Policy Legacies, Welfare Regimes, and Social Policy Responses to COVID-19 in Europe

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Note

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Abstract

Much has been written since the publication in 1990 of Esping-Andersen's *The Three Worlds of Welfare Capitalism* on the concept of welfare regime as an analytical tool to study policy stability and change in Europe and beyond. As a concept, welfare regime emphasizes both stability over change and divergence between country clusters over convergence. Studying on concrete policy instruments rather than spending patterns and focusing on policies introduced to protect workers against the risk of unemployment and the loss of income, this chapter explores potential patterns of convergence and divergence in the social policy responses to the COVID-19 pandemic in four distinct welfare regimes: the Bismarckian regime, the Nordic regime, the liberal regime, and the Southern European regime. The main conclusions of our analysis are twofold. First, we show that, regardless of the regime in which they belong, countries have generally enacted emergency measures to expand and/or supplement existing policy instruments. Second, we show that existing national policy legacies help explain key differences in the design of the policies adopted as a consequence of this imperative.

Keywords

COVID-19; social policy; policy change; welfare regimes; income loss; unemployment; workers; Europe; convergence; divergence

Introduction

Much has been written since the publication in 1990 of Esping-Andersen's *The Three Worlds of Welfare Capitalism* on the concept of welfare regime as an analytical tool to study social policy stability and change in Europe and beyond. As a concept, welfare regime emphasizes both stability over change and divergence between country clusters over convergence. Studying on concrete policy instruments rather than spending patterns and focusing on policies introduced to protect workers against the risk of unemployment and the loss of income, this chapter explores potential patterns of commonality and difference in the social policy responses to the COVID-19 pandemic in four distinct welfare regimes: the Bismarckian, the Nordic, the liberal, and the Southern European regimes. To add focus to our comparison, we focus on policies introduced to protect workers against the risk of unemployment or the loss of income as result of non-pharmaceutical interventions (lockdowns, school closures, etc.) to contain the spread of the virus. The emphasis of the analysis is on concrete policy instruments that have been expanded or even created to address the COVID-19 crisis with regard to employment and unemployment. Simultaneously, the analysis concentrates on national rather than subnational or supranational policies.

The main conclusions of our comparative analysis are twofold. First, we show that, regardless of the regime in which they belong, countries have generally enacted emergency measures to expand and/or supplement existing employment and unemployment-related policy instruments. This swift reaction in all the countries under consideration has been part of a broader effort to 'save' the economy as part of both 'emergency Keynesianism' (Bremer and McDaniel, 2020: 439) and, at a deeper level, the economic imperative of preventing a collapse of capitalist markets (Béland et al., 2021). Second, we show that existing national policy legacies help explain differences in the design of the policies adopted as a consequence of this imperative. At the same time, we suggest that cross-national differences in policy legacies within the same regime cluster help account for intra-regime variation in social policy responses to COVID-19. This suggests that, ultimately, the weight of national policy legacies remains strong.

Three main sections comprise the remainder of this chapter. The first section provides a short theoretical discussion about convergence and divergence in social policy during the pandemic centred on the concepts of 'emergency Keynesianism' and 'welfare regimes.' The second section, which comprises the bulk of the chapter, provides a discussion of the social policy responses to COVID-19 mainly addressing the risk of unemployment and the loss of income in the liberal, Bismarckian, Nordic, and Southern European welfare regimes, in that order. More specifically, a separate subsection is devoted to each regime, with a particular focus on two countries per regime: respectively (liberal) Ireland and the UK, (Bismarckian) Belgium and Germany, (Nordic) Denmark and Sweden, and (Southern European) Greece and Portugal. We selected two countries per regime to increase the number of cases and stress potential intra-regime variation from one country to the next. Although the discussion of these two cases per regime is not necessarily symmetrical, the empirical sections discuss 8 cases in total (two per regime), which makes it easier to get a better sense of the social policy dynamics witnessed in each regime at hand during the pandemic. At the same time, perhaps with the exception of the Liberal regime, we could not include all the main countries featured within each regime, which is a limitation of our analysis.

The final section compares these cases directly before summarizing the findings and sketching an agenda for future research on welfare regimes and social policy stability and change during the COVID-19 pandemic and beyond.

Welfare Regimes in Times of Crisis

Much has been written about how many social policies tend to reproduce over time through self-reinforcing feedback effects, leading to what is known as path dependence (Pierson, 1994; 1996; 2000; for a critical perspective see Jacobs and Weaver, 2015). This perspective is consistent with punctuated equilibrium theory, an approach that claims that path departing change typically occurs during rare episodes called 'critical junctures,' which can be triggered - amongst other factors - by global crises (Capoccia and Kelemen, 2007).

The work of Gøsta Esping-Andersen (1990; 1999) and his many followers on welfare regimes stresses policy stability over time (Béland and Mahon, 2016). A welfare regime is a cluster that gathers countries featuring a relatively similar articulation of the relationship between states, markets, and families (Esping-Andersen, 1999). The original typology of welfare regimes as developed by Esping-Andersen (1990; 1999) only featured three regimes: 1) the liberal regime (e.g. Canada, Ireland, the United Kingdom, and the United States), which is dominated by market forces and relatively modest and targeted social programs; 2) the Bismarckian regime, which is centred on social insurance and traditional gender roles; and 3) the Nordic welfare regime, which features large universal social programs.

