Protecting livelihoods in the COVID-19 crisis: A comparative analysis of European labour market and social policies

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Abstract
This article provides a comparative study of the labour market and social policy measures introduced in light of the COVID-19 crisis in Denmark, France, Germany, Italy and the United Kingdom between March 2020 and January 2021. Its main aim is to understand whether the crisis response has changed the structures of the welfare states concerned. Focusing in particular on the differences regarding the crisis measures taken for individuals in ‘standard employment’ and ‘non-standard workers’ in each country, it argues that, although extensive temporary protection instruments were introduced for both groups during the crisis, these did not lead to an immediate convergence as regards these groups’ social protection. Rather than changing the underlying structures of welfare systems, many of the measures in fact highlighted the specific vulnerabilities of large segments of Europe’s labour markets. States have, however, granted social compensation at unprecedented levels, which could result in improved infrastructures and a clearer understanding of the responsibility of the welfare state in future emergencies.

Keywords
Compensation, non-standard work, self-employment, social policy, solidarity, welfare state

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Introduction

The COVID-19 pandemic has triggered unprecedented government-mandated social and economic lockdowns across the globe. In Europe, the government lockdowns imposed from March 2020 onwards took a largely similar trajectory, putting public life on pause and bringing entire industries to a grinding halt. To avert the most dramatic economic and social consequences of these measures, European governments swiftly introduced extensive labour market and social policy measures aimed at stabilising the employment sector, preventing redundancies and supporting those whose livelihoods the crisis most acutely threatened. In response, the question has been raised in public and scholarly debate in how far these crisis measures reflected a new understanding of the welfare state’s responsibility towards the individual, and to what extent they have changed the configurations of the welfare state (Bélant et al., 2021; The Economist, 2021). This is unsurprising, given that scholars have identified exogenous shocks as key potential triggers of change in welfare states (Pierson, 2004; Rixen and Viola, 2015).

This article provides a comparative study of the labour market and social policy measures introduced in response to the economic effects of the COVID-19 pandemic in Denmark, France, Germany, Italy and the United Kingdom between March 2020 and January 2021. It asks three central questions: (1) how can we systematise the crisis measures in relation to the established typology of welfare state instruments? (2) how did the policy response towards ‘standard’ and ‘non-standard’ workers differ in each country and could an overall convergence between the social protection systems for the two groups be observed? and (3) what were the key differences between the five welfare states concerning their crisis responses? Its material scope covers in particular those types of measures that sought to secure the livelihoods of individuals, including job retention schemes, public compensation schemes and social benefits. The featured countries represent a variety of Western European welfare state and labour market models, which allows the article to compare the social and labour market policies introduced against the background of different institutional frameworks. The article focuses on two dimensions of the countries’ crisis responses and puts forward two key arguments:

First, it examines the systemic characteristics and functions of the crisis instruments in each country. In particular, it questions whether the measures introduced were in some ways ‘typical’ for each respective welfare state, or whether they represented a systemic novelty. The article contends that, overall, the measures introduced in response to the COVID-19 crisis have not modified the existing configuration of state responsibility towards citizens, and that behind the temporary crisis measures, the pre-crisis mechanisms of the welfare states have overwhelmingly remained intact. While some measures at first sight appeared to reflect a changed role of the welfare state, in particular compensation measures, we argue that the social compensation payments seen during the crisis are, in fact, an essential component of welfare states, and were part of its legal and normative basis already before the crisis.

Second, the article focuses its analysis on the differences between ‘standard workers’ and groups on the margins of traditional social security regimes, such as the self-employed and those in ‘new forms of employment’. It asks in particular whether the crisis has led to a convergence of social protection instruments and levels for these two
The article demonstrates how all countries have introduced schemes and instruments to support precarious self-employed persons. However, while being unprecedented in scope, these measures have tended to be ad hoc and of limited duration only, and have (with the potential exception of Italy) not led to any more structural changes in the welfare states analysed, meaning that pre-existing vulnerabilities will largely persist beyond the crisis. In addition, these measures have often placed specific conditions on the nature of the business or income of the individual, and seen delayed rollouts, leaving many individuals without protection. In all countries examined, the priority of the overall crisis response has been on ‘standard workers’.

For reasons of scope, the article cannot cover all aspects of social and labour market policy that have become relevant during the COVID-19 crisis. The article focuses only on the most important policy tools designed to protect ‘livelihoods’, understood here as the means required for an individual to cover basic needs of life, generated either through work income or provided in the form of social benefits. The article therefore does not cover education, housing or childcare as such, nor does it focus in detail on more general fiscal policy measures aimed at stimulating or stabilising the overall economy. In addition, it should be emphasised that the article is primarily concerned with social policy instruments and welfare state structures and institutions. We therefore do not address the effectiveness of the measures, nor do we provide an assessment of the extent of economic hardship endured by different groups during the crisis.

