

Dealing with the COVID-19 crisis at EU level – rescue and recovery packages

PERC workshop (webinar)

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Outline

- The COVID crisis – risks and opportunities
- Recovery – V, U, W or L shape ? – but not getting back to `normal`
- Cyclical and structural dimension
- EU response measures: easy to get lost..
- Support package to Western Balkans
- There was also a European Green Deal
- Here and now vs. the long term perspective
- A Green recovery package in wake of the COVID fallout

- **Not a classical crisis, but unprecedented in its size and no one has a script (how to manage, how to get out of it)**
- **Vulnerabilities are brutally exposed**
- **Multi-dimensional vulnerabilities**
- **Size of rescue/recovery packages matter, but quality even more, as e.g. generosity of government short term work schemes and the question of trust in institutions**
- **and the quality of social relations. etui.**

The pandemic and the climate crisis

COVID19 is an imminent and direct threat, climate crisis is elusive, indirect – harder to recognise urgency

Individual risk vs collective risk (for COVID there is a link.. Co-ordinated action needed in both cases (not visible...))

Danger: a possible re-emergence of a climate-jobs dichotomy

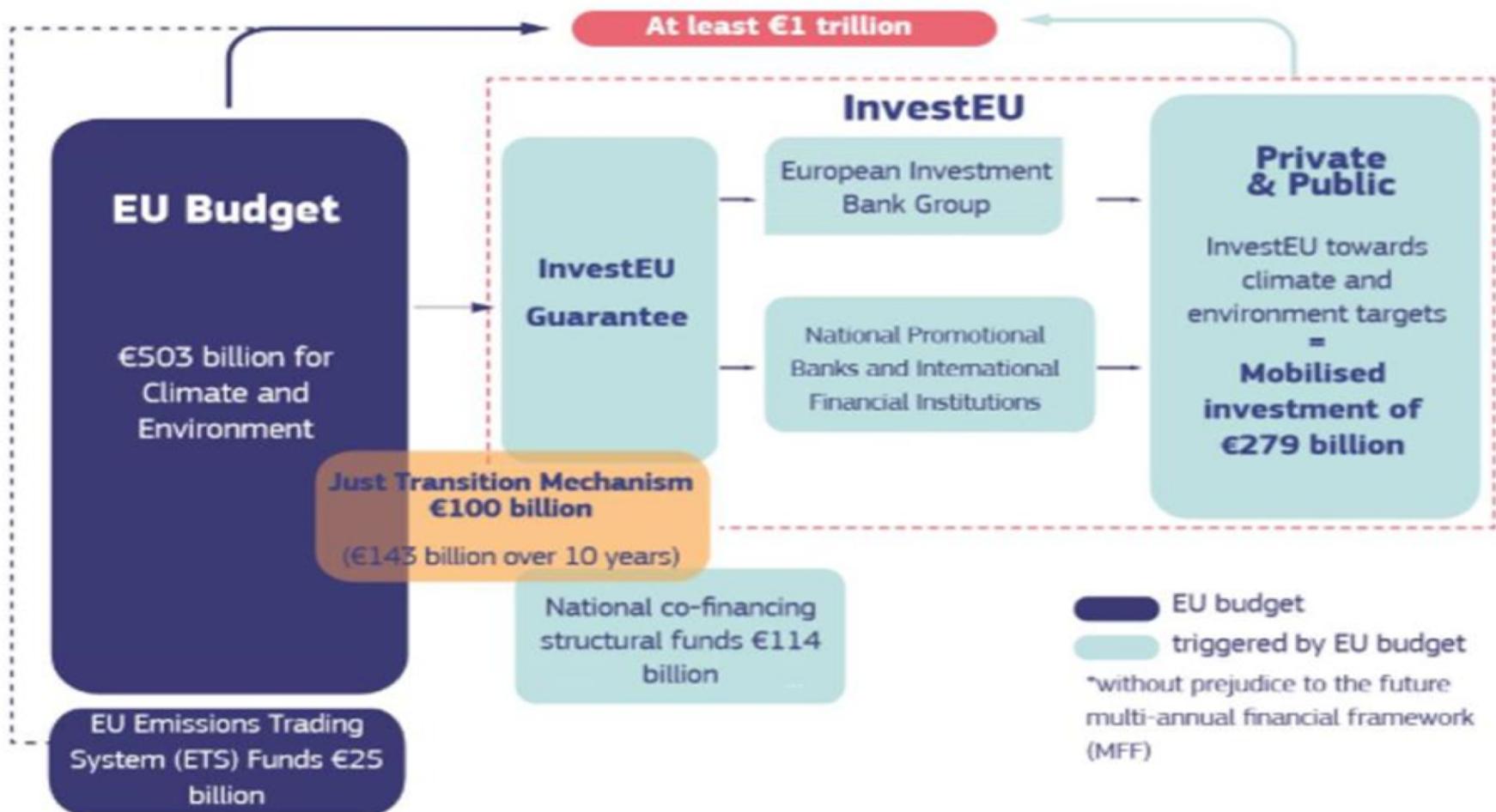
The imminent reaction after the shock was: back to normal asap: restore growth and jobs at any price with big bazookas

Positive: a re-discovery of the role of the state

Climate emergency - the clock is ticking...(but not a vaccine...)

