

# Labour market dualization and social policy in pandemic times: an in-depth analysis of private consumption services in Europe

Emmanuele Pavolini, Giovanna Fullin, Gemma Scalise

## 1. Introduction

In the first months of 2020, the sudden arrival of the global pandemic shook deeply European societies, the economy and the functioning of labour markets. Several studies began analysing how social policies and labour market regulation have been reshaped to limit the negative consequences of the pandemic in terms of unemployment, income maintenance and poverty (Béland et al., 2021). Some of these studies have discussed both the institutional answers to the challenges posed by the pandemic and how resilient social and labour market protection systems have proven to be, considering the potential ‘transformative power’ of the pandemic in terms of fostering policy change (Vaalavuo et al., 2021). However, most studies tend to analyse the nexus between increased inequality and changes in welfare state and the labour market regulation as a whole, while the literature on the impact of the pandemic-related policies on specific segments of the labour market is still poorly developed.

This paper analyses the socio-economic repercussions of the pandemic, and the institutional response which followed it in Europe,<sup>1</sup> on one particular group – those employed in the private consumption services (PCS), such as trade, tourism, catering and other support services.<sup>2</sup> Several reasons exist for focusing on this labour market segment. First, PCS deserve particular attention since workers in this sector are particularly weak in terms of social protection rights and exposed to social risks when compared to other segments of the labour force. In many cases PCS workers can be described as those that the literature on labour market dualization defines as “outsiders”.

Secondly, although PCS are present in economic branches with different characteristics, from retail to accommodation, what these branches share and makes them different from other economic sectors is being low-productivity and labour-intensive service sector activities. Furthermore, PCS play a major role in terms of employment in contemporary labour markets.

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<sup>1</sup>In the paper, the terms Europe or European countries refer to all EU countries (excluding Malta, Cyprus and Luxemburg), plus Norway, Switzerland and the UK.

<sup>2</sup>Our definition is based on the NACE classification of the economic sectors (Eurostat 2018). We considered the following subsectors as part of the PCS: wholesale and retail trade; accommodation and food service; real estate activities; administrative and support service activities; arts, entertainment and recreation; activities of households as employers; activities of extraterritorial organizations.

Third, PCS have been hit by the lockdown and social distancing measures more than most other economic sectors, given that one of their key characteristics is direct interaction between clients and producers, with little opportunity for telework. Finally, this segment is particularly interesting from a comparative perspective because the regulation of PCS in terms of social protection and labour market functioning tends to differ in the various European countries.

This article shows the relevance of PCS on European labour markets and highlight some cross-country differences, thereby enriching the literature on labour market dualization in service societies. We also investigate to what extent institutional responses have attempted to preserve PCS employment during the pandemic outbreak and to protect workers from the pandemic's socio-economic consequences. Finally, we assess whether, after two years since the onset of the pandemic, this crisis has represented a window of opportunity to rethink social protection coverage for PCS workers to reduce their weak position in terms of entitlements to social security. We build on the literature on the relationship between major socio-economic and political shocks and deep policy change and, adopting Castles' terminology, we test if a "black swan", such as the Covid-19 pandemic, has fostered policy innovation in relation to PCS workers (2010).

As we will show, this has not been the case. On one hand, the Covid-19 pandemic has triggered a significant phase of policy reforms which reframed the regulation of PCS by improving social protection. On the other hand, what has been implemented in terms of social policies between March 2020 and April 2022 – the time span taken into account here with respect to policy reform – was mostly a temporary response. Although in pandemic times workers in this sector have received more political and policy attention than previously and have benefitted from several social protection and income support measures, the comparative analysis shows that most countries generally reacted by adopting a temporary and short-term approach, with some measures even based on one-off logic. Traditional social security schemes already in place before the pandemic, therefore, were temporarily adapted and extended to PCS workers to face the exceptional situation caused by the pandemic but as the emergency crisis was considered by governments over, most countries went back to the arrangements they had before the pandemic outbreak. Policy changes need time to be implemented and a two years' time span can seem quite short for an assessment, but it is true that the pandemic triggered intense reformism in other several policy fields (Vaalavuo et al., 2021). Despite institutional change took place in the welfare state arena, the pandemic crisis did not trigger an impulse to reconsider the social protection of PCS workers in a comprehensive and long-term perspective and did not represent a turning point to reduce their marginality and vulnerability on the labour market. The window of opportunity to improve social protections for PCS workers went mostly lost.

Next Section provides the theoretical background on dualization of the labour market and policy continuity and change. Section 3 presents our research questions and methodology. Section 4 describes PCS characteristics and shows their relevance in the economy, the structure of the sector, the employment conditions and the exposure to social risks of PCS workers before the pandemic. Section 5 looks at what happened to the labour market, and more specifically to PCS, during the pandemic. Section 6 analyses the policies adopted to face the consequences of the pandemic in European countries, with a special focus on job retention schemes and on the main measures that involved PCS. Section 7 proposes preliminary conclusions – considering that the pandemic has not yet ended – on the inability to turn this crisis into an opportunity to move towards a more long-term inclusive regulation for PCS workers.

## *2. Labour market dualization and the role of institutions in explaining policy heterogeneity and change*

The scientific debate on the process of labour market segmentation originated in the late 1970s, when labour markets began to be considered as split, or ‘dualized’, between a primary market – permanent workers with good working conditions – and a secondary one, following the rules of competitive markets to provide flexible work arrangements (Berger and Piore, 1980). This literature has developed significantly over the last few decades, increasingly demonstrating that some labour market segments have been progressively exposed to commodification and liberalization through deregulation, with a worsening of labour conditions, while other segments have remained decidedly more protected (Emmenegger et al., 2012).