The article consists of three main sections. ‘Starting points’ provides a (1) brief theoretical introduction to the concept of ‘non-standard work’ and explicates how it is used in this article, before outlining (2) the labour market compositions of Denmark, France, Germany, Italy and the United Kingdom prior to the crisis and (3) the ways in which different groups of labour market participants were included in or excluded from social protection in these countries. The section ‘Crisis measures across the labour market’ sets out the different crisis measures adopted between March 2020 and January 2021 in each country to protect jobs and safeguard livelihoods. In doing so, it looks in turn at the key measures available to (1) ‘standard workers’, (2) ‘non-standard workers’ and (3) individuals on very low incomes or social benefits. Finally, the section ‘The crisis response in context’ places these various measures into a broader context. It first (1) analyses how the crisis tools are related to each country’s pre-existing social security systems, before (2) offering an analysis of the differences and similarities between the five welfare states’ responses during the crisis. It then (3) analyses the specific differences in each country concerning the crisis measures introduced for ‘standard’ and ‘non-standard’ workers and reflects on the potential influence of the crisis on social policy reform debates.

Starting points

Vulnerability in the labour market

The COVID-19 pandemic has exposed a range of vulnerabilities in Europe’s labour markets that tend to be associated with ‘non-standard work’. However, the concept of ‘non-standard work’ and its relationship to social protection require further clarification. The Organisation for Economic Co-operation and Development (OECD) and the
International Labour Organization (ILO) are in principle agreed that the term ‘non-standard work’ refers to ‘all employment relationships that do not conform to the “norm” of full-time, regular, open-ended employment with a single employer’ (OECD, 2015: 138). According to the OECD, non-standard work includes ‘(1) self-employment [. . .]; (2) temporary or fixed-term contracts; and (3) part-time work’ (OECD, 2015: 138). The ILO lists as examples of non-standard work ‘temporary employment; part-time and on-call work; temporary agency work and other multiparty employment relationships as well as disguised employment and dependent self-employment’ (ILO, 2020). However, these definitions of ‘non-standard work’ would be unsuitable for examining how groups outside of, or on the margins of, traditional social security systems have fared in the crisis. Most individuals in temporary or part-time employment are fully included in social security systems. By contrast, this typically does not apply to the self-employed, although this category of work is not included in the ILO’s list of ‘non-standard work’. At the same time, new categories of work have opened up in recent years, both in relation to the self-employed and employees, which have placed a growing number of individuals outside of traditional social security systems. This has resulted in a more pronounced distinction between ‘insiders’ and ‘outsiders’ in many of Europe’s welfare states, a process sometimes termed ‘dualization’ (Busemeyer and Kemmerling 2020; Emmenegger et al. 2012). Standing (2011, 2014) terms the new groups that have emerged from these processes the ‘precariat’. But Standing’s concept, while helpful for understanding in socio-political terms the emergence of a new ‘social class’, cannot reveal much about the precise relationship of individual groups to social protection systems during the COVID-19 crisis. To capture some of the new groups on the ‘outside’, Eurofound uses the term ‘very atypical contractual arrangements’ to refer to new forms of employment which are particularly precarious (Riso, 2010). But this concept would be too limited for our purposes, as it does not capture the entire group of workers without social protection. To bring to the fore the distinct vulnerabilities that the crisis has exposed for individuals on the fringes of social security systems, this article therefore focuses on two specific groups of ‘non-standard workers’: the self-employed (both the traditional self-employed and the complex category of ‘new’ forms of self-employment) and individuals in ‘marginal employment’, understood here broadly as all those whose limited work hours or income place them outside of, or on the margins of, regular social security systems (Messenger and Wallot, 2015). This will allow the article to examine policy responses towards individuals both inside and outside of regular social security systems during the crisis.

Pre-crisis labour markets compared

With regard to overall employment levels, the countries discussed in this article were in a comparatively strong position when the crisis hit. In the last quarter of 2019, Germany had an unemployment rate of 3.20%, the United Kingdom 3.70% and Denmark 5.07%. France and Italy had higher unemployment rates of 8.23% and 9.50%, respectively (OECD, 2020a). However, the pre-crisis labour markets in Denmark, France, Germany, Italy and the United Kingdom differed considerably in terms of their
compositions. The share of self-employment for example varied significantly across the five countries. Denmark had the lowest percentage, with a share of 8.3% of the work force. In Germany, around 9.1% were self-employed, 12.1% in France, 15.6% in the United Kingdom and 22.7% in Italy (OECD, 2020b). However, these figures must be read with caution. Self-employment can be a complex and fluid category. Italian law for example distinguishes between three types of self-employment, with so-called ‘coordinated continuous collaborators’ (co.co.co) being considered a hybrid category (Pedaci et al., 2017). Across Europe, there has also been growing concern about ‘bogus’ or dependent self-employment, meaning that the realities of self-employment can be difficult to capture (ILO, 2017).

The percentages of ‘non-standard workers’ beyond the self-employed are perhaps even more difficult to compare, as the law of each country knows different categories of ‘non-standard workers’. UK employment law for example distinguishes between (‘standard’) ‘employees’ and so-called (‘limb b’) ‘workers’. The latter are not self-employed but work for an employer, either under a contract of employment or a contract where an individual undertakes to do personally any work or services. The term includes most agency workers, short-term casual workers and some freelancers (Bradshaw and Bennett, 2017). Italy has a comparatively fragmented labour market, with large number of seasonal workers, and Italian law knows a variety of types of ‘marginal’ work, including on-call work (contratto intermittente), voucher-based work and occasional work (Pedaci et al., 2017). France is one of the few countries where platform workers have the possibility to apply for a specific legal status: in 2008, the country introduced the status of ‘auto-entrepreneur’, a simplified self-employment status, although platform workers are very likely to be requalified by judges as employees according to the most recent case law in France.