Financing the European Green Deal

WHERE WILL THE MONEY COME FROM?



*The numbers shown here are net of any overlaps between climate, environmental and Just Transition Mechanism objectives.

The € 540 bn rescue package (23 April 2020)

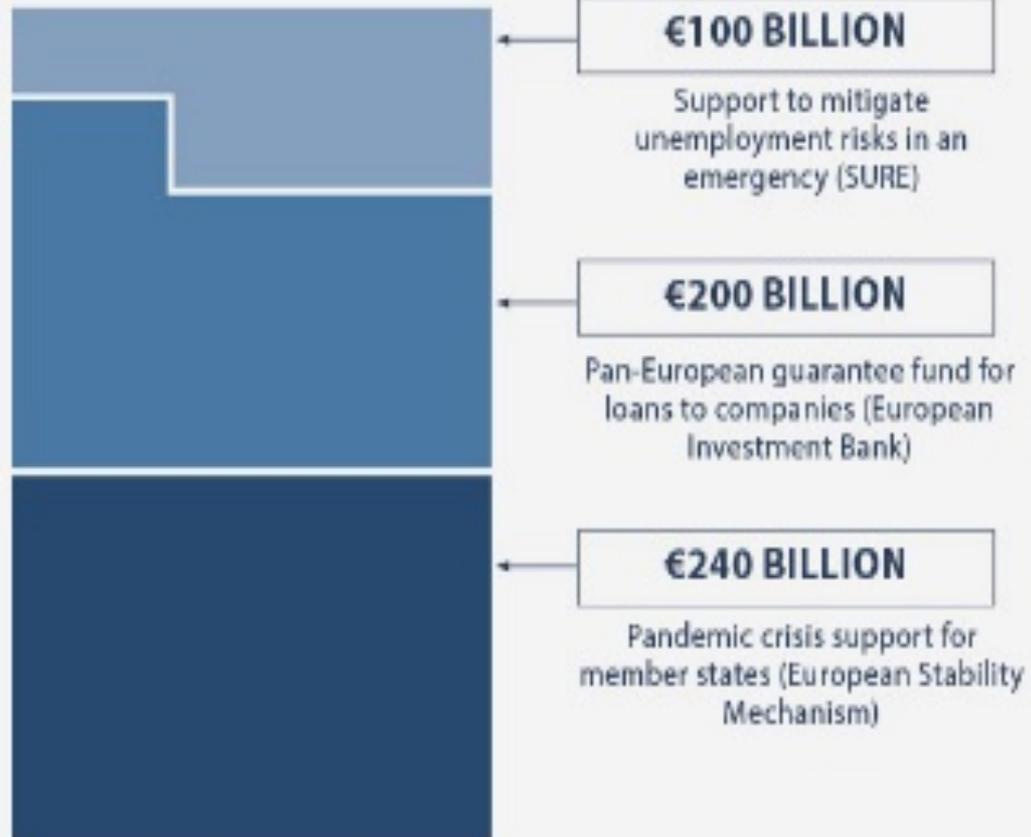


Supporting jobs, businesses and the economy



**€540
BILLION**

Support package for
jobs and workers,
businesses and
member states



Three pillars of the 540 bn package

Jobs and workers

temporary support to mitigate unemployment risks in an emergency (SURE). The scheme provides loans to member states of up to €100 billion to cover part of the costs related to the creation or extension of national short-time work schemes.

Businesses

European Investment Bank (EIB) Group will create a €25 billion pan-European guarantee with loans up to €200 billion for companies with a focus on SMEs in EU.

Member states: 240 bn crisis support via ESM

+ Monetary policy

In addition, the European Central Bank put in place a €750 billion pandemic emergency purchase programme. In June 2020 increased by €600 billion, reaching a total of €1 350 billion.