However, more recently the literature has focused on dualization in particular to stress the relationship between growing inequalities and the weakening of the welfare state’s protection capacity for certain groups of workers. Increasing differences in employment protection among workers led to the extensive use of the concepts of labour market “insiders” and “outsiders”, with the latter considered as a workplace “buffer”, protecting the permanent workforce from fluctuations (Emmenegger et al., 2012). The core elements used to distinguish between the two groups are working conditions (unemployed vs. employed) and the type of employment relations: standard (full-time, stable, fully insured employment) versus non-standard (atypical employment relations, including part-time and temporary contracts). While some European labour markets, such as the Mediterranean ones, are more segmented than others, some socio-demographic characteristics tend to be associated with these

two groups in all contexts: women, immigrants and young people are usually over-represented among the “outsiders” (Vosko, 2010).

Eichhorst and Marx (2011) emphasize the relationship between dualization and liberalization, referring especially to the reduction of employment contract regulation. In this perspective, dualization arises from the asymmetric deregulation of temporary contracts: while permanent contract regulation is maintained or even strengthened, complete liberalization affects both open-ended and temporary contracts.

One of the main reasons for dualization is the attempt to combine the support to strong economic sectors (especially the medium-high productivity ones), allowing here good employment conditions, with the aim to keeping low inflation. This latter goal can be achieved by increasing differentiation in wage growth and working conditions between medium-high productivity sectors and low productivity ones (Hassel and Palier 2021). PCS is an economic sector where labour productivity is generally low.

Yet, while the trend towards a structural segmentation of employment relations into inside-outside labour seems consistent across post-industrial societies, its implication in terms of social protection depends on the institutional context and is contingent on policies, which is the reason why Häusermann and Schwander (2012) refer to varieties of dualization.

This article builds on this literature on labour market dualization, but approaches the concept from a different perspective – one not centered on the nature of employment relations (stable/unstable) but on economic sectors/branches (Seeleib-Kaiser et al., 2012). Indeed, as Thelen points out, sectoral differences have become key to understanding where to find a high quota of outsiders, in a context in which cooperation between labour and capital in the core sectors – manufacturing and industry – remains stable. Meanwhile, “a growing periphery concentrated especially in emerging service sectors” is characterized by different institutional arrangements and worse labour conditions (2014, p. 47).

We focus attention on a specific group of workers who are highly exposed to risks stemming from dualization: those employed in the private consumption services (PCS). We do not adopt the economic sector perspective as an alternative way of framing dualization, but as an integrative one, to better understand this phenomenon and what happened to a segment of outsiders during the pandemic. Indeed, as the following sections illustrate, a high share of those workers defined as outsiders in the traditional literature on dualization tend to be employed in PCS. Without denying the value of the traditional insiders/outsiders distinction, our analysis aims at using it to investigate what happened in a specific part of the service industry, PCS, that collects a broad section of potential outsiders.

Different policies were adopted by European countries to face the Covid-19 emergency, with varying impact on the conditions of PCS workers. We investigate this issue adopting the historical institutionalist explanation for policy continuity and change as analytical framework. Within this approach, policy continuity is the outcome of institutional path dependency: policies tend to reproduce themselves over time through several self-reinforcing feedback mechanisms (Pierson, 2000). However, policy change may take place when abrupt external shocks (e.g., wars, economic crises, etc.) reveal the shortcomings of the previous institutional structure. This can open up a window of opportunity for social and political actors in favour of an institutional shift, pushing forward a new reform agenda. In this respect, external shocks might turn into critical junctures, fostering deep policy change (Capoccia and Kelemen, 2007).

We also refer to historical institutionalism to explain policy diversity within capitalist societies and economies. In relation to social policy and labour market issues, we build on the seminal works of Esping-Andersen (1990) on welfare regimes and Gallie (2007) on employment regimes and on their assumption that countries can be clustered around regimes, each of them featuring distinct institutions regulating the labour market and social protection, and the relationship between states, markets and families. The original typology of welfare regimes developed by Esping-Andersen featured three types: liberal, Bismarckian, and Nordic. The literature that followed suggested adding a fourth, Southern European, model (Ferrera, 1996), and attempted to include Central-Eastern European countries (Deacon, 2000). Duncan Gallie's typology of employment regimes classified countries based on the connection between the employment structure and several institutional dimensions such as employment relations, the basic principles guiding employment policies, the role of the public sector, skill formation and the welfare systems. Gallie chose five cases within the EU15 (Britain, France, Germany, Spain and Sweden) to distinguish between three employment regimes. In his inclusive employment regime, represented by Sweden, policies are designed to extend employment and employment rights as widely as possible through the population. In dualist regimes, represented by Spain but also by France and Germany, the central concern is to guarantee strong rights and protections to a core workforce of long-term employees, with less interest demonstrated in overall employment levels and employee conditions in peripheral segments of the labour force. Finally, the UK represents a market employment regime that emphasizes minimal employment regulation.

The country clusters of these two typologies – there is significant overlapping between them, as highlighted by more recent contributions (Hassel and Palier, 2021) – represent the background of the analysis proposed in the following sections.

### *3. Research objectives and methodology*

This article aims at stressing the relevance of the PCS economic sector, highlighting the “outsiderness” of PCS workers in most European countries and exploring pandemic-related policy change involving them. On the one hand, the empirical analysis’ objective is illustrating the significance of PCS on European labour markets and the employment and social protection condition of workers in this sector, in order, moreover, to verify the hypothesis that PCS represent a sector where a high share of outsiders can be found, even with cross-country differences. On the other, we investigate what happened to this sector and its workers in Europe with the pandemic outbreak, how different institutional responses tried to preserve jobs and how these workers – already disadvantaged before Covid-19 – have been protected from the pandemic’s socio-economic consequences.