Despite the national differences between employment law categories, however, some general observations concerning different labour market compositions can still be made. Looking, first, at the share of individuals in ‘marginal part-time employment’, defined as working time of less than 15 hours per week, there are considerable differences across the countries studied in this article. In Germany, individuals with between 1 and 14 working hours per week amounted to 9.0% of the labour force, while there were 6.7% in the United Kingdom, 4.6% in France and 3.3% in Italy (Messenger and Wallot, 2015). If one looks at the share of short-term contracts, however, a somewhat different image emerges. Italy had a share of 17.0% of temporary employees in 2019, up from 13.1% in 2013, France had a share of 16.4%, Germany 11.9%, Denmark 10.9% and the United Kingdom 5.2% (OECD, 2020c).

What the above reveals is that various forms of non-standard work exist across Europe. Research has shown that ‘non-standard work’ has been on the rise in Europe in recent years, and that for many individuals, it is no longer only a transitional phenomenon in their working lives (Eurofound, 2015; ILO, 2016). Prior to the crisis, rates of self-employment were particularly high in Italy and the United Kingdom, while marginal part-time work was most prominent in Germany and the United Kingdom. The lowest rate for self-employment could be seen in Denmark. All countries, however, had to address a variety of ‘atypical’ labour market groups during the COVID-19 crisis.
Social protection for different labour market participants

As with labour market compositions, the social protection afforded to different groups of labour market participants has traditionally varied to a great degree across Europe. The most fundamental divergence concerning coverage results from the different structures of universal welfare states and the bismarckian ones linking social security to employment status. The full picture, however, is more complex, as individual welfare states have responded differently to recent changes in labour market structures. To gain a fuller picture, one has to go beyond a categorisation according to models alone, and look at the legal frameworks of the welfare state operating in the background of both pre-crisis reform discussions and the COVID-19 crisis itself.

In Germany, social insurance is tied to a dependent work attachment, with the minimum threshold for mandatory social insurance being a monthly salary of more than EUR 450. Anyone with a salary below this sum, or who works less than 70 days per year, is not part of the mandatory statutory unemployment insurance and health insurance. The self-employed are excluded from all compulsory social insurance schemes, although an individual who was previously a compulsory member of the unemployment insurance system and works in a self-employed capacity for at least 15 hours per week may remain a voluntary member.

In France, any worker classed as an employee is covered by social insurance, regardless of their earnings. Traditionally, the self-employed could not join the unemployment insurance. However, an unemployment benefit was established for them in 2019. For the specific case of platform workers, France modestly improved social protection levels in 2016: most importantly, the law now demands explicitly that, if these workers subscribe voluntarily to social security schemes, the platform must pay a share of their social contributions.

In Italy, there are three different unemployment insurance schemes. Protection against unemployment for the self-employed has always been a problem. Only in 2009, a very limited unemployment benefit for co.co.co-workers was introduced, replaced by the new DIS-COLL benefit and extended in coverage in 2015 and 2017. Other self-employed persons, that is, traditional types of self-employed and liberal professions, are not covered by the statutory unemployment insurance.

In Germany, Italy and France, the distinction between those in employment and those without has traditionally been particularly pronounced. They all place considerable emphasis on job protection, with considerable protection from dismissals in place. In recent years, these states have faced considerable challenges in adapting to changing labour market realities and extending social protection to individuals in self-employment, ‘atypical’ work or those with mixed income sources. So far, however, only minor changes have been implemented in this context, such as those seen in France and Italy (Schoukens et al., 2018).

As a universal, social democratic Nordic welfare state, Denmark has traditionally afforded generous support across almost the entirety of the labour market. While job protection is not very strong, generous benefits are granted in the case of job loss (‘flexicurity’). In 2017, Denmark adapted to the challenges of labour market fragmentation by reforming its state-subsidised voluntary unemployment insurance system and making it
easier for any type of worker to gain protection, including self-employed persons, freelancers and so-called hybrid workers with multiple income sources. However, there is a minimum prior income threshold, meaning that some marginal part-time workers and self-employed persons will not be eligible for benefits.

The United Kingdom is characterised by its low job protection and low levels of social support in the event of job loss. The replacement rate for unemployment benefits is low, leading to a low degree of decommodification. The ‘residual’, largely means-tested nature of the UK social protection systems (Esping-Andersen, 1990) means that generally, the self-employed and those in marginal employment have access to welfare support similar to those in (lower-paid) standard employment. The self-employed who make regular Class 2 National Insurance Contributions can qualify for certain contributory benefits, but they are excluded from contributory unemployment benefits (Jobseeker’s Allowance). Before the crisis, the most vulnerable self-employed enjoyed only low levels of social protection (Caraher and Reuter, 2019).