Although these regimes are understood as relatively stable over time, scholars have long-pointed to path-departing pressures that may gradually transform them over time (Palier, 2010). This type of scholarship is associated with a broader stream of research in comparative policy analysis that has challenged the previously dominant focus on path dependence and punctuated equilibrium in institutional scholarship (Streeck and Thelen, 2005). Simultaneously, it is clear that policy legacies and trajectories can vary greatly from country to country within the same regime cluster, not even to mention the heterogeneity of social programs across policy areas and instruments within the same country (Myles, 1998; Béland, 2010). Yet even scholars like Bruno Palier (2010) and colleagues who study both policy change and cross-country variation within specific welfare regimes recognize the value of the concept, which allows us to systematically explore and compare the institutional dynamics of social policy beyond individual measures and policy instruments.

In the following analysis, we study how social policies designed to address employment and unemployment issues used during the COVID-19 pandemic have fared in four welfare regimes present in Europe. Our analysis looks at key measures enacted during the initial phase of the pandemic in 2020 and assesses to what degree they are consistent with the specific policy legacies and dominant institutional logics associated with the four welfare regimes under consideration as well as the variation from country to country within the same regime cluster. Simultaneously, we explore the possibility of convergence among these regimes triggered by the pandemic. The idea of a potential convergence among countries and welfare regimes is hardly a new question (Gilbert, 2002) but it takes a new meaning during the COVID-19 pandemic, which has witnessed major economic disruptions that might have the potential to trigger path-departing pressures leading to a convergence among the four regimes we now turn to.

Four Welfare Regimes during the COVID-19 Crisis

The Liberal Regime

The UK and Ireland are typically located within the Liberal regime, emphasising relatively unrestrained market forces in determining the living standards of the many and with social protection modest in generosity and targeted largely at the poor. Ireland's position within the liberal grouping is sometimes contested – its scores in relation to degree of liberalism are low in Esping-Andersen's study (1990: 74; see Deeming *et al.*, 2017 for a discussion) and Irish authors have sometimes been dissatisfied with this classification, with NESC (2005: 140) suggesting that the welfare system contains elements of hybridity and therefore that it 'resists easy classification'. Central to this claim, and of importance here, is that Irish social protection rates were increased in the late 1990s and early 2000s and, despite significant restraint in the years following the Great Recession, remained considerably more generous than those paid in the UK at the onset of the pandemic. In concrete terms, the weekly rate of Universal Credit in the UK pre-pandemic was £73, with additional amounts possible on behalf of children or housing costs, while Ireland's primary social protection rate was €203 per week (approximately £180 at March 2020 exchange rates), with, similarly, additional amounts payable in cases of dependent adults and children.

In terms of employment-related support, the UK's response to the pandemic contained aspects of originality combined with a commitment to existing policy pathways. For those who could not work as a result of stay-at-home orders but who had jobs to go back to, the government announced the Coronavirus Jobs Retention Scheme (CJRS, or 'furlough') on March 20. Under the furlough scheme, the UK government agreed to fund 80% of the gross salary of retained workers, up to £2,500 per month for an initial three months. A separate scheme was rolled out for self-employed people, providing equivalent levels of support, though the schemes operated quite differently in practice. By May 2020, there were almost 9 million people relying on furlough (Tomlinson, 2021).

While furloughed workers received generous provision that operated outside of the social security system, those who lost jobs were reliant on much less generous provision via the government's flagship means-tested social security payment, Universal Credit. Three changes were made to Universal Credit, each of which had the effect of increasing the generosity of awards (Hick and Murphy, 2021). First, the standard allowance for Universal Credit (and for Working Tax Credits as part of the system of 'legacy' system of payments that were in the process of being amalgamated into UC) was increased by £20 to £94 per week for 2020/21, representing a significant rise, the most generous that unemployment supports would be relative to earnings since 1998/9 (Brewer and Gardiner, 2020). Second, Local Housing Allowance, which determines the level of support for housing costs within UC, was increased, reversing cuts that had been made to the scheme since 2012. Third, the Minimum Income Floor, which served to limit awards for self-employed people, was scrapped. While there were proposals to waive the capital limits on UC during the crisis (e.g. Brewer and Handscomb, 2020), which result in a reduced award for any household with more than

£6,000 savings (and a nil award for a household with £16,000 or more in savings), these were ignored.

These changes all increased the generosity of support provided via the social security system, but they still implied a level of support that was much less generous for newly-unemployed than furloughed workers. In terms of levels of support, workers could receive up to £500 per week from furlough but just £94 from the basic rate of Universal Credit. There was added complexity in that the schemes were not mutually exclusive: furloughed workers, who were in receipt of low earnings could, if they made the relevant conditions, top their furlough payments up with Universal Credit and, unlike in some other countries, the enhancements in relation to generosity were applicable to *all* claimants, not only those newly-unemployed as a result of the pandemic (Hick and Murphy, 2021).

Yet, there were also significant gaps in the support package announced. Geiger et al. (2021a) estimate that about 500,000 people were entitled to Universal Credit but did not claim it. Lack of knowledge about entitlements played a part here; they also find that nearly a quarter of a million people (220,000) believing that they were eligible but who did not want to claim Universal Credit. Moreover, Geiger et al. (2021b) estimate that 290,000 people applied for Universal Credit but had their claims rejected, the key reason being for partner's earnings and having savings that denied entitlement. Throughout the pandemic, there has also been an absence of attention to the contributory social security system, which some newly unemployed workers would likely have had entitlement to (Hick, 2020). In general, gaps in provision, where identified, did not gain political traction.