The analysis combines mixed methods and a variety of sources on labour market and policy reform. First, to highlight the importance of the PCS sector in the European labour market, and the level of its workers’ “outsiderness”, we built a set of indicators from the EU-LFS microdata for 2019 and the 2018 Eurostat “Structure of earnings survey”. Additionally, to understand the cross-country differences concerning PCS employment characteristics, and identify different models of PCS role and regulation in Europe, we have performed a cluster analysis (k-means) on the dimensions and indicators considered. The five main country clusters we have developed are perfectly consistent with the typologies of social protection and labour market regulation presented in the previous section.

Secondly, to analyse what happened to PCS employment during the pandemic and the institutional response in European countries, we elaborated EU-LFS data covering 2019 and 2020 (by quarter) and OECD 2020 data, traced policy reform processes for the period March 2020-April 2022 and analyzed documents and information collected in the following policy repositories: Oxford COVID-19 Government Response Tracker (OxCGRT), Eurofound’s COVID-19 EU PolicyWatch, Covid-19 and the world of work by the International Labour Organisation (ILO), OECD Tracking Coronavirus, and the European Trade Union Confederation Covid Watch (ETUC).

Finally, changes regarding one policy tool, Job Retention Schemes (JRS), have been analyzed in Europe and then more in depth in five countries, selected to represent the different clusters: the UK, Denmark, Germany, Italy and the Czech Republic.

#### *4. Private Consumption Services: a sector “producing” outsiders?*

We selected a set of indicators to show the importance of PCS in the economy and the labour market, measured by the share of PCS workers, and the structural working environment where PCS are

produced, measured by the size of companies present in the sector (Table 1). To understand the level of “outsiderness” of the workers present in the sector, we look at its characteristics in a comparative perspective with the economic sector usually defined as for “insiders”: the industrial sector. Both industries have high internal heterogeneity but in this comparison they are considered as a whole. In particular, we examine the share of low-skilled workers, the self-employed, those in temporary employment, and those in involuntary part-time work. We calculate the level of “outsiderness” in two different ways: excluding or including (the latter value is reported in parenthesis) workers employed for less than 15 hours per week, whether voluntary or involuntary. The reason for the inclusion of this latter category is that, in many countries, income protection schemes are insurance-based and require workers to be employed for a minimum number of hours per week in order to be eligible (usually 15 hours), as in the case of German mini-jobs. Furthermore, we create an “economic sector pseudo-unemployment rate” variable, which compares the number of those currently unemployed, whose most recent previous occupation was in a given sector (e.g., PCS), to the sum of this number and the number of those still employed in the same sector.

The last set of indicators refers to the relative exposure to income-related social risks and the level of coverage, by looking at the share of low-wage salary workers in each economic sector, and the share of unemployed in each sector who receive income compensation.

Data shows that PCS are an essential component of European economies and labour markets, representing 29% of total employment, compared to 24% of the industrial sector. Small enterprises play an important role in this sector, with around 30% of employees working in companies with a maximum of ten employees (21% in the industrial sector). Overall, around half those working in small companies in Europe are employed in PCS.

In relation to the share of outsiders, low-skilled workers are by far the majority in this sector (62%, compared to 17% in the industrial sector), around 36% of them with atypical working conditions (either self-employed, on fixed-term contracts, or with involuntary part-time occupation). If we also include workers employed for less than 15 hours per week, this makes 41% of total employment. This relevant presence of atypical working conditions can be explained by the need of flexibility, which characterizes most of the consumption services. The pseudo-unemployment rate is close to 7% (4.2% in the industrial sector). Overall, half the total amount of low-skilled jobs in European labour markets, and almost 40% of all atypical workers and unemployed, come from PCS.

Exposure to social risks is higher in PCS than in industry and coverage is lower. The risk of unemployment hits this sector more than the industrial sector and the share of workers with low-wages is much higher (23.3% vs. 7.6%). Furthermore, the share of unemployed who receive benefits

(unemployment or social assistance-related) is lower in PCS (33.1%) than in the industrial sector (42.2%).

Table 1. *Employment in PCS and Industry compared: the EU-28 situation before the pandemic (2019)*

<i>Dimension</i>	<i>Indicators</i>	<i>PCS</i>	<i>Industry</i>	<i>PCS workers as share of total employment with the same characteristics</i>
<i>Role in the economy</i>	Incidence of employment in the economic sector on total employment	29.0	24.1	29.0
<i>Structure of the economic sector</i>	Share of employment in small enterprises	30.4	21.1	49.2
<i>Share of “outsiders”</i>	Share of employment in low skilled jobs	61.7	17.3	51.3
	Share (out of total employment) of self-employment, temporary employment, and involuntary part-time workers in the sector	36.2 (41.0)*	23.2 (24.4)*	38.6 (40.2)*
	Pseudo-unemployment rate	6.9	4.2	37.2
<i>Relative exposure to, and coverage of, social risks</i>	Share of unemployed people covered by unemployment/social assistance benefits in the sector	33.1	42.2	24.1
	Share of low-wage salary workers in the sector (2018)	23.3	7.6	48.3

\* The data in parenthesis also includes workers employed for less than 15 hours per week

Source: authors’ elaborations of EU-LFS microdata for 2019 and the Eurostat “Structure of earnings survey 2018”

Table 1 quantifies the importance of PCS in European labour markets and confirms that this sector’s working conditions and social and employment protection often produce “outsiders”. At the same time, the way PCS work in different countries also depends on the institutions regulating the labour market and social protection systems at a national level. To explore this, we performed a cluster analysis (k-means) on the dimensions and indicators considered in Table 1.