The legal frameworks for unemployment benefits and social insurance more generally thus differed considerably in the pre-crisis welfare state landscape. All countries were confronted with increasingly fragmented labour markets, but only Denmark had made (optional) coverage available for ‘non-standard workers’ on the same terms as ‘standard workers’. And while there were reform debates, and some punctual changes had been made, the continental welfare states were confronted with considerable structural challenges when it came to including more groups of workers (Palier, 2010). The United Kingdom, meanwhile, was characterised by low social protection levels across the labour market.

Crisis measures across the labour market

Following the first national lockdowns across Europe from March 2020 onwards, European states soon employed a series of measures to counter a free fall of the economy, to retain jobs and to protect the livelihoods of individuals. Across the five countries studied in this article, the vast majority of crisis measures adopted were of an ad hoc nature, highly cost-intensive and intended to be in place for a limited duration only.

Job retention schemes and other measures for ‘standard workers’

Several European countries were able to rely on a job protection instrument that had already proven highly successful in overcoming the last financial crisis around 10 years ago: short-time work. In Germany, the short-time work benefit (Kurzarbeitergeld) is granted within the framework of unemployment insurance, that is, in accordance with the rules of social insurance, and financed by the Federal Employment Agency (Bundesagentur für Arbeit). Under rules modified for the COVID-19 crisis, Kurzarbeitergeld could be granted if at least 10% of employees (previously one third) had a loss of earnings of more than 10%, and social insurance contributions became subsidised. The Second Social Protection Package, adopted in May 2020, brought further improvements by temporarily increasing the generosity of payments under
Kurzarbeitergeld (BMAS, 2020), a measure subsequently extended until the end of December 2021.

France, too, relied on the existing instrument of short-time work (*activité partielle*), and it similarly eased access conditions during the COVID-19 crisis. The French short-time work benefit, which is financed proportionally by the state and the unemployment insurance fund Unédic, amounts to 70% of gross wages. To provide better and more efficient support to companies using this instrument during the crisis, the amount covered by the state was temporarily increased to 100% and the maximum benefit period increased from 6 to 12 months. Following the end of the initial lockdown, the French government gradually modified these exceptional measures. From 1 June, the share paid by the state was reduced to 60%, with the remainder having to be paid by the employer. For sectors severely affected by the pandemic such as the catering, hotel, culture and sport sectors, the share of the state remained unchanged. In all cases, nothing changed for employees, who always received 70% of gross salary.

Italy, as the first European country to be hit by the pandemic, was also swift to employ its established short-time employment scheme (*Cassa Integrazione Guadagni*, CIG), created in 1945 and operated as a social insurance scheme, jointly financed by the state and employers, as well as wage guarantee instruments set up by collective agreements (solidarity contracts and solidarity funds). During the COVID-19 crisis, the instruments of wage subsidy were expanded so as to allow firms to employ short-time work regardless of sector or size. In addition, employers who suspended or reduced their activity due to the COVID-19 outbreak were, under the amended rules, able to claim the wage subsidy without providing any evidence of the temporary character of the crisis or the absence of fault. CIG allows individuals to receive short-time work benefits of up to 80% of their monthly salary, albeit subject to relatively low maximum caps.

Denmark, by contrast, introduced a novel instrument in the form of a comprehensive wage reimbursement scheme (*lønkompensationsordning*) to protect jobs in the private sector. Under the scheme, employers were able to receive up to 75% of salary cost for salaried employees and 90% of salary cost for non-salaried workers. One condition that needed to be met was that without financial support, the employer would be forced to make redundant at least 30% or 50 members of their workforce. Moreover, employees needed to be ‘furloughed’, meaning that they received full pay without carrying out any work-related duties during the period in which compensation was received. Employees also had to contribute to the scheme by taking five full days of holiday leave. Companies were not allowed to dismiss for economic reasons any of their employees while they received compensation. In addition to the salary compensation scheme, the Danish government made the existing regulations on ‘work reduction’, which is not dissimilar to short-time work schemes, more flexible. In the case of work reduction, an employee is entitled to supplementary unemployment benefits for the lost hours, provided that they are a member of an unemployment insurance fund.

The United Kingdom introduced a temporary wage compensation programme resembling the Danish one, the *Coronavirus Job Retention Scheme* (CJRS). Under the (original) CJRS, employers could apply for compensation of 80% of monthly salary costs for furloughed employees. Initially, a partial reduction of working hours was not possible. However, on 12 June 2020, the government published details of a flexible furlough
scheme, which was introduced on 1 July 2020 (HM Revenue and Customs, 2020). Under the revised rules, employees could carry out part-time work for their employer or another employer while also receiving CJRS payments. The CJRS has since been extended until October 2021.

In sum, all countries swiftly adopted schemes to prevent layoffs of ‘standard workers’. Germany, France and Italy were able to rely on the instrument of short-time work, which had already proven an advantage during the Global Financial Crisis. In Denmark and the United Kingdom, novel cost-intensive wage reimbursement schemes were adopted. In particular, in the UK context, where working age social protection is traditionally dominated by social assistance, the CJRS was a comparatively unusual policy measure. As a consequence of the wage reimbursement schemes, both Denmark and the United Kingdom temporarily set aside the typical flexibility of their labour markets. This was intended both to protect livelihoods and to prevent the loss of valuable ‘job matches’, which would have come at a cost to the overall economy.