Overall, in the UK, the initial response consisted of a high degree of support provided to furloughed workers, with much lower levels of support to those who lost work (or were denied furlough by their employers), and no support for some. It consisted of the introduction of a novel short-time work scheme (furlough) as well as embedding the existing policy pathway (in terms of the rollout of Universal Credit), with most of those who lost work reliant on the more generous provision via the furlough scheme.

The response package in Ireland took a different shape, though it was motivated by a similar view that income support during the pandemic would need to be more generous than was provided for by the pre-pandemic social protection system. There was a superficial similarity in terms of reliance on both job retention (the Temporary Wage Subsidy Scheme, or TWSS) and social protection (Pandemic Unemployment Payment) instruments. On its introduction the TWSS was paid at a rate of 70% of net earnings up to a ceiling of €410 per week; the Pandemic Unemployment Payment was paid at a flat rate of €350 per week. This implied an important commonality between the responses in Ireland and the UK – namely, that payments in both countries were for most people significantly higher than regular social security rates (Hick and Murphy, 2021). However, while there was, as in the UK, a reliance on both job retention and job loss payments, in practice these schemes looked quite different. The Irish instruments in most cases provided more equal payments than those from furlough and Universal Credit. Increased payments in cases of job loss (via the Pandemic Unemployment Payment) were made only for those who lost work due to COVID and paid at rates far exceeding those already unemployed (€350 vs €203 per week). This was contrary to the experience in the UK, where the (initial) twelve-month £20 weekly uplift to Universal Credit was paid to all claimants, whether impacted by the pandemic or not. Moreover, the Pandemic Unemployment Payment was paid to those who lost their jobs as a result of the pandemic, without any reference made to either social insurance contribution records or to means-tests, and thus stood outside of the pre-pandemic social security system. Unlike in the UK, where most people whose work was affected by the initial lockdowns claimed the short-time work payment (the Coronavirus Job Retention Scheme), in Ireland, more of these affected claimed the out-of-work Pandemic Unemployment Payment (Garcia-Rodriguez *et al.*, 2021: 6). There are thus commonalities and differences between Ireland's and the UK's responses (Hick and Murphy, 2021).

In terms of the social impacts of the crisis, both job loss and furlough were significantly correlated with low pay in the UK, but a combination of the policy responses discussed above and families acting as buffers to individual labour market change has meant that there was only a moderate relationship between households reporting a significant fall in income during the pandemic and economic position (Bell and Brewer, 2021: 13; see also Sánchez *et al.*, 2021). While data from Ireland is less extensive, Beirne *et al*. (2020) finds, similarly, that the Irish government's primary pandemic responses served to cushion losses for the lowest four income deciles. In this sense, the fortunes of those less well-off have been shielded significantly by the policy responses in both countries, but we will need better-quality micro-data to understand the true effects on household living standards, including whether the different policy choices adopted in the UK and Ireland have identifiable consequences in terms of wellbeing outcomes.

The Bismarckian Regime

Germany and Belgium are typical social insurance states characterized by the predominance of institutionally segmented social insurance systems stemming from the Bismarckian legacy (Hinrichs, 2010). Employees, the self-employed and civil servants each have their own social security system; protection is in principle earnings related and contribution based. In these settings means-tested social assistance remains rather marginal. In recent decades, however, in both countries social protection systems were subjected to sequential reform processes which weakened social insurance and, as a consequence, increased the share of social assistance in overall social protection: wage replacement schemes were partly reoriented towards minimum income protection, protection shifted towards activation and social insurance contributions were replaced by an increasing share of tax-funding (Hinrichs, 2010; Hemerijck and Marx, 2010). These developments occurred in both countries but with different strength and at different paces.

In Belgium, social insurance for the unemployed became less generous and less accessible but the duration of benefits remained unlimited while social protection for the self-employed was strengthened significantly, *inter alia* by introducing a system that provides income support in the event of bankruptcy (OECD, 2017). In Germany, the role of social insurance in protecting the unemployed is more limited: long-term unemployed must rely on means-tested benefits and so do the self-employed with no economic activity. As a consequence, the share of social assistance in total social protection expenditure is more than double in Germany than in Belgium (12.4 and 5.4% respectively, see OECD, 2020). The traditional strength of social insurance in both countries on the one hand and the stronger reliance of the unemployed on social assistance in Germany compared to Belgium explain the similarities and differences in the responses to the COVID-related labour market crisis in these two countries.

In Belgium[1], the negative impact of the crisis on household incomes was largely cushioned by the operation and the reinforcement of existing social insurance schemes, most notably by the lay-off scheme for employees, the bridging right for the self-employed, and the parental leave scheme. As a result, the number of people relying on social insurance increased dramatically while dependence on means-tested social assistance remained at a comparatively low level. The social partners played a crucial role in implementing very quickly the measures needed to adapt the existing social insurance systems to such unprecedented conditions.

