Poland or Slovakia. In Croatia, no meetings were held during the pandemic by existing working groups that would normally discuss such measures. In Slovakia, social partner involvement was also considered to have been more limited than usual because of the urgency with which measures had to be designed and implemented. In Lithuania, both trade unions and employers emphasised their efforts to engage with the process of policy design but argued that their input was not taken into account in the early phase of the pandemic. This was considered to have contributed to the necessity to amend the measures subsequently. Later on in the pandemic, social partners actively participated in consultations.

In Hungary, there was disagreement between the government, employers and trade unions regarding the level of social partner involvement, with the government and employers considering that there had been a good degree of involvement, and trade unions considering that there had been a lack of engagement and responsiveness to their demands on the part of the government.

# 7 | Conclusions and policy pointers

The impact of the COVID-19 pandemic on the economy, labour markets and society has been unprecedented. The EU economy has contracted significantly and there are early signs that, as the impact of the crisis persists, unemployment is slowly beginning to rise. However, despite the broader impact of the pandemic, these rates remain below the peaks experienced during the financial and economic crisis of 2008–2010, which can be attributed to the significant policy response at EU and Member State levels.

## Labour market effects

Standard labour market indicators, such as the employment and unemployment rates, still demonstrated a relatively limited impact of the crisis in November 2020. Nevertheless, a more nuanced picture emerges when one considers the number of hours worked and the share of workers in employment but not working in a given week. This also provides a snapshot of the impact of the policy measures introduced. Across the EU, weekly working hours of those attending work declined by nearly one hour per week and the share of those employed but not working more than doubled to 17% in a year-on-year comparison, with significant differences between Member States. In addition, a high number of individuals moved from employment into inactivity, which exceeded the transition into unemployment, in the face of declining vacancy rates. This poses problems for the aftermath of the pandemic as evidence shows that such groups are more difficult to reactivate. Another feature of the labour market trends that is not uncommon in crisis situations was the significant drop in the share of temporary contracts (by 17% percentage points between Q2 2019 and Q2 2020). This appears to indicate a limited impact of the inclusion of such workers in employment protection schemes. Confirming the findings of the Eurofound ‘Living, working and COVID-19’ e-survey, young people were most significantly impacted by reductions in employment levels, mirroring the experience of the last recession, which led to serious longer-term challenges for younger people in accessing the labour market. The need to avoid the emergence of another ‘lost generation’ must therefore be at the forefront of policymakers’ minds in designing active labour market policies to mitigate the fallout from the crisis.

Finally, in terms of future reintegration measures, the disproportionate impact of the COVID-19 crisis on lower wage earners and many poorly capitalised businesses points to the potential for spikes in business failures and job losses as support measures are phased out, and also places more significant demands on active labour

market policy measures, which tend to show poorer outcomes for lower skilled individuals.

## Shift to telework

Another particular feature of this crisis relates to the numerically most significant labour market adjustment: the shift of nearly half of the workforce to telework. As well as raising distributional consequences that need to be addressed, the emergence of a ‘telework generation’ raises policy questions around the need to amend existing legislation on remote working issues such as health and safety, working hours, personal privacy and who bears the costs of equipment and utilities. At the workplace level, it raises issues such as the need for new management styles, ways of ensuring and encouraging interaction, which can lead to innovation, and systems for measuring outputs and productivity. Implications for a carbon-neutral future should also be explored in this context: for example, the positive impact of reduced commuting compared with the potential increases in domestic energy consumption associated with more decentralised work performance.

Despite some of the concerns outlined above, it is evident that the measures that have been implemented have contributed to mitigating the impacts of the pandemic on the economy, labour markets and society, with some lessons emerging.

## Impact of support measures

In relation to the design of policy measures, the experience of the crisis shows that efforts to include the social partners and other key stakeholders in decision-making yield results in the longer-term, as the experience brought to the table by different actors can avoid the emergence of anomalies, potential deadweight effects and conflicting information being conveyed in the dissemination of guidance around new or amended policy measures. In terms of clarity and speed of implementation, it also appears that there is a benefit to short-time working and similar schemes already being in place as they can be activated quickly when certain criteria are met, rather than new measures having to be designed in an emergency situation. Having been introduced in all Member States, the questions remain of how long such measures should stay in place and the best ways of amending eligibility criteria as the impacts of the crisis abate. Although not yet heavily discussed in the context of this crisis, it is important to consider the risks of creating ‘zombie companies’ and tying up human resources in businesses that are ultimately not sustainable. Arguably, because

of the particular nature of this crisis, it is more challenging to determine the nature of such enterprises and sectors as declines in demand were triggered by public health restrictions rather than a lack of spending power among consumers. Clearly, as the crisis becomes more prolonged, income effects linked to the levels of support under employment protection schemes and the impact on consumer confidence will dent demand. In designing these schemes, an important balance therefore needs to be struck between preserving household incomes, the size of public budgets and supporting a gradual shift of costs onto employers as economies emerge from the most severe effects of the crisis. This will be critical to avoid any negative impacts associated with the longer-term use of employment protection schemes.