Key measures available to ‘non-standard workers’

The eligibility criteria for short-time work were eased during the crisis, meaning that some ‘non-standard workers’ also became eligible for short-time work. In order not to exclude employees whose working hours are difficult to calculate (e.g. artists, freelance journalists) from short-time work benefits, the French government for example extended the use of short-time work to these groups. In the United Kingdom, the CJRS wage replacement scheme defined the term ‘employee’ more expansively than regular labour law.

Given the nature of their work, however, many ‘non-standard workers’, in particular, the self-employed, could not benefit personally from job retention schemes (although they could apply for wage reimbursement for their employees). European governments therefore adopted a wide range of additional measures to support the self-employed and other ‘non-standard workers’. These included, for example, tax rebates, eased rules for social security and tax payments, and loan guarantees for the self-employed. In addition, various types of money transfers were made available to ‘non-standard workers’, which will be the main focus of this section. As will be seen, three key measures were adopted to support ‘non-standard workers’ (and in particular the self-employed): (1) payments for business costs, (2) payments to cover loss of personal income and (3) undesignated social compensation in the form of lump-sum payments.

In Germany, the federal government set up an emergency aid programme for micro-enterprises from all sectors of the economy, self-employed individuals, members of the liberal professions with up to 10 employees and farmers. The first package (which introduced so-called emergency aid) provided a one-off payment for 3 months of EUR 9000 for up to 5 employees (full-time equivalents) and of up to EUR 15,000 for up to 10 employees (full-time equivalents). There were some differences between Germany’s federal states regarding additional schemes. What the subsidies had in common, however, is that they served to compensate for a shortfall in business income and maintain liquidity, but did not aim to cover personal income (although social assistance was made
more easily available, in part to compensate for this, see below, ‘Additional support for those on low incomes or without work’).

In July 2020, the first package was supplemented by a bridging aid programme for small- and medium-sized enterprises (Bundesfinanzministerium, 2020). Enterprises meeting the conditions as well as self-employed individuals were able to claim compensation for fixed business costs (rent, leasing rates and other incidental expenses, but not wages) for up to 3 months and up to a total of EUR 150,000. A second supplement was introduced in September 2020 (Bundeswirtschaftsministerium, 2020). The government introduced a slightly different programme at the beginning of the second pandemic wave for November and December 2020, in which the mode of calculation was changed and the measures became more generous. But with all programmes, there were practical problems and delays with regard to their implementation. In fact, these problems were particularly pronounced in the latest scheme, its comparative generosity seemingly leading to an increase in bureaucratic hurdles.

In France, the government set up a solidarity fund intended to support small businesses with a maximum of 10 employees, an annual turnover of no more than one million euros and a taxable profit of no more than EUR 60,000. They were able to receive a lump-sum cash payment of a maximum of EUR 1500, with companies that had suffered heavy losses able to receive a further EUR 5000. The self-employed were included in these schemes and able to receive EUR 1500 from the solidarity fund if they had lost more than 50% of their income. Originally planned to be in place for just 3 months, the fund was extended several times to last until June 2021, and the scope of potential beneficiaries was enlarged in October, but subsequently restricted again in March 2021.

In Italy, the Decreto Liquidità (Liquidity Decree) granted small and medium firms access to the Central Guarantee Fund to take out loans, although there were considerable problems with processing times. While there was no income replacement scheme, a one-off flat-rate allowance (indennità) of EUR 600 was introduced by the Cura Italia Decree of March 2020. It provided a modest safety net for self-employed and seasonal workers, who usually do not have access to benefits. Subsequent legislation repeated the measure for single months, albeit with modified flat-rate amounts of either EUR 500, 600 or 1000 monthly, depending on occupation and losses of income. Access conditions for this temporary emergency benefit were more lenient compared to the benefits provided by unemployment insurance and minimum income schemes, but in practice, the procedures to pay out this new income support proved complicated and time-consuming (Battista, 2020). In addition, an important innovation was made during the second wave of the pandemic when a form of short-time work insurance for self-employed and freelancers was introduced. It is organised as social insurance and will be in place for an experimental 3-year period (2020–2023).

Denmark introduced a compensation scheme for fixed costs as well as a compensation scheme for the self-employed, which was modelled on the salary compensation scheme for private businesses. The latter scheme was explicitly intended to cover personal income. The rate of compensation was 90% of the predicted revenue, up to a monthly maximum of DKK 23,000 (EUR 3085) per applicant. To make a claim, predicted revenue losses of self-employed individuals had to be a result of the COVID-19 crisis and had to amount to at least 30%. In autumn 2020, Denmark also introduced a
series of more focused compensation schemes to address coverage gaps in the earlier schemes. These concerned in particular compensation for cancelled events, including perishable foods, as well as a simplified application procedure for smaller businesses.