Unlike in the UK where a new short-term unemployment had to be created, and unlike in Ireland where a new wage subsidy system was installed (see supra), in Belgium and Germany the existing short-term unemployment schemes were made more accessible while benefits became more generous. In Belgium, the replacement rate was increased from 65% to 70% of the monthly wage (capped at €2,754.76) while additional supplements were introduced for workers who had been laid off for a long period. The lay-off scheme provided Belgium with a strong instrument to protect workers and employers against the negative consequences of the public health measures implemented rapidly to stop the spread of the coronavirus. During the first lockdown, more than 29% of the workforce benefited from temporary unemployment benefits. Social protection for the regular unemployed remained at the same level but activation measures were de facto relaxed while the "degressivity" of the social benefits for the regular long-term unemployed was temporarily frozen[2].

In Belgium, social insurance has also been used to support the self-employed. The existing "bridging right" for self-employed – which in the event of bankrupt assures for a maximum of 12 months the retention of the rights to child benefits and medical care (for a maximum of 4 quarters) and provides a monthly flat rate payment, equal to the minimum pension – was extended to support the self-employed who had to cease their activities as a consequence of COVID-related health measures[3]. In April 2020, more than 400,000 self-employed received a bridging right.

Estimates of the total cost of COVID-19-social protection measures amounts to 10% of the social protection budget or 2.3% of GDP. Only a tiny fraction of these efforts stem from social assistance. Although there has been some increase in the number of people who had to rely on means-tested benefits, welfare recipiency remained surprisingly stable (Federal Public Service Social Integration, 2021). As a result, in Belgium, the existing social insurance schemes for employees and the self-employed mitigated the income shock substantially, especially for lower- and middle-income households. Simulations have shown that temporary unemployment and bridging right

[1] We focus on federal measures in social security and social assistance. In addition, the regions took measures such as child benefit supplement for temporary unemployed in Flanders, Child benefit supplement for low-income families in Brussels, energy and water subsidies in Flanders and measures related to housing support.

[2] The Belgian mandatory unemployment insurance is quite unique in Europe in that benefits last in principle for the full duration of unemployment; yet the allowances decrease with the duration of unemployment.

[3] In addition, in Belgium, self-employed can fall back upon the unemployment insurance for employees if they had a prior insurance record built up as a wage earner.

schemes effectively absorbed the massive economic impact of COVID-19. Yet, there are also indications that, even among workers being entitled to compensatory measures, a non-negligible share experienced a substantial fall in household incomes and in their living standard (Marchal et al., 2020 and Sanchèz et.al., 2021).

Germany responded to COVID-19 in ways which were very similar to the responses in Belgium, but reliance on social assistance was more important. As in Belgium, the negative impact of the restrictions on employees were cushioned by the existing short-time work scheme (Kurzarbeit), access to which was made easier. In May 2020, approximately 19% of the labour force were in receipt of short-time work benefit.[4] Long-term unemployed and the self-employed could rely on the existing social assistance scheme in which, however, the wealth test was temporarily suspended.[5] Unemployment benefits for long-term unemployed workers whose regular earnings-related benefits were extended by three months. However, benefits for the long-term unemployed or those without entitlement to earnings-related benefits, such as self-employed or certain atypical workers, were not increased. As a result, as in Belgium, the gap between social protection for the long-term unemployed and the temporarily unemployed was significantly increased.

Overall, responses to COVID-19 in these two countries have a number of key characteristics. First, both countries did not revert to wage-subsidy systems but responded by using existing social insurance and social assistance systems. Second, the extent to which these welfare states made use of either social insurance or social assistance schemes seems to be related to the extent to which these welfare states have moved in a liberal direction. Belgium, arguably still the most Bismarckian of the two countries, has relied almost entirely on social insurance. Germany also made use of existing systems, but self-employed persons were covered by unemployment assistance. Third, in both countries the policy responses reinforced the dual transformation of social protection that took place in recent decades with retrenched earnings-related benefits for long-term unemployed and atypically employed people on the one hand and expanded social security to so called ‘new social risks’ on the other. Fourth, the reinforcements should, however, also be seen as major departures from the policy route that in recent decades has focused heavily on activating the unemployed by tightening eligibility criteria and decreasing social protection benefits.

The Nordic Regime

The Nordic welfare states, historically known for their relatively high levels of social benefits and an active labour market policy since the 1950s (Greve 2016; Kangas and Kvist 2019), could be expected to have active responses to support employment and living standards during the pandemic. Overall, this is exactly what happened in all the Nordic countries (Greve et al. 2021).

[4] https://www.ifo.de/node/55800

[5] https://www.bmas.de/DE/Schwerpunkte/Informationen-Corona/Sozialschutz-Paket/sozialschutz-paket.html. According to figures from the Federal Employment Agency, approximately 81.000 unemployed self-employed received unemployment assistance payments for at least part of the time in the months from April to September.

The Nordic countries had different strategies with regard to how to cope with the crisis. Although the following discussion keeps an eye on the developments taking place in the other Nordic countries, the focus is mainly on Denmark and Sweden, especially due to the fact that the strategy to cope with the virus varied greatly between these two countries, which had a strong impact on the need to intervene in the economy. While Sweden became the country with the most limited lock down policies, other countries, including Denmark, faced stronger negative pressures on economic activity due to more and larger restriction of the economic activities. Yet, when Sweden kept more economic activities running, albeit at the same time facing stronger pressures on its health care system than the other Nordic countries, there was a lesser need than in Denmark to compensate workers and companies negatively affected by the COVID crisis.