Table 2 shows five main country clusters, which can be related to the above-mentioned typologies. The Nordic cluster includes Norway, Finland, Sweden and Denmark; the Southern: Italy, Spain, Greece and Portugal; the Anglo-Saxon: the UK and Ireland; the Continental: France, Germany, Belgium, the Netherlands, Switzerland, and Austria; the CEE includes all Central-Eastern European countries. Compared to Gallie’s typology, our clusters distinguish between Continental and Southern Europe, as the debate regarding welfare regimes suggested years ago, and add CEE countries. Southern Europe, consistent with Gallie’s typology, is the region with the highest share of total employment in PCS (34%), often in small enterprises, and with the highest presence of outsiders (measured in terms of share of low-skilled jobs, atypical employment and unemployment). It is also a region where exposure to social risks for PCS is particularly high.

Although CEE shares some elements with Southern Europe, three important differences can be highlighted: a lower share of employment in PCS (24.2%) and of “atypical” employment. The risk of



being unemployed for PCS workers and not receiving coverage is not particularly different from the industrial sector, given the limited social protection level in these economies overall.

The scenario is different in the Anglo-Saxon and Continental clusters. Compared to Southern Europe, they share a medium-high level of employment in this sector and a lower presence of outsiders. Nevertheless, they also share a very marked presence of low-wage workers compared to the industrial sector. In the Anglo-Saxon case, the gap in coverage between unemployed who previously worked in PCS and those in the industrial sector is even more marked than in the Continental cluster.

Even more different from what we found in Southern Europe, the Nordic model performs better on all these four indicators. However, there are still clear signs of the presence of outsiders in PCS for whom the exposure to social risks is higher than in the industrial sector, while the unemployed in PCS receive less coverage than those in the industrial sector.

The inclusion among atypical workers of those employed for just a few hours (below 15 per week) drastically increases the share of potential “outsiders”, especially in the Anglo-Saxon, Continental, and Nordic clusters, but not in Southern Europe.

Table 2. *Five different models of PCS role and regulation in Europe*

Country Cluster	<i>Role in the economy</i>	<i>Structure of the economic sector</i>	<i>Share of “outsiders”</i>			<i>Relative exposure to, and coverage of, social risks in the sector</i>	
	Share (out of total employment) of employment in PCS	Share (out of total PCS employment) of employment in small enterprises	Share (out of total PCS employment) of employment in low skilled jobs	Share (out of total PCS employment) of self-employment, temporary employment, and involuntary part-time workers	Difference between pseudo-unemployment rates in PCS and in industry	Difference between coverage rate of unemployment benefits in PCS and in industry	Difference between the share of low-wage salary workers in PCS and in industry
Nordic	27.5	19.5	56.3	32.6 (40.1)*	2.3	-2.4	+9.7
Anglo-Saxon	30.4	19.9	58.6	28.2 (34.7)*	0.9	-5.2	+24.8
Continental	29.0	27.4	58.9	32.8 (39.7)*	1.6	-1.5	+20.4
Southern	34.1	45.6	72.3	50.4 (51.5)*	2.9	-4.5	+11.1
Central-Eastern	24.2	40.0	65.5	27.3 (27.8)*	0.3	-1.0	+15.9

\* The data in parenthesis also includes workers employed for less than 15 hours per week

Source: authors’ elaborations on EU-LFS microdata for 2019 and the Eurostat “Structure of earnings survey 2018”

## 5. *What happened to employment during the pandemic in 2020?*

The pandemic represented the largest economic shock in Europe since World War II. The European GDP fell by 3.3% in the first quarter of 2020 and by 11.4% in the second (ILO, 2021). Compared to the drop in GDP, the impact in terms of unemployment was less substantial than expected (and below what was experienced during the 2008-2009 financial crisis). However, this general result needs to be framed by looking at: (1) the decrease in the labour market participation; (2) the asymmetrical negative effect of the pandemic and lockdowns on employment, depending on worker skills, type of employment and branch of economic activity; (3) the role of the welfare state and labour market regulation (Fana et al., 2021). This section focuses on the first and second issues mentioned above, while the next section looks at the third.

The impact of restrictions on employment differed by industry, with certain economic activities classified as essential while others were completely or partially blocked by restrictions. Some activities were teleworkable and continued to operate, while others were either forcibly closed or, requiring direct face-to-face interaction with clients, witnessed a drastic drop in customer demand. The impact on employment also differed by country, depending on the type of restrictions adopted, their severity and on the relative share industries had of total national employment. In this respect, Fana et al. (2021) and Pouliakas and Jiri (2020) reach similar conclusions. The latter study finds that almost a quarter (23%) of total EU-27 employment was faced with a very high risk of Covid-19 disruption and another 22% was exposed to some significant risk. The burden of such risk fell disproportionately, among other social groups, on women, the lower-educated, the self-employed, young workers, those working in micro-sized workplaces and low-skilled occupations. Jobs in the accommodation, catering or food services sectors, wholesale and retail trade and social and personal services, suffered the most from the consequences of Covid-19- related exposure – the reason being that, in such jobs, workers are most likely to engage in intensive communication, teamworking and customer handling tasks, facing greater Covid-19 social distancing risks.