The United Kingdom introduced a similar scheme, the *Self-Employment Income Support Scheme* (SEISS), which was intended to be formally comparable to the furlough scheme. The scheme issued taxable grants amounting to 80% of past profits, for a 3-month period, limited to GBP 2500 (approx. EUR 2795) per month. The payment was made as a one-off payment at the end of June 2020 to cover the period from March until June. Self-employed persons on low incomes and without savings were therefore disproportionately affected by the lack of payment for 3 months (Hendy, 2020). SEISS was to close initially on 13 July, but on 29 May, the government announced a second round of SEISS, with those eligible able to claim a second grant, worth 70% of their average monthly trading profit, for a further 3 months, capped at GBP 6570 (EUR 7274) in total and again paid out in a single instalment. SEISS has since been extended again until September 2021.

The most notable differences in regard to the measures adopted for the self-employed (and other ‘non-standard workers’) are that in Denmark and the United Kingdom, support schemes for the self-employed were modelled on the newly introduced wage replacement schemes and intended to cover personal income, whereas the German scheme for the self-employed and small businesses was for running costs only (although access to regular social assistance was made easier, see below, ‘Additional support for those on low incomes or without work’, and therefore serves a similar function). France and Italy, meanwhile, opted for lump-sum cash payments for the self-employed and marginal workers, without designating the purpose of use.

At a more fundamental level, however, the schemes shared some central features. In all five countries, the scale of support for self-employed and other individuals without social protection was unprecedented. But everywhere, the schemes were explicitly structured as temporary interventions only and did not change the parameters of social protection (with the potential exception of the experimental Italian short-time work scheme). There was also no significant change over time, and the tools employed during the second pandemic wave were, from a systemic point of view, the same as those used during the early stages of the pandemic. In addition, across all five countries, measures adopted for ‘non-standard workers’ had a strong tendency to suffer from initial oversights concerning their scope and eligibility criteria, infrastructure problems, delayed rollouts as well as public miscommunications, meaning that many individuals and businesses were left without support (see below, ‘Contrasting the crisis response for “standard” and “non-standard” workers’).

**Additional support for those on low incomes or without work**

To accompany the economic and social policy measures summarised above, and to improve the situation of people without work or on a very low income, access to various social benefits was simplified or temporarily extended. With the exception of the United Kingdom, all countries discussed in this article extended the maximum period for receipt of unemployment benefits, thereby acknowledging the fact that the crisis has made it
more difficult to find employment. In addition, many activation measures for the unem-
ployed were (temporarily) suspended and levels raised for most types of benefits.

A noteworthy aspect of Germany’s crisis response is that it removed means-testing for
social assistance as part of the Social Protection Package I. The legislator’s main aim was
to provide benefits as quickly and unbureaucratically as possible so that ‘no one has to
face existential hardship due to the economic effects of this crisis’ (Deutscher Bundestag,
2020: 24). Under the amended rules, social assistance was paid for 6–9 months without a
means test, with a retroactive review conducted under certain conditions only. The meas-
ures were adopted in particular with those individuals in mind who fall outside of ordinary
social security, in particular unemployment insurance, including marginal part-time work-
ers and the self-employed. Although one official reason for this was the administrative
burden associated with such a test, the regulations went beyond a mere administrative
simplification: they, in fact, turned social assistance into a new temporary unconditional
minimum income benefit. Social assistance thereby became a social compensation benefit
not that dissimilar from the extraordinary payments issued to ‘non-standard workers’ in
other European countries (‘Key measures available to “non-standard workers”’).

The United Kingdom increased the benefit levels for the social assistance benefit Universal
Credit (UC). In addition, the ‘Minimum Income Floor’ was suspended for the self-employed
receiving UC. Under normal rules, after a UC claimant has been self-employed for a certain
amount of time, their award is calculated as if they earned the National Minimum Wage for
the hours they are expected to work, even if their actual earnings are lower. This was therefore
a considerable improvement for the self-employed. However, rather problematically, the
‘legacy system’, which was replaced by UC but which many individuals still rely on for ben-
efits, did not see a corresponding increase in benefit levels.

In Italy, the Relaunch Decree of May 2020 introduced a new special COVID-19 emer-
gency minimum income (Reddito di Emergenza) for households not entitled to any other
form of support, which extended to informal and marginal ‘non-standard workers’.

In France, various types of cash payments were made to people already receiving the
minimum benefit (Revenu de solidarité active and Allocation de solidarité spécifique).
Vulnerable families with low income have the right to a lump-sum social assistance ben-
efit of 150 and an additional EUR 100 per child.

Denmark similarly agreed to a one-off payment of DKK 1000 (EUR 150) to be made
to individuals who had been on social benefits in April 2020. In addition, Denmark intro-
duced an increase in unemployment benefit levels for individuals undergoing job train-
ning for sectors predicted to be in particular need of skilled workers following the
economic crisis. The level amounted to 110% of the regular benefit level.

To varying degrees, social benefit systems were therefore adjusted, or supplemented
by additional (one-off) payments, to counter specific hardships brought about by the cri-
isis, with many measures specifically addressing individuals who have no other safety net.

**The crisis response in context**

**The crisis measures in the welfare state architecture**

From a systemic perspective, it is difficult to categorise some of the crisis measures. Some instruments, such as the short-time work schemes used in Germany, France and
Italy (and Denmark), were measures previously used successfully in the context of the Global Financial Crisis. They have a relatively clear anchoring in the welfare state architecture, in that they are mostly tied to the pre-existing unemployment protection systems. Their financing therefore rests, in principle, on the ordinary redistributive mechanisms of the welfare state and social insurance in particular, although the state contributes financially to some schemes.