The potential of short-time working to preserve jobs in the longer term is also to some degree linked to the extent to which dismissal protection is ensured beyond the payment of allowances. Current regulations in this regard remain highly fragmented and are non-existent in some Member States. The sustainability of employment (or at least employability) is also linked to workers having the appropriate skills to meet the sometimes changed requirements (for instance, in relation to new ways of working). Training has an important role to play in this regard but the potential to develop human resources during downtime remains underexploited for a variety of reasons.

In granting access to benefits – whether related to employment protection or income support for workers and self-employed people – inclusiveness is important to avoid leaving the most vulnerable groups without protection and at the same time limit deadweight effects, which were found to be present in some schemes that did not require proof of economic impact. This must be balanced against any administrative complexities or disincentive effects, which can result from the introduction of threshold cut-offs for the receipt of support. For self-employment schemes with higher levels of requirements in terms of income loss and specific comparator periods, access for some groups of self-employed people can be limited, such as those with more irregular or fragmented incomes (for example, platform workers). The effectiveness of instruments offering narrow access at a flat rate needs to be assessed in more detail, as the support provided might ultimately be too restrictive and too little to make a real difference. A balance needs to be struck between implementing relatively simple support schemes and addressing the diversity of needs among the self-employed population.

In terms of the implementation of employment protection and income support schemes for self-employed people, the need for sufficient capacity within public sector bodies to administer the schemes emerged as an important message, as many found themselves

overwhelmed both by the complexity of the systems and by the sheer volume of applications. While this appears to have been less of an issue with regard to short-time working and similar schemes, as employers were largely responsible for continuing payments and claiming support from the public purse, delays could certainly mean ‘life or death’ for self-employed small business owners and any employees linked to such businesses, and result in liquidity issues for employers. The assessment of COVID-19-related policy measures clearly demonstrated the importance of ensuring sufficient staffing resources (capacities and competencies) to administer support systems at times of high demand, the contribution of digital platforms and the automation of processes and the importance of the interoperability of systems and data.

Available data on the impact of the pandemic on self-employment show a more significant impact on self-employed people with employees, with the crisis resulting in small businesses reducing staff numbers, either in an effort to survive or because the support available has proved to be insufficient. A particularly notable aspect of income support measures for workers and self-employed people is the lower levels of assistance granted to self-employed people. The temporary nature of the vast majority of these measures also shows that the need to address the lack of social protection measures available to these groups continues to be a key area of concern.

The SURE instrument has contributed to allowing Member States experiencing sudden and severe increases in expenditure to enhance the level of support available. However, as of November 2020, there was limited evidence available on the use of the programme and its impact (mainly because any research was carried out prior to the Council Implementing Decisions being taken) and the lessons that can be drawn do not provide enough information to determine the best way to progress discussions on a European Unemployment Reinsurance Scheme (EURS). Although feedback on the availability of the SURE funds was generally positive, some concerns emerged over the administrative requirements surrounding applications and delays in negotiations around eligibility measures. Given the broad diversity of existing schemes, including those relating to dismissal protection following the granting of income support, the question remains as to whether the introduction of such a scheme as the EU-level EURS would require minimum requirements to be laid down, while acknowledging that the harmonisation of such measures at EU level is neither feasible nor desirable.

The fact that most Member States were required to bolster their welfare protection and other measures to provide housing security and support to the most vulnerable groups, both financially and in kind, indicates that discussions around the need for a universal basic income are likely to continue. The

mortgage and rent support measures implemented to address the economic impact of the crisis ultimately relied little on public funds but rather on postponing payments – with additional interest charges even accrued in some cases – and their longer-term impacts therefore depend very much on future labour market developments. Significantly less attention appears to have been paid to underlying concerns such as affordable housing provision. Similarly, compared with measures introduced to support businesses and employees, welfare support through hardship funds has remained marginal, demonstrating the key emphasis placed on maintaining employment, which – while justifiable – points to the more limited support provided to already vulnerable groups outside the labour market.

## Future challenges

It is evident that in the light of labour market data showing that the crisis is having a particular impact on young people, lower skilled workers and more vulnerable groups, particular attention must be paid to addressing the structural weaknesses of these groups in the labour market faced with the new skills demands of a digitalised, carbon-neutral economy.

Overall, the need for a rapid crisis response with suitable targeted measures underlines again the requirement for better policy intelligence and quick access to data on potential target groups to provide clearer estimations of budget requirements and allow for implementation planning.

With the roll-out of the vaccination programme, attention is likely to shift to building the recovery in 2022. It will be important to give due consideration to reactivation not only from unemployment but also from inactivity, bearing in mind the medium-term priorities of a carbon-neutral economy and an inclusive labour market emphasising fairness and equality.



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# Annex: Network of Eurofound Correspondents

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**Note:** Research into the remaining countries (Austria, Germany, Hungary, Luxembourg, Romania and Spain) was carried out by Eurofound.



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This report sets out to assess the initial impact of the COVID-19 crisis on employment in Europe (up to Q2 2020), including its effects across sectors and on different categories of workers. It also looks at measures implemented by policymakers in a bid to limit the negative effects of the crisis. It first provides an overview of policy approaches adopted to mitigate the impact of the crisis on businesses, workers and citizens. The main focus is on the development, content and impact of short-time working schemes, income support measures for self-employed people, hardship funds and rent and mortgage deferrals. Finally, it explores the involvement of social partners in the development and implementation of such measures and the role of European funding in supporting these schemes.

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