Overall, there has been an active fiscal policy in all the Nordic countries with high level of government support to reduce the level of economic contraction and ensure that there was purchasing power among citizens in what can be characterized as an active Keynesian demand management policy albeit, as indicated above, this was less the case in Sweden, given its different approach to lockdowns. This Keynesian reality combined with the fact that, in Nordic countries during the pandemic, there was an extension of, and a number of different initiatives related to, active labour market policy. In Denmark, for example, unemployment benefits and cash benefit periods were extended, and the requirements for activation were relaxed[6].

In the Nordic countries, during the pandemic, fewer people on average than in other OECD countries have faced job disruptions and/or loses, with only Belgium and the Netherlands doing better than Denmark, who has performed best among the Nordic countries in this regard. It is also the case that, in Nordic countries, job losses affected only about 6% of the workforce and between a quarter and a third of households faced job-related disruption because of the pandemic (OECD, 2021a) . This also meant that fewer people in the Nordic countries than in other welfare regimes coped with financial difficulties as a consequence of the pandemic. This reality confirms the Nordic tradition of focusing on keeping people in jobs, employment creation, and income security. Yet unemployment levels remain higher in Sweden than in Denmark, and the Swedish ministry of finance expects the unemployment rate to continue to be at 7.9 % in 2022[7]. Furthermore, in Denmark, as in the other Nordic countries but higher than in Sweden, there was significant public support for the private businesses facing closures through direct state subsidies to companies. Simultaneously, companies that retained employees could receive state support because of this.

At the peak of the use of retention schemes, around 10 % of all employees in Nordic countries were using the schemes (Drahokoupil and Müller, 2021). Unemployment are now almost back to pre-crisis level in Denmark and Norway, and, there, unemployment is also lower than in Sweden and Finland (OECD, 2021c). Denmark and Sweden had a solid economic foundation that enabled the adoption of comprehensive support packages, which included several public works and construction activities, and thus stimulated both employment and economic demand. Furthermore,

[6] For more information on specific measures in each of the Nordic countries see Coronavirus country measures see the data provided by the International Social Security Association (ISSA).

[7] Upswing for resilient Swedish economy in 2021 - Government.se, accessed on August 30, 2021.

the period has seen a comprehensive set of tripartite agreements between the state, employers, and employees, all of which in various ways have directly helped Denmark get through the COVID crisis, albeit the final outcome with regard to employment and company closures might only become clear when society is fully open again.

Overall, Denmark maintained a universal approach to social benefits while keeping the labour market partners involved in decision-making, as part of a consensus-seeking approach. At the same time, during the pandemic, Denmark supported companies much more directly than is traditionally the case in that country. Denmark has a decentralised welfare state and, during the pandemic, the state has, in the context of annual bargaining with municipalities and regions, compensated these subnational units for additional health care and social spending incurred to avoid reductions in other welfare services amidst higher than usual health and social spending (see www.fm.dk).

Unemployment rates in all four Nordic countries in 2022 are expected to be lower than in 2020 (OECD 2021b). Overall, compared to other OECD countries, the Nordic countries, despite massive investment in supporting businesses and the unemployed, should retain low levels of gross public debt in 2022 while being expected to move close to balancing public budgets. Yet, this discussion about debt and fiscal policy does not say anything about the distributional effects of social policies. As in most countries, some industries in Denmark were hit harder than others (especially tourism and the experience industry), where employees faced a higher risk of unemployment, whereas investments in the construction sector led to full employment in that sector. Thus, the overall macroeconomic balance does not mean that there was any redistribution taking place. There were indeed winners and losers of economic development in the wake of the COVID crisis. The scope of its redistribution effects remains unclear for the time being, but these effects might average out so that, at the macro-level, the degree of inequality remains the same as before that crisis.

To conclude, in general, the Nordic countries were able to cope with COVID19 presumably much better than expected, and also with a relatively quick rebound in economic activity implying that the use of Keynesian demand management in combination with the automatic stabilisers at play meant that loss of jobs has been more limited, and a shorter and less widespread than initially expected. Thus, despite the negative impact of the pandemic on specific groups, during the pandemic Nordic welfare states proved able to support companies and those at risk of losing their job with extensive interventions. Thereby, we witnessed a continuation of traditional Nordic social policies, which is a sign of institutional continuity in the context of entrenched policy legacies.

The Southern European Welfare Regime

Together with Italy and Spain, Portugal and Greece belong to a group of countries which in the literature on comparative welfare states is known as the ‘Latin’ rim (Leibfried, 1993), the Southern model (Ferrera, 1996) or, more recently, the ‘familistic’ model (Papadopoulos and Roumpakis, 2013). These terms have been used to classify a particular model of social protection that combines a Bismarckian pension system with a universal healthcare system; where families, namely women, are called to play the protective role that the state plays in other models of social protection (namely in Northern Europe); and where labour market institutions are designed to favour those in dependent employment.

As they were faced with the emergence of the COVID-19 pandemic, the Portuguese and the Greek welfare states were still recovering from the impact of the Eurocrisis that began in late 2009. During this crisis, having asked for financial assistance from the IMF and the European Union, both countries had to pursue severe fiscal austerity measures, which translated into tax increases, and cuts in social transfers – both in pensions and in social assistance (Guillén et al, 2016). Health expenditure was also significantly reduced (see Petmesidou et al, 2014). Finally, as part of the pursuit of an (externally imposed) internal devaluation strategy, measures were introduced to reduce the protection given to those in employment, and to the unemployed as well (see Moreira et al, 2015). Still, after 2015, at the least in Portugal, significant steps were taken to revert some of the harshest measures introduced in the initial aftermath of the Eurocrisis – even if most of labour market changes remained (see Moreira and Glatzer, forthcoming).