Other measures, meanwhile, constitute novelties, and at first sight, seem more difficult to categorise. The wage replacement schemes introduced in Denmark and the United Kingdom essentially amount to social compensation for the effects of the crisis (Becker, 2018), although the fact that employers and employees contribute financially to the scheme by shouldering part of the expenses and taking holiday leave mean that the schemes rest on a careful division of the crisis burden.

The payments made available to the self-employed across the countries studied in this article, too, amount to social compensation. In Germany, in particular, the relationship between ‘compensation benefits’ and other social protection benefits was left unaddressed by policy makers and benefit categories were blurred. In practice, however, social assistance was largely decoupled from means-testing, essentially turning it into a (temporary) measure of ‘crisis compensation’.

It is important to point out that this ‘crisis compensation’ is in fact an obligation of the welfare state: it follows not from the rules of state liability but from the core principles of the social state itself (Becker, 2021), and has been seen in previous crises, for example, in the context of floods (Becker, 2018). It rests on the solidarity of the national community and is issued because the state recognises that those affected typically have no other viable security net to protect them from the consequences of such disasters.

In principle, social compensation always has to take issues of equality and equity into account, and allow for a balancing of interests between those affected by disaster and the capacity of the wider community to grant compensation. In relation to the appropriate compensation levels in the COVID-19 crisis, however, there was a lack of proven standards and models: the economic downturn was of such scale that it was difficult to compare to the compensation granted in more local or short-lived disasters such as storms and floods. Any compensation also had to be made swiftly, so as to serve its purpose of forestalling economic hardship. At the same time, individuals were affected to different degrees by the impact of the crisis. It therefore remains an open question what level of compensation for damages was both affordable and appropriate in the pandemic context (see also ‘Welfare states and their crisis responses compared’).

The volume of the initial measures, meanwhile, reflected an overall expectation of a not-too-distant economic recovery. This perhaps explains why such large sums were channelled into atypical and generalised compensation schemes, in particular, with regard to the self-employed and other ‘non-standard workers’, without a clear conception of their legal nature or the underlying state responsibility upon which they may rest. The vast majority of crisis measures were not intended to bring about long-term changes to the redistributive mechanisms of the welfare state. Instead, they aimed to compensate for an unforeseen and unprecedented type of disaster and, as social compensation benefits, had a clear anchoring in the pre-crisis welfare state, although this was often not made explicit by governments and legislators.
Welfare states and their crisis responses compared

As the section ‘Crisis measures across the labour market’ has revealed, there are significant similarities regarding the crisis measures employed by the five countries analysed in this study. All countries introduced temporary measures of unprecedented scope to buttress the effects of the crisis for both standard and non-standard workers.

The main difference in the crisis response concerns the difference between job retention mechanisms. In Germany, Italy and France, we find the short-time work as a proven instrument to prevent redundancies and keep businesses afloat and in a position to resume activity swiftly once the economy recovers. It should be pointed out, however, that the instrument was adapted to the needs of the COVID-19 crisis, with the schemes extended to include larger segments of the economy as well as benefit levels for workers and compensation rates for employers raised. There are also important differences between the schemes, in that Italy’s system is financed either through the wage guarantee fund (CIG) operated as social insurance with state subsidies, or established through solidarity contracts or solidarity funds by collective bargaining agreements, while those of Germany and France are financed through the unemployment insurance systems (and state subsidies in the case of France). But as a whole, the instrument of short-time work is comparable in these countries.

The job retention schemes employed in Denmark and the United Kingdom, on the other hand, are both novel instruments and somewhat more atypical in regard to these countries’ labour market policies. By way of their job retention schemes, both countries temporarily set aside the ordinary logic of their flexible labour markets. The desired effect was the same as that in Italy, France and Germany: to keep businesses afloat and keep workers in place so as to allow for a swift economic recovery. The financing was different from short-time work schemes, however, and their cost intensity to the state came with a general understanding that the measures would need to be phased out as soon as the situation allows. But despite a very different structural starting point to the countries that employed short-time work, Denmark and the United Kingdom were able to generate the same effect as that achieved by short-time work through the introduction of novel wage replacement schemes.

Regarding the measures for ‘non-standard workers’, too, there are considerable similarities across the different welfare state models examined in this article. All countries recognised the obligation to grant social compensation in times of disaster, and consequently issued social compensation to groups of labour market participants without social protection. And – with or without recognising this explicitly – all countries accepted the fact that issuing social compensation benefits was an obligation of the welfare state in the current crisis. The scope and reach of the schemes varied, however, as did the efficiency of their rollout.

It is not possible at the time of writing to evaluate how successful individual welfare states were at handling the crisis. As Europe is in the grip of a third pandemic wave, most schemes remain in operation, and their ultimate success in preventing or alleviating financial hardship will have to be examined at a future point in time. However, some key criteria for evaluating their success can already be formulated. The measures will have to be assessed, in particular, on the basis of (1) the speed with which they
reached individuals and businesses, (2) the sufficiency and adequacy of the amounts granted and (3) the capacity of the state to limit fraud and keep administrative cost to a minimum. It can be expected that there will be a correlation between the success of the measures and the developmental level of a state’s digital infrastructure (McKinsey Global Institute, 2021).