We used the most recent and available EU-LFS data covering 2019 and 2020 to depict the main effects of the pandemic on employment (authors' elaboration of Eurostat-LFS microdata, available on request).

The crisis had a labour market polarization effect: on the one hand, several occupations and workers' profiles kept on growing in terms of employment and labour market participation; on the other, several other occupations and profiles were severely hit. Low-skilled workers in general, especially low-skilled women, and those employed in the PCS sector (given that PCS have a high number of workers with the above profiles) were the most hit by the decisions taken to cope with the pandemic. Finally, the five clusters of countries identified in the previous section performed differently, to a certain extent.

In relation to economic closures, the Oxford COVID-19 Government Response Tracker, which codes countries on a daily basis in terms of degree of workplace closure on a scale from 0 (no restriction) to 3 (require closing, work from home, for all-but-essential workplaces, e.g., grocery stores, doctors), shows that there was a great deal of variation in the decisions taken by European countries (Table 3). The two Anglo-Saxon countries and Italy closed down their economy more intensively than other countries. In particular, Nordic and EU clusters closed the least.

Table 3. *Distribution of days of economic closure during the pandemic by closure intensity (0-3 scale) in the five clusters (percentage of the total number of days between February 20 2020 and April 30 2021)*

	<i>Nordic</i>	<i>Anglo-Saxon</i>	<i>Continental</i>	<i>Southern</i>	<i>EU</i>
Zero	5.4	5.3	5.8	10.6 (0.5)*	12.1
One	39.0	7.3	9.8	7.3 (7.6)*	25.0
Two	47.9	35.5	62.2	59.5 (49.5)*	55.8
Three	7.7	51.9	22.1	22.5 (42.4)*	7.1
Total	100.0	100.0	100.0	100.0	100.0

\* Data in parenthesis refers only to Italy

Source: own elaboration of Oxford COVID-19 Government Response Tracker

Overall, in Europe there was both a drop in labour market participation (-0.8% actives) and in employment (-1.6%). Southern Europe was most severely hit in terms of labour market participation in general, whereas in the other clusters almost nothing happened at the aggregate level.

If we look at employment, again, Southern Europe, together with the UK and Ireland, paid the highest price in terms of a drop in employment, but there was also a significant decrease in other clusters.

These results take on more specific aspects once education levels are considered and combined with the analysis (authors' elaboration of Eurostat-LFS microdata, available on request). The crisis had a polarising effect, with low-level and, in part, medium-level, educated individuals paying a high price in terms of employment (respectively -5.5% and -5.6%) and labour market participation (-5.9% and -1.6%). Those with a tertiary degree, however, found work (+6%) and became more active on the labour market (+3.3%). The pattern just described was typical of all clusters, though to different extents. Overall, the vast majority (71%) of all job losses between the last quarter of 2019 and of 2020 was concentrated in PCS.

## 6. *Social and labour market policies in action*

Since March 2020, European governments have enacted mitigation policies to cope with the socio-economic consequences of the pandemic, aimed especially at retaining employment, protecting

workers and households, and supporting businesses. As highlighted above, job losses were largely concentrated in PCS. To understand the impact of the policies on the PCS labour force, first we illustrate the main measures adopted in European countries, then we analyze changes in job retention schemes (JRS) – the key measure in social protection and labour market regulation during the Covid-19 crisis (Drahokoupil and Müller, 2021). In relation to JRS, the analysis has followed two steps. First, we have reconstructed which countries adopted them at the beginning of the pandemic and what happened to these programmes two years later, in Spring 2022. Then, attention was focused on five countries: the UK, Denmark, Germany, Italy and the Czech Republic, selected to represent the clusters found in Section 4.

### *6.1 Main Measures adopted: an overview on the five clusters*

As highlighted by the literature on welfare regime diversity, unemployment benefit schemes available before the pandemic vary in the five clusters. The Nordic version covered a large part, but by no means all, of the potential unemployed (69%) and had the most generous system in terms of net replacement rates and duration over time. The Anglo-Saxon scheme covered almost all the unemployed actively seeking work and eligible to claim means-tested benefits, but with relatively low replacement rates, which remained stable over time. The Continental version covered almost 90% of the unemployed with relatively high replacement rates: these, however, tended to decrease over time, especially after the first year of unemployment. In contrast, Southern European coverage of unemployed workers was very low (45%). In this case, those covered received a compensation just slightly lower than that in Nordic and Continental countries, but the compensation decreased faster over time than in the other Western European clusters. Finally, EU countries simultaneously presented a low level of coverage and of generosity after the first few months of unemployment (OECD 2020).

Since the gaps in social protection coverage in most European countries were exacerbated by the pandemic, most governments tried to fill them contingently by using different policies (Table 4). Almost all the countries implemented short-time work and wage subsidy schemes, while temporary bans on dismissal were only adopted in Southern European countries (plus Finland and Ireland). This measure, strongly restraining employer's agency, was introduced in the most segmented labour market, in order to limit dismissal: once becoming outsiders, the probabilities of escaping from unemployment are smaller compared to less segmented labour markets. The labour market segmentation, therefore, was not reduced but even confirmed and strengthened by this policy intervention.

The extension of income support to non-standard workers and to the self-employed was also common to most countries, while income support for unemployed was not introduced in Italy, Germany and some other CEE countries.

