

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

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European welfare states face multiple challenges facing the Coronavirus pandemic, including the problem of how to secure jobs and earnings. Given that states had imposed unprecedented restrictions on business and employees, governments needed to compensate, using a mix of social, employment and fiscal policies. Not only business but also earnings were threatened during the first and subsequent waves of the pandemic.

In our comparative analysis, we explore to what degree European welfare states were capable to respond to this crisis by stabilizing employment and income for working people. The widespread diffusion of job retention schemes across European countries - irrespective of their welfare state regime - is an important sign of transnational policy-learning. However, cross-national variations persist across European welfare states in the way in which these schemes were implemented, succeeded in labour hoarding and were sustained through the crisis, indicating path dependence of varieties of economies and welfare state regimes.

Nevertheless, some developments do not follow theoretical expectations and need alternative explanations, such as

- *Continental welfare states* with Germany are a model of labour hoarding, but not the country with the most extensive usage;
- *Liberal welfare states* with a flexible labour market introduced widely used and generous job-retention schemes;
- *Nordic welfare states* have been ineffective in preventing unemployment through short-time work, despite the generous design.

Policy decisions on job retention schemes follow two distinct rationales, mirroring employer's and employee's perspectives. Identifying those logics helps to explain some of the unexpected developments.

- Following the *business logic* or *hoarding rationale* governments have an interest in limiting firm bankruptcies and maintaining the employment relationship for a quick bounce back after the crisis. Policy can lower labour costs and ease red tape.
- Following the *social policy logic* or *support rationale* governments have an interest in limiting employment and income losses during the crisis to sustain popular support for containment policies to protect public health. Policy can increase benefit generosity and strengthen employment protection.

Our analysis will explain how the two separate logics have affected design choices and effectiveness of short-time work schemes during the initial phase of the pandemic. The results will shed light on how European welfare states' responses to the employment crisis have impacted Europe's Social Model.