As Moreira et al. (2021) make clear, there were important differences in how the COVID-19 pandemic hit Portugal and Greece. At the health level, up until December 2020, Portugal had already been significantly hit by the pandemic. Greece, on the other hand, had been one of the least hit countries in the OECD. Economically, however, Portugal and Greece were both among the most affected countries in the OECD.

In Portugal, the backbone of the response to the economic toll of COVID-19 involved the introduction of a derivative of the 'Layoff scheme', which had been a feature of the social security edifice since 2003 – even if a marginal one. The 'Extraordinary Support to the Maintenance of Employment Contracts' - or 'Simplified Layoff' scheme – was introduced in March 2020 and allowed companies that suffered a significant drop in turnover (at least 40%) or that were forced to close/reduce activities as part of the measures to reduce the spread of the pandemic to reduce the number of hours worked, or to suspend work contracts. During this period, employees would be entitled to a payment worth two-thirds of their gross salary, subject to a minimum equivalent to the national minimum wage - adjusted to the number of hours effectively worked. This payment was to be subsidized in 70% by Social Security.

In July 2020, the 'Simplified Layoff' scheme was replaced by another derivative of the original Layoff scheme: the 'Support for Progressive Recovery'.[8] This new scheme reduced the threshold of losses that would qualify employers to this type of benefit; allowed more flexibility in terms of the hours reductions that employers could apply for; increased the generosity of workers' payments - from 2/3 to over 4/5 of the gross salary; and increased the State's contributions.

It is fair to say that social assistance played a minor role in dealing with economic toll of the crisis. Despite measures to automatically renew the entitlement to the Social Integration Income (RSI) and the Assistance-Based Unemployment Benefit[9], the number of beneficiaries did not increase significantly. In fact, the number of RSI beneficiaries actually fell (by 3.5%) compared to 2019.

[8] Decree n.º 46-A/2020.
[9] Order n.º 94-A/2020.

Although these were not excluded from the range of measures introduced during this period, the support given to self-employed and atypical workers was clearly less generous than that given to employees. The initial scheme targeting self-employed workers – the 'Extraordinary Support for the Reduction of Economic Activity'[10], was subject to a (social insurance) contribution requirement (of up to 3 months of contributions in the last 12 months) and is subject to a ceiling equal to the Social Support Indexer (SSI), whose value is below the official poverty-line. Subsequent revisions sought to expand its coverage (to company managers), to allow for the possibility of reducing work hours, and to increase the generosity of the payments.[11]

The response to the COVID-19 crisis in Greece was strikingly different both in size and in the type of measures adopted. Data from the IMF Fiscal Monitor (June 2021) show that (non-health related) additional spending in Greece (in 2020) amounted 13.2% of GDP, which contrasts with 4.5% in Portugal.

Despite a much stronger fiscal response, the employment-related measures adopted in Greece are significantly less robust than those adopted in Portugal (see Moreira et al, 2021). The Greek government's initial reaction involved the introduction of a number of special allowances worth €800 for a 45-day period and targeting employees, self-employed workers, and people affiliated with individual businesses of up to 20 workers (Ministry of Finance, 2020). The Government also decided to provide a one-off payment to cover the Easter bonuses that employers were expected to pay in April. Unemployment benefits were extended by two months, and a special allowance (worth €400) was introduced for individuals who became long-term unemployed since April 2020 (Leventi et al., 2020). Guaranteed minimum beneficiaries were also allocated a one-off sum, with a maximum ceiling of €300 (Leventi et al, 2020).

In June 2020, Greek authorities introduced a short-time work scheme – 'SYN-ERGASIA'[12] – which allowed employers with significant turnover losses to reduce work hours and pay by 50%. The Government would pay the 30% of the gross wage, though workers on minimum wages receive their salaries in full. However, the take-up of the scheme has remained consistently low – covering 52,000 workers up to June 2020, and 17,000 in February 2021 (Moreira et al, 2021; European Commission (2021). Finally, a special leave scheme - partially funded (25%) by the Greek state - was also introduced to provide support for parents who needed to provide care to their children during school closures (Leventi et al, 2020).

Discussion

Considering the sheer scope of the COVID-19 crisis, macro-economic imperatives that transcend the boundaries among the four welfare regimes under investigation seem largely responsible for the fact that all the countries studied here, regardless of the welfare regime and of country-specific policy legacies, enacted prompt policy responses to the pandemic with regard to unemployment

[10] Order n.º 94-A/2020.
[11] Decree n.º 14-F/2020 and Law n.º 31/2020.
[12] SYN-ERGASIA was funded by SURE (see https://primeminister.gr/en/2020/05/20/24004).

and income loss. This reality is consistent with ‘emergency Keynesianism’ (Bremer and McDaniel, 2020: 439; on this issue see also Hall, 2013), which is largely about saving capitalism from itself through emergency measures aimed at preventing a recession from becoming an outright depression (Béland, Cantillon, Hick and Moreira, 2021). The European Union played an important role in this regard, by supporting unemployment protection systems, particularly in the Southern European countries but also, for the first time, by deploying more general recovery packages financed out of common EU resources (on the role of the EU during the COVID crisis see de la Porte and Dagnis Jensen, 2021).