Measures varied greatly, ranging from broader supports to fragmented subsidies and one-off targeted allowances for workers in most affected sectors, such as PCS. The latter were implemented in particular in all Southern European nations, the UK and most Continental countries, but were not so frequent in CEE countries and completely absent in Nordic nations. In many cases, these allowances were lump sums, often close to the minimum or average wage of the country and/or a part of previous turnover.<sup>3</sup> Italian schemes exemplify this fragmentation well: income subsidies initially provided did not cover all categories in need of support and the government gradually extended bonuses to the different uninsured categories of workers, i.e. the self-employed and external collaborators, seasonal and temporary workers in tourism, domestic workers and care givers. For instance, only in 2021 a one-off allowance of 2.400 euro was provided for seasonal and temporary workers in tourism and an amount of 500 euro was granted to domestic workers and care givers with a contract of over 10 hours per week (increased to 600 euros for 20-hour contracts).

Table 4. *Policy tools to support workers in PCS facing job loss and income loss to cope with the COVID-19 negative economic consequences*

General category	Specific measure	Countries and clusters interested by the measure				
		Nordic	Anglo-Saxon	Continental	Southern	CEE
Employment protection and retention measures*	Temporary bans on dismissals	FI	IE	-	All	-
Unemployment benefits, and income support	Extension of income support to uncovered non-standard workers	FI DK NO	UK	AT DE	All	BG EE HR LT PL RO SI
	Income support for the unemployed	SE FI DK	IE	AT FR	SP GR PT	BG SK
	One-off payments to workers in most affected sectors, rewards for workers in essential services, benefits targeting selected vulnerable groups	-	UK	AT DE FR	All	HU LT SI CZ

\* Short time work and wage subsidy schemes are discussed separately in next section

Sources: Authors' elaboration based on OECD 2020 and information collected in the following policy repositories: Oxford COVID-19 Government Response Tracker (OxCGRT), Eurofound's COVID-19 EU PolicyWatch, Covid-19 and the world of work by the International Labour Organisation (ILO), OECD Tracking Coronavirus, and the European Trade Union Confederation Covid Watch (ETUC).

In particular, self-employed workers or small business owners had access to fiscal and financial support measures that almost all countries implemented (Table 5). This segment of the labour force

<sup>3</sup> Some measures also aimed at preventing over-indebtedness, such as bans on eviction or repossession, lease duration flexibility arrangements, rent arrears and a freeze on mortgage payments.

represents a relevant part of PCS, especially in Southern and CEE (Table 2). Most countries adopted temporary measures to provide enhanced access to liquidity mainly for SMEs and micro enterprises, but, in some Nordic, Continental and Southern European, and a few CEE countries, also for mid-size and large firms.

Table 5. *Fiscal and financial support to self-employed, entrepreneurs, small business owners to cope with the COVID-19 negative economic consequences*

<i>Specific measure</i>	<i>Countries and clusters interested by the measure</i>				
	<i>Nordic</i>	<i>Anglo-Saxon</i>	<i>Continental</i>	<i>Southern</i>	<i>CEE</i>
Access to finance	All	All	FR DE NL AT	All	BG, CZ, EE, HR, HU, LT, LV, RO
Deferral, reduction or exemption of payments	SE NO DK	All	All	All	BG, CZ, EE, HR, HU, LT, LV, RO, SI, SK
Direct subsidies	All	All	All	All	CZ, EE, HR, HU, LT, LV, PL, SI

Note and sources: see table 4 sources

Most governments have also provided for the deferral or reduction of payment of taxes and/or social contributions for the self-employed and firms (e.g., AT, BE, DK, EL, FR, IT, UK), while others opted for a temporary payment exemption (CZ, EE, HU, PL, SI). Almost everywhere in economic branches such as tourism and catering tax payments and social security contributions were suspended and grants were issued to firms that closed or limited their business.

These measures were dependent on a loss of income or were available only for specific sectors (e.g., IT, UK) or required payment of previous social contributions (e.g., EL). In Italy, for instance, in sectors such as hotel, restaurants, bars, and transport, tax payments, social security and welfare contributions were suspended and a tax credit equal to 60% of the rent was awarded to shop owners. In UK, a grant funding of £25,000 and 12-month business rates holiday were granted to all retail, hospitality, leisure and nursery businesses with property with a rateable value between £15,000 and £51,000. Small businesses received a grant funding of £10,000 and a loan scheme of up to £5 million targeted SMEs, with the option to repay their loan over a period of up to 10 years, reducing monthly payments. In France, companies in the tourism, events, sport and culture sector had access to a solidarity fund. Social and fiscal charges were deferred, payment of rents, water, gas and electricity bills for small companies in difficulty, solo self-employed and micro firms were postponed. A regional aid fund was reserved to hotels, campsites and holiday centres.

Practically all Anglo-Saxon, Continental, and Southern European, and most Nordic and CEE countries, introduced some sort of payment deferral, reduction or exemption. Almost all countries - with some CEE exceptions - introduced direct subsidies to the self-employed and SMEs. Several countries introduced non-repayable grant schemes and lump-sum supports, allowing businesses and self-employed individuals to cover their fixed expenses for a limited period of time. Such measures concerned PCS to a large extent, in particular in Southern Europe and the CEE, where percentages of self-employed and employees in small sized PCS companies are particularly high.

## *6.2 Employment protection and retention measures*

### *6.2.1 An overview of what happened between 2020 and 2022 to job retention schemes*

Employment protection and retention measures adopted during the pandemic were mainly centered on the temporary extension or introduction of JRS: short-time work and wage subsidy schemes. In Spring 2020, nearly all countries either introduced or expanded their schemes to adapt them to the new circumstances of the pandemic. In Nordic, Continental and Southern Europe especially, governments did not introduce new measures - which could have been a first step towards structural reforms - but extended existing schemes by temporary relaxing eligibility, duration and payment conditions. Other countries, mostly in the other two clusters, which often lacked such schemes, introduced new ones. The wage replacement level and generosity varied consistently between countries. In most cases, the schemes set an intermediate level of benefits, ranging from 60% to 80% of the workers' gross wage, and an upper cap as a fixed amount (Drahokoupil and Müller, 2021).