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COVID19: €3.3 billion EU package for the Western Balkans

TO DEAL WITH THE HEALTH CRISIS

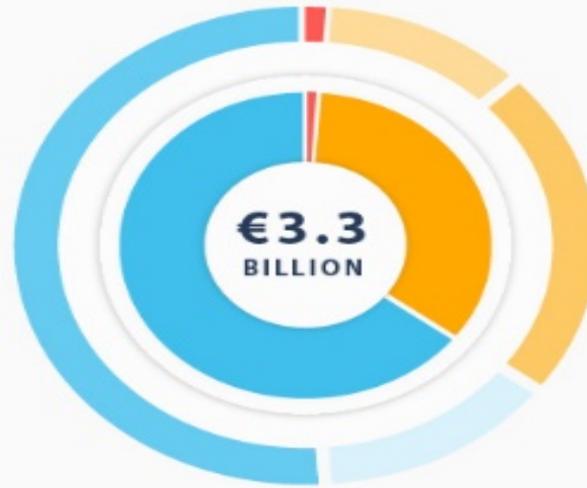
- €38 million of immediate support to the health sector.
- exclusive access to EU instruments and medical equipment

TO KICKSTART THE SOCIO-ECONOMIC RECOVERY

- €389 million in assistance funds for the social and economic recovery
- €750 million of Macro-Financial Assistance

TO SUPPORT BUSINESSES AND PUBLIC SECTOR INVESTMENT

- €455 million economic reactivation package
- €1.7 billion of preferential loans by the European Investment Bank



Distribution by country

BOSNIA AND HERZEGOVINA:

- €7 million
- €73.5 million
- €80.5 million
- €250 million

MONTENEGRO:

- €3 million
- €50 million
- €53 million
- €60 million

REPUBLIC OF ALBANIA:

- €4 million
- €46.7 million
- €50.7 million
- €180 million

SERBIA:

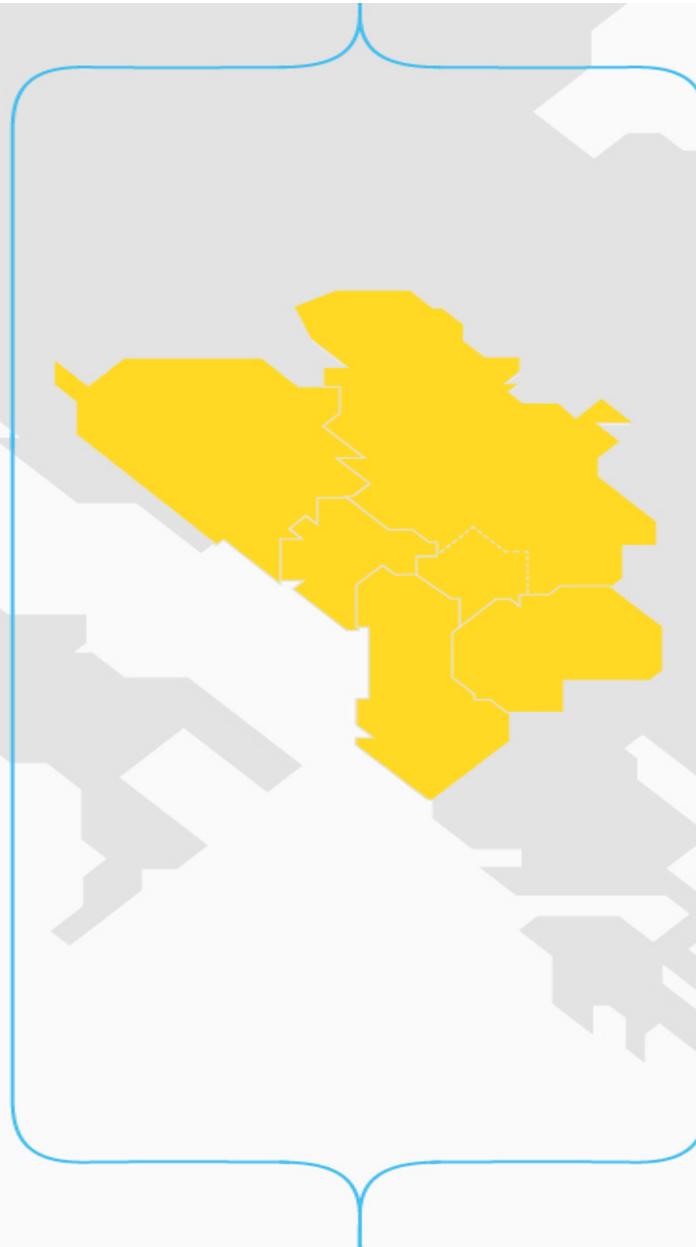
- €15 million
- €78.4 million
- €93.4 million

KOSOVO*:

- €5 million
- €63 million
- €60 million
- €100 million

REPUBLIC OF NORTH MACEDONIA:

- €4 million
- €62 million
- €66 million
- €160 million

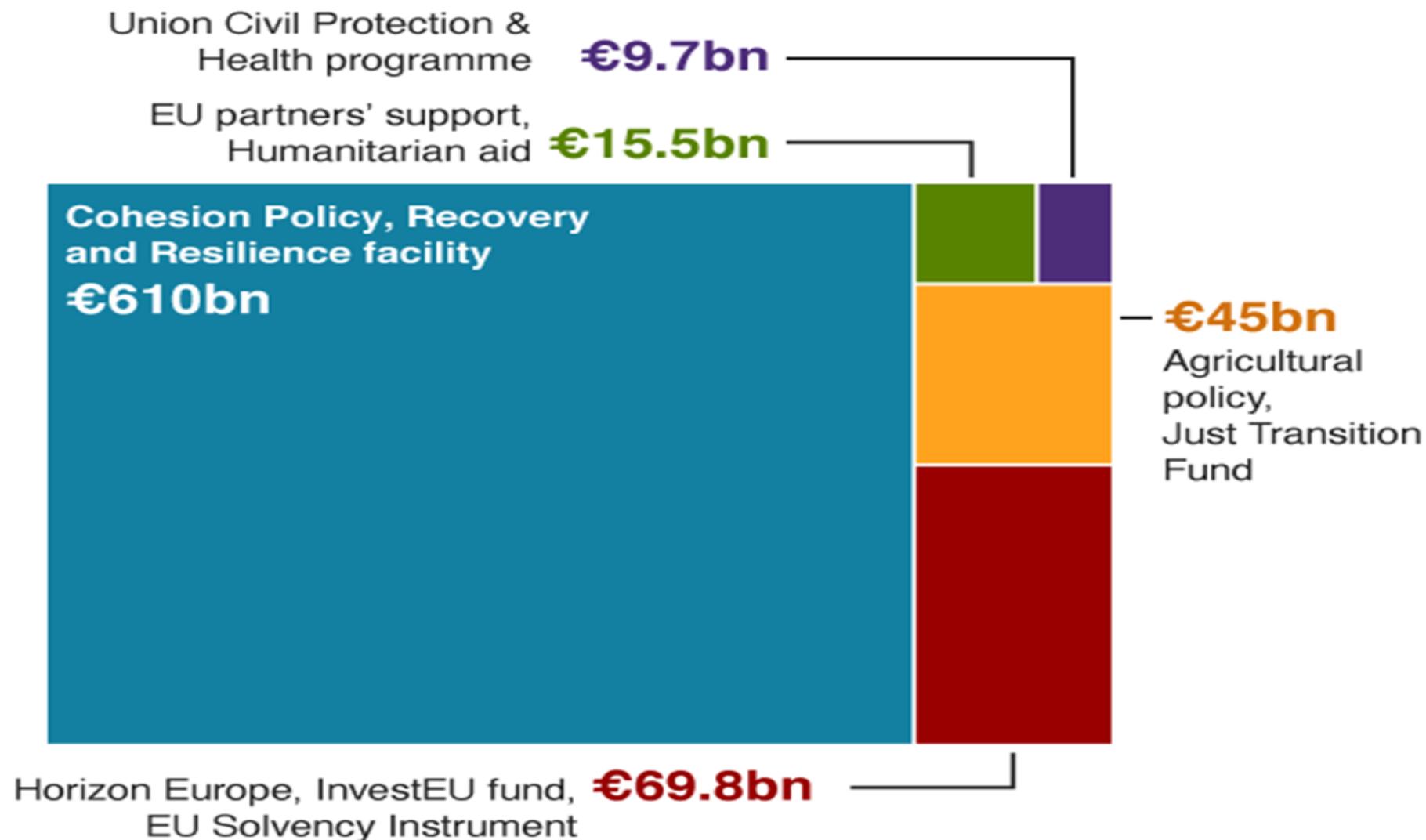


For a green recovery - `Next Generation EU`

- On May 15 the European Parliament approved resolution on an ambitious MFF with recovery plan amounting to €2 trillion, with own revenues from ETS and border carbon tax.
- 19 EU nations call for a green recovery supporting "economic recovery measures that sustain an effective transition to climate neutrality" (some CEE-s and Belgium did not sign the appeal)
- One demand is an ambitious EGD and step up 2030 Emissions target (50 and 55% reduction instead of the current 40%).
- Commission proposal for raising a Recovery Fund of 750 bn EUR (500bn for grants and 250bn for loans to MS) and a revised 2021-2027 EU budget (MFF) with 1 100 billion

EU stimulus composition

Where the €750bn will be invested



A European Recovery Fund with decarbonisation priorities

Retrofitting/renovation of building stock targeting at 350 EUR bn/year via InvestEU. How realistic is it to move from 0.2% deep renovation rate to 3% needed to targets?