As far as the country-specific use of policy instruments is concerned, the existence of similar cross-national emergency response patterns during the COVID-19 crisis suggests that economic developments can shape social policy change over time, a claim associated with the work of scholars such as Harold Wilensky (1975) and, more recently, Branko Milanović (2017), who claims public policy is rooted in economic preconditions. From this perspective, welfare regimes are not only the product of ‘politics against markets’ (Esping-Andersen, 1985) but also of ‘politics for markets’ (on this topic see Iversen and Soskice, 2015). In the context of this chapter, it means that, to mitigate the negative economic and social impacts of the COVID-19 pandemic, countries with specific policy legacies belonging to different welfare regimes all adopted emergency social policy measures to support the people and businesses while avoiding a deep and durable economic downfall (Béland, Cantillon, Hick and Moreira, 2021).

While our analysis suggests that many countries witnessed similar developments: e.g. expanded access to existing schemes and extended entitlement duration, though the way these developments played out bears the hallmarks of specific welfare regimes and, especially, country-specific differences in national policy legacies. In this context, we do observe variation within each regime cluster stemming at least in part from *national* policy legacies specific to each country. This subtle understanding of both regime-based and country-based continuity in the social policy responses to COVID-19 complements our above claim that all the countries under investigation embraced ‘emergency Keynesianism’ and adopted swift counter-cyclical policies to mitigate the negative impact of the pandemic on the economy as well as workers and families **(insert Table 1 and Table 2)**.

In the Liberal welfare regimes of the UK and Ireland, the policy response was more discontinuous than in some of the other regimes under consideration in this chapter, but these discontinuities can also be explained by regime characteristics. The modest rate of payment of pre-existing social protection schemes required a novel response once the pandemic hit, given that lockdown resulted in a substantial minority of society, including many middle-income earners, losing employment income. This required COVID response schemes that were much more generous than existing social security provision. Novel short-time work (UK) and wage subsidy schemes (Ireland) were introduced for those whose jobs were retained. For those who became unemployed as a result of the pandemic, the UK continued to rely on means-tested provision via Universal Credit, while Ireland, by contrast, introduced a new payment that made no reference to means tests or social insurance contributions.

In Belgium and Germany (albeit to a lesser extent in the latter case), two Bismarckian welfare regimes, the main policy responses to the COVID-19 crisis proved consistent with the Bismarckian model. In both countries existing social insurance systems were expanded temporarily and the social partners played an important role. Social assistance was deployed only residually (that was certainly in the case of Belgium).

In the Nordic welfare states, institutional continuity proved especially strong, as existing job-retention schemes were temporarily expanded to support keeping persons in their existing jobs. The social policy response proved stronger in Denmark than in Sweden, albeit this mainly due to stronger lock-down approach in Denmark. Changes seemed to be temporary so that, from 2022 on, the Nordic welfare states are likely to look like they did before, which points to both institutional continuity within than regime and a strong ability to cope with external shocks to protect Nordic societies and economies.

Finally, the differences in policy responses in Greece and Portugal reflect a long-term process of policy divergence within the Southern European cluster (Petmesidou and Guillén, 2021), where the Portuguese welfare state has evolved over time to become more inclusive; and, despite some expansionary attempts such as the introduction of a minimum income scheme, or the simplification of the pension system, the Greek model of welfare provision has remained largely fragmented and inadequate. In that sense, there are key country-specific path dependencies in how these two countries responded to the crisis: Portugal opted for a more comprehensive response, involving a fairly encompassing short-time work-scheme; Greece introduced a very limited wage-subsidy, complemented by a plethora of partial and paltry schemes. Still, in both countries, reflecting the dualized nature of labour market institutions in Southern European countries, the level of protection awarded to self-employed and atypical workers was significantly below that of employees.

The above discussion illustrates the diversity of policy responses to COVID-19, which reflect in part institutional logics embedded in existing national legacies, which often mirror welfare regime type. Our analysis suggests that both similarities and cross-national differences within each welfare regime cluster under consideration have shaped social policy responses to COVID-19 in Europe. Simultaneously, while our above empirical analysis does point to inter-welfare regime differences in policy legacies and in social policy responses to the pandemic, the fact all the countries under consideration reacted swiftly to the crisis suggests that economic shocks can trigger some level of social policy convergence, although only time will tell whether, in the case of COVID-19, this relative convergence is only temporary or more durable in nature. Regardless, our chapter, by stressing both the enduring weight of national policy legacies and the powerful impact of economic crises on social policy development should help social policy scholars craft more sophisticated and generalizable frameworks to study both national convergence and divergence in social policy responses to global crises, in Europe and beyond.

Keeping people in jobs instead of supporting with economic transfers has further the positive side effect that well-being is higher for those keeping their job than those who are unemployed even if they get unemployment benefits (Cotofan et al. 2021). So, for well-being purposes, strategies of keeping people in jobs can be an important reason for the choice of policy instruments.

Our chapter has also three main limitations it is worth spelling out at this stage. First, regarding case selection, while the sections on the liberal and the Nordic welfare regimes cover the main country cases within each regime, this is not the case of the sections on the Bismarckian and Southern European regime cluster, which each feature major cases not featured in our comparative analysis due to space limitation. More research about these welfare regimes is needed to provide a more systematic 'big picture' about the social policy impact of the pandemic, in employment-related policies and beyond.