Many countries extended eligibility beyond standard forms of employment, affecting particularly PCS workers. Access to these schemes precluded dismissals during the period of their application and in many countries protection against dismissal was extended beyond the period during which the employees receive short-time work allowance. Some countries changed dismissal regulations in connection with the use of short-time work, while in others such temporary amendments were more broadly applicable. In Southern Europe, the possibility of economically motivated dismissal during the emergency period was completely suspended (Eurofound, 2020).

However, the policy innovation that allowed for a better coverage of workers, and especially the ones in PCS, was only temporary. The temporary and ad hoc nature of these schemes has not proven to be an opportunity for more structural reforms. In Spring 2022, practically after two years since the introduction of new programmes or the relaxation of the criteria to access them, most of the short-time work and wage subsidy schemes had been either ended or scaled back to the less generous and more access-restricted criteria used before the pandemic (OECD 2022).

### 6.2.2 Job retention schemes: a focus on five countries

We analyzed JRS changes in five countries, which can be considered representative of the five clusters introduced in Section 4: the UK (Anglo-Saxon), Denmark (Nordic), Germany (Continental), Italy (Southern) and the Czech Republic (CEE). Italy and Germany already had well established JRS before the pandemic, but in both countries these schemes were mostly designed for industrial sector employees with open-ended contracts. Denmark had only a part-time furlough scheme, whereas the UK and Czech Republic did not provide JRS. In response to the Covid-19 crisis, all five countries introduced measures that enlarged the profile of beneficiaries in two directions: first, the economic sector (Italy and Germany in particular allowed PCS workers to enter the schemes); second, type of employment, often including temporary workers and, with specific schemes, the self-employed.

PCS workers benefited from this expansion thanks to both these changes: directly, due to the economic sector; indirectly, due to the support for atypical workers, highly represented in this sector. The share of beneficiaries coming from PCS among those receiving JRS support either substantially increased in countries where these schemes were already present and traditionally designed for industrial sector workers (Germany and Italy), or was relatively high where JRS were not present or more seldom used before the pandemic.

Especially in Germany and Denmark, the weakest parts of the PCS labour market were covered only partially. This was especially due to the limitation of coverage for workers employed for less than 15 hours per week, who had problems to be included in an insurance-based system (Larsen and Ilsøe, 2021).

Three of the five countries considered terminated or suspended the programmes introduced in 2020 by Spring 2022. Only Italy and Germany partially maintained some innovation. However, in the case of Germany the costs for firms in case of utilization of JRS (as a share of labour costs) increased from 0% in Spring 2020 to 14% in Spring 2022. Furthermore, in both these latter countries the share of workers benefitting from JRS dropped to around 2-3% of total employees. The share of total beneficiaries working in PCS dropped as well. For instance, only 9% of JRS beneficiaries worked in PCS in February 2020 (before the crisis) in Italy. This share went up to 46% in April 2020, and it was down to 24% in March 2022.

Table 6. *Job retention schemes in five countries: the situation before and during the pandemic*

	<i>Germany</i>	<i>Italy</i>	<i>Denmark</i>	<i>Czech Rep.</i>	<i>UK</i>
<i>Type of JRS before Covid</i>	Short-time work (STW) scheme	STW scheme	Part-time furlough scheme	None	None



<i>Workers normally excluded from JRS</i>	Marginally employed employees not covered by social insurance (e.g. mini-jobs) Temporary agency workers			All those not part of the industrial sector with the exception of workers in trade companies with at least 50 employees.			Limited development of JRS Fixed-term contract workers			All			All						
<i>Main changes to JRS during Covid</i>	Duration extended from 12 to 24 months Increase in level of statutory JRS allowance			Creation of a “temporary Covid-19” STW with extended scope			Introduction of a temporary STW scheme, terminated by Spring 2022 Relaxed rules and regulations for use of traditional furlough scheme			Introduction of STW scheme, which was suspended by Spring 2022			Introduction of a transitory STW scheme terminated by Spring 2022						
<i>Workers included only during Covid</i>	Temporary agency workers, solo self-employed temporarily out of work because of cancelled orders			All workers and all sectors, including companies with fewer than five employees						Workers on casual employment contracts (CECs)									
<i>Coverage of self-employed during Covid</i>	Schemes covering part of revenue lost due to pandemic			Ad hoc and temporary indemnity €1000 per month STW allowance for self-employed introduced experimentally for 2021–2023, available in case of loss of turnover of 50% and with income below €8,145			Freelancers, solo self-employed and micro companies with fewer than 10 employees have received up to 75% of expected lost earnings compared with previous year, with a cap of €3,093 per month			A flat rate (approximately €19.30) per day for self-employed persons affected by restrictions									
<i>Workers benefiting from JRS by economic sector (share of total beneficiaries)</i>		Feb 2020	Apr 2020	Mar 2022		Feb 2020	Apr 2020	Mar 2022		Feb 2020	Apr 2020	Mar 2022		Feb 2020	Apr 2020	Mar 2022			
	Industry	90%	34%	45%	Industry	90%	52%	72%	Industry*	N.P.	16%*	N.P.	Industry	N.P.	19%	N.P.	Industry	N.P.	15%
	PCS	1%	35%	24%	PCS	9%	46%	24%	PCS	N.P.	55%	PCS	N.P.	56%	5%	PCS	N.P.	50%	
<i>Workers using a scheme</i>	Spring 2020: 15% Spring 2022: 2%			Spring 2020: 23% Spring 2022: 3%			Spring 2020: 9% Spring 2022: N.P.			Spring 2020: 12% Spring 2022: N.P.			Spring 2020: 31% Spring 2022: N.P.						
<i>Costs for firms (% of labour costs)</i>	Spring 2020: 0% Spring 2022: 14%			Spring 2020: 0% Spring 2022: 0%			Spring 2020: 0% Spring 2022: N.P.			Spring 2020: 20% Spring 2022: N.P.			Spring 2020: 0% Spring 2022: N.P.						