**Contrasting the crisis response for ‘standard’ and ‘non-standard’ workers**

While measures have been introduced for both ‘standard’ and ‘non-standard’ workers, the differences between the types of measures for these two groups warrant specific attention. For several years now, there have been calls in academia and among policy makers to extend social protection to individuals on the margins of ‘traditional’ social protection systems, including the self-employed and individuals in ‘new forms of employment’ (ILO, 2016).

The contrast between ‘standard’ and ‘non-standard’ workers has traditionally been most pronounced in *bismarckian* welfare states. In light of the gaps in social protection faced by individuals across the labour market, there was at least a possibility that the crisis would facilitate a convergence of social protection for ‘standard’ and ‘non-standard’ workers. However, our analysis has shown that this has not been the case. The measures for ‘non-standard workers’ were largely ad hoc payments, intended to compensate for hardships suffered during select months only, rather than bringing about any structural changes within the welfare state. One important exception to this is the case of Italy: here, a type of short-time work benefit was introduced for two specific groups of self-employed workers, which is expected to run until 2023 and may become a permanent feature of the Italian welfare state.

As a whole, the priority of governments and legislators has, in the first instance, been on protecting the jobs of ‘standard workers’. Schemes for the self-employed also often commenced later than the job retention schemes, the starkest example being the United Kingdom, where the SEISS started payments only in June 2020. Across all five countries, instruments for ‘non-standard workers’ also faced logistical challenges and legal oversights (see in more detail, Becker et al., 2020). Many ‘non-standard workers’ fell between the cracks of eligibility criteria, and of those individuals who were eligible, many suffered hardships from delayed rollouts and public miscommunications. The lack of experience with any measures to support the self-employed, for example, resulted in considerable uncertainty in Germany, where many self-employed believed that the lump-sum payment made to them could be used for personal expenses.

The use of lump-sum payments meanwhile offered a residual safety net only, and often granted protection levels significantly below those offered through compensation schemes modelled on previous income. The French government, for example, chose a minimal response through lump-sum payments to the highly heterogeneous situations of individuals in precarious employment. The French federation for social work (*UNIOPSS*) therefore denounced the insufficient state aid for the ‘new poor’ caused by the pandemic (*UNIOPSS*, 2020).

Generally, it can be said that while the crisis has seen the introduction of many new support schemes for ‘non-standard workers’, the focus on these groups has been more
limited than that on ‘standard workers’, most notably those in precarious employment –
even though these persons are particularly hard hit by the consequences of the crisis. This
is problematic because from a systemic perspective, these instruments amount to social
compensation, the granting of which is a core duty of the welfare state. The crisis may,
however, have resulted in a more widespread realisation that social compensation is an
essential obligation of welfare states and that with this comes an obligation to provide
relief swiftly and equitably. The experiences from the current crisis could therefore lead
to improved infrastructures for the administration of social compensation.

In response to the question concerning a potential convergence between non-stand-
ard and standard workers, our study has found that the current crisis has only shifted
debate, rather than bringing about immediate structural changes. But indirectly, the
experience of the pandemic is likely to feed into ongoing political discussions sur-
rounding the challenges faced by ‘non-standard workers’ and the structural and institu-
tional shortcomings of social protection systems in the increasingly fragmented and
digital labour economies of the 21st century. In addition, labour economies may
change even further as a result of the crisis. The crisis might therefore become a con-
tributing factor to incremental, long-term changes (Streeck and Thelen, 2005) in
Europe’s welfare states.

**Concluding remarks**

This article has examined and compared the institutional and systemic characteristics of
the social policy measures adopted in five different European welfare states to mitigate
the economic effects of the COVID-19 pandemic. Despite the possibility that the pan-
demic could have brought about instantaneous changes to the welfare states in question,
we have argued that the crisis measures to date have overwhelmingly been temporary in
nature and have, so far, left the ordinary welfare state structures unchanged. Concerning
the measures for ‘non-standard workers’, for example, our study has found that, while
most measures appear as highly novel interventions, they can in fact be classed as social
compensation, which is an established feature of European welfare states. What makes
the measures of the current crisis stand out, therefore, is mainly their scope, but not their
normative and legal basis in the welfare state.

Having established that the crisis measures adopted by welfare states during the
COVID-19 pandemic are not as novel and transformative as may seem at first sight, it is
likely that the phaseout of the crisis measures will reveal some of the more underlying
welfare state mechanisms: once the extraordinary measures expire, the difference
between those who are covered by regular social protection and those who are not will
once again become visible. The economic and social challenges that individuals will face
during the phaseout are difficult to predict as Europe is still in the grip of a third wave,
as are the changes that the pandemic will bring to Europe’s labour economies. But while
the crisis interventions so far have not brought about profound structural changes, there
is a good chance that the pandemic will influence reform initiatives in the field of social
protection in the long term, especially if we emerge from it in a radically altered eco-
nomic and social reality.
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