- **Renewables:** EU tendering scheme, capital investment of 25bn EUR/2 years at MS level with 10bn EIB funding BUT renewables are set to by 20-30% in 2020
- Hydrogen – scaling up clean hydrogen (1.3 bn EUR)
- **Automotive** – purchasing facility for clean vehicles (??) 20bn for next two years
- Investment to zero-emission powertrains (40-60 bn)
- Doubling investments for charging stations
- a dedicated social fund to reskill and upskill workers during the transition.

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Open questions

- The recovery plan is a historic initiative and if implemented can be a milestone of EU integration, opening the way towards debt mutualisation
- As with the EGD, there is some confusion in the air – with a touch of numbers magic, leverage and double accounting
- The EGD builds on InvestEU as a financing tool, using 500bn from EU budget and leverage via EIB, so does the Recovery Plan – what overlaps?
- The package is also presented as one with 1.85 tn EUR (1.1 tn MFF and 750 bn Recovery Fund), but the Recovery Fund also draws on the EU budget (as the EGD does)
- There is a lot of reallocation (reprioritisation, e.g Cohesion Funds) – what is new, what is additional?

National packages

| country | Fiscal impulse | Deferral | Liquidity/ guarantee |
|----------------------|-----------------------|-----------------|---------------------------------|
| Belgium | 0.7% | 1.2% | 0.0% |
| Denmark | 2.1% | 7.2% | 2.9% |
| France | 2.4% | 9.4% | 14.0% |
| Germany | 6.9% | 14.6% | 38.6% |
| Greece | 1.1% | 2.0% | 0.5% |
| Hungary | 0.4% | 8.3% | 0.0% |
| Italy | 0.9% | 13.0% | 7.3% |
| Netherlands | 1.6% | 3.2% | 0.6% |
| Spain | 1.1% | 1.5% | 9.1% |
| UK | 4.5% | 1.4% | 14.9% |
| United States | 5.5% | 2.6% | 4.1% |

National short time work schemes

| Kurzarbeit | level | | Duration (month) | Burden sharing | |
|-------------|---------------|-------|-----------------------|----------------|---------|
| | Gross | Net | | State | Empl. |
| Austria | | 80-90 | 3 (plus 3) | 100 | - |
| Belgium | 70 | | 1-12 | 100 | |
| Bulgaria | 60 | | Max 3 months | 60 | 40 |
| Croatia | | MW | 3 (+ 3 months) | 100 | |
| Czechia | 60-100 | | 1,5 months | 100 | |
| Denmark | 100 | | 3 | 75-90 | 10-25 |
| Estonia | 70 (min. MW) | | 2 | 70 | 30 |
| Finland | 50 | | 13 (400 days) | 100 | |
| France | 70 (min MW) | 84 | 6 (plus extension) | 100 | - |
| Germany | | 60-67 | 12 | 100 | - |
| Greece | | €800 | 1 | 100 | |
| Hungary | 70 | | 3 | 100 | |
| Ireland | | 100 | 3 | 70 | 30 |
| Italy | 80 | | 3 (up to 12) | 92-96 | 4-8 |
| Latvia | 75 | | 2 | 100 | |
| Lithuania | 60 | | 3 | 100 | |
| Netherlands | 100 | | 3 (+) | 22.5-90 | 10-77.5 |
| Poland | 50 (min MW) | | 3 (plus 3) | 50% | |
| Portugal | 66,6 (min MW) | | 1 (up to 6) | 70 | 30 |
| Romania | 75 (min MW) | | during emergency | 75 | 25 |
| Slovakia | 80 | | Not specified | 100 (EU) | |
| Spain | | 70 | 6 (for full benefit); | 100 | |
| Sweden | 92.5-96 | | 6 (plus 3) | 75 | 5-12.5 |
| UK | 80 | | 3 (plus extension) | 100 | |

Short time work schemes

From employee point of view, short time work schemes are one of the most important measures, social partners role is key, but highly different across countries

Almost all countries have a scheme, but they vary greatly

Differences not visible at first sight, what matters is how they are implemented and how many workers they reach

Full impact only visible ex post, when we know the unemployment levels – already visible in Germany cushions unemployment well, less so in France and almost negligible in Hungary

Even with generous EU level measures, national responses matter most countries will come out of the crisis very differently > new divisions?

Germany likely to come out much better than France, Spain and Italy, CEEs highly vulnerable

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