\* Only Short-time work (STW)

N.P.: programme not present/active

Source: Drahekoupil and Müller (2021); Bologna and Faioli (2021); Fulton (2021); Larsen and Ilsøe (2021); Müller (2021); own elaboration on online database “INPS Osservatorio Statistico Cassa Integrazione”; online database “Statistik der Bundesagentur für Arbeit”; OECD (2022); Czech Ministry of Labour and Social Affairs (<https://www.mpsv.cz/antivirus>)

## 7. Conclusions

This article focused on a specific employment segment, represented by people working in PCS, such as trade, tourism, catering, and other support services (cleaning, personal care, etc.), who represent some of the most vulnerable workers in European labour markets. This segment’s main characteristics have been highlighted to show their ‘outsiderness’ in various dimensions: employment precariousness, unemployment risk, skills, firm size, and wages. Labour market dualization clearly intercepts sectoral specifics and makes PCS a relevant part of the secondary segment of the labour

force in European service societies. Nevertheless, differences across countries remain relevant and are intertwined with differences in institutions, welfare regimes and policies.

When confronted with the pandemic emergency, national social protection systems tried to protect these workers from its socio-economic consequences and, thanks to the massive use of deficit spending, a relatively generous response to the crisis was made in almost all countries. EU countries were on average the least pro-active in this respect, as the region where negative occupational impact was less dramatic, while Southern European countries were at the forefront in terms of measures adopted. Two reasons may help explain this: the severity of the pandemic in many of these countries, Italy and Spain in particular, and, particularly wide in these countries, the gaps in the social protection system inherited from pre-Covid times.

Almost all countries expanded their policy tools and introduced new exceptional support measures to adapt their welfare systems to the new circumstances and to provide additional protection for different social groups, included PCS workers. However, institutional response to the pandemic was dominated by temporary and short-term measures, representing minor changes to traditional social security schemes that were in place before the pandemic. Policy changes took place, but with only short-term effect on reducing dualization. Despite the great financial effort and elasticity of welfare regulation permitted to temporarily cover the risks for new social groups, the measures introduced were adjustments to existing schemes and income support benefits were only put in place to temporarily mitigate the pandemic's effects. European governments reacted in an attempt to 'save' their economies as part of an 'emergency Keynesianism' and to prevent a collapse of capitalist markets (Béland et al., 2021), but changes introduced by the Covid-19 crisis were provisional rather than major.

This is, of course, due to the fact that several measures were introduced with the idea they would be temporary for only a few weeks and, then, month after month, were renewed for almost two years. Nevertheless, what did not occur was for the pandemic crisis to represent a turning point and an opportunity to reconsider the position of PCS workers on labour markets, a chance to reflect on how to extend protection measures over the longer term, triggering a structural revision to reduce their marginality and vulnerability on the labour market. On the one hand, the reactions to the pandemic had to be quick while structural reforms need time but, on the other hand, there is no doubt that during the crisis PCS workers received more political and policy attention than previously. Nevertheless, this did not trigger a process of policies redefinition that could reduce their marginality in the labour market. At the same time, although in all European countries these policies were dominated by temporary and short-term measures, the consequences of this approach are not homogeneous and vary according to the protective and inclusive capacity of the national welfare regime. This means

that where, as in Southern Europe, the insider/outsider divide is stronger, the lack of structural reforms can have more negative consequences than in Northern Europe or the EU. Moreover, the relevance and the characteristics of the PCS labour force matter. As shown in section 4, the sector represents the low-end segment of European employment and is characterized by a higher presence of employees with short-term contracts, the self-employed, and workers with fewer hours – those who were less protected by retention measures, unemployment benefits and income support. At the same time, in Southern Europe and EU, the incidence of low-skilled workers in PCS is much higher than in Western Europe, making this sector particularly vulnerable to job losses. Social policy and labour market institutions are significant in terms of shaping the different working conditions in PCS in various countries, and in making this sector one that produces outsiders.

Since the pandemic is not yet over, expanded unemployment benefits and the other patchwork social safety net are key to supporting workers and families through this crisis. The effects of withdrawing public measures and financial supports too soon could be relevant on the low-income and precarious workforce, who could be forced to bear the costs of this pandemic for long time. Overall, the window of opportunity created by the pandemic to fully integrate the weakest segments of the labour force (often employed in PCS) and make European welfare states more inclusive has not been exploited. For the time being, PCS workers do not represent a priority on EU member states and the EU agenda: its most ambitious plan, the Next Generation EU, focuses mainly on knowledge-intensive services and on the relaunch of manufacturing, with scarce attention paid to PCS (de la Porte et al., 2021). Future research will need to investigate why path dependency was strong enough to block policy change in the regulation of social protection for PCS workers, even after a “black swan” as the pandemic was. Probably, the explanation offered in Section 2 in relation to dualization as the consequence of the split between medium-high and low productivity economic sectors can help to better address this research question.

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