Second, the events discussed in this chapter are very recent and the pandemic is hardly over, so the compressed time frame used is a clear limitation of our comparative analysis. While the section on Nordic countries makes it clear that the situation might return to the pre-pandemic 'normal' soon, the truth of the matter is that it is too early to assess the long-term consequences of the pandemic on most of the countries under consideration in this chapter. This is why more research will be needed in the future to explore continuity and change in social policy response to COVID-19 in Europe. Finally, a third limitation of the chapter is that it focuses almost exclusively on national policies. In Europe, the EU has played a direct role during the pandemic, first with SURE (Support to mitigate Unemployment Risks in an Emergency) and, later, with Next Generation (de la Porte and Dagnis Jensen, 2021). Future research could explore the interaction between this involvement of the EU and national policy legacies and decisions across different European welfare regimes during the COVID-19 pandemic.

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Table 1: Emergency Unemployment Benefits

	2019	2020 (COVID-19 related)	2019	2020 (COVID-19 related)
	UK		**IRELAND**	
LIBERAL REGIME	**New Style Jobseeker's Allowance** (UB)	**New Style Jobseeker's Allowance** (UB) / **Universal Credit** (SA) *Higher benefits (if Universal Credit only)*	**Jobseeker's Benefit** (UB)	**Pandemic Unemployment Payment** *Higher Benefits*
	GERMANY		**BELGIUM**	
BISMARKIAN REGIME	**Unemployment Benefit** [a] *(UB)*	**Unemployment Benefit** [a] (UB) *Extended Duration*	**Unemployment Benefit** [b] (UB)	**Unemployment Benefit** [b] (UB) *Benefits long term unemployed frozen*
	DENMARK		**SWEDEN**	
NORDIC REGIME[13]	**Unemployment Insurance** [c] (UB)	**Unemployment Insurance** [c] (UB) *Extended Duration*	**Income-related unemployment insurance** [d] (UB)	**Income-related unemployment insurance** [d] (UB) *Expanded Access by relaxation of eligibility conditions; Increased Benefits*
	PORTUGAL		**GREECE**	
SOUTHERN EUROPEAN REGIME	**Unemployment Insurance** [e] (UB)	**Unemployment Insurance** [e] (UB) *Expanded Access*	**Unemployment Insurance** [f] (UB)	**Unemployment Insurance** [f] (UB) *Extended Duration*

Notes: [a] Arbeitslosengeld I; [b] Assurance Chômage; [c] Arbejdsløshedsdagpenge og andre Akasseydelse; [d] Arbetslöshetsförsäkring inkomstrelaterad; [e] Subsídio de Desemprego; [f] Τακτική Επιδότηση Ανεργίας.
Legend:
UB – Unemployment Benefit, Insurance-Based;
UA – Unemployment Benefit, Assistance-Based;
SA - Social Assistance; SE – Subsidy to Employer;
STUB - Short-Time Unemployment Benefit;
STWS - Short-Time Work Scheme.

[13] Important that job-retention schemes has been more important during the crisis than earlier

Table 2: Emergency Employment Benefits

	2019	2020 (COVID-19 related)	2019	2020 (COVID-19 related)
	UK		**IRELAND**	
LIBERAL REGIME	**Universal Credit** (SA)	**Coronavirus Jobs Retention Scheme** (STWS)	**Short-Time Work Support** (STUB)	**Temporary Wage Subsidy Scheme** (Wage Subsidy)
	GERMANY		**BELGIUM**	
BISMARKIAN REGIME	**Short-Time Work Scheme** [a] (STWS)	**Short-Time Work Scheme** [a] (STWS) *Expanded Access* *Increased Benefits* *Extended Duration* *Reduced Employers' Costs*	**Short-Term Unemployment Benefits** [b] (STUB)	**Short-Term Unemployment Benefits** [b] (STUB) *Expanded Access;* *Increased Benefits*
	DENMARK		**SWEDEN**	
NORDIC REGIME	**Work Sharing** [c] (STUB)	**Work Sharing** [c] (STUB) *Expanded Access;* *Reduced Employers costs* *Extended Duration*	**Short-Time Work Allowance** [d] (STWS)	**Short-Time Work Allowance** [d] (STWS) *Reduced Employers' Costs*
	PORTUGAL		**GREECE**	
SOUTHERN EUROPEAN REGIME	**Lay-Off Scheme** [e] (STWS)	**Simplified Lay-Off Scheme** [f] (STWS) *Expanded Access*	**Temporary Lay-off Allowance** [g] (STWS)	**Special Purpose Allowance** [h] *(STUB)* *One-Off, Flat Rate Allowance* **Syn-Ergasia** (STUB)

Notes: [a] Kurzarbeit; [b] Tijdelijke Werkloosheid; [c] Arbejdsfordeling; [d] Korttidsarbete; [e] Lay-Off; [f] Lay-Off Simplificado; [g] Επίδομα διαθεσιμότητας; [h] Ειδικού Σκοπού σε εργαζόμενους των οποίων η σύμβαση εργασίας έχει λυθεί από.

Legend:

UB – Unemployment Benefit, Insurance-Based;
UA – Unemployment Benefit, Assistance-Based;
SA - Social Assistance; SE – Subsidy to Employer;
STUB - Short-Time Unemployment Benefit;
STWS - Short-Time Work Scheme.