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Committee on Social Affairs, Health and Sustainable Development

Overcoming the socio-economic crisis sparked by the Covid-19 pandemic

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Report[1]

A. Draft resolution[2]

1. The Covid-19 pandemic hit the world unprepared. Past erroneous macroeconomic policy choices – such as austerity measures taken by many countries to handle the previous financial and economic crisis of 2008-2010, or imposed by external rescuers on certain countries – weakened the resilience of our societies and States, including the health sector and social protection systems. Socio-economic inequalities kept widening as a result. The pandemic laid bare how badly previous policies had affected the most deprived and vulnerable parts of the population.

2. Against the imperative to save lives and avoid the collapse of national healthcare systems, most States temporarily resorted to stringent public health measures such as lockdowns and shutdowns, involving restrictions on the movement of persons and goods, thus effectively slowing down the pandemic, but also economic life. A resulting recession caused deep shortfalls in resources for enterprises, workers, and States, as well as in global investment flows, disproportionally affecting vulnerable parts of the population and regions across Europe, in sanitary, social and economic terms. All Council of Europe member States have already rolled out emergency support programmes for enterprises and vulnerable persons to stabilise the socio-economic situation. Against the background of the looming climate crisis, they must now ensure a just, efficient and transparent medium- and long-term use of these funds in order to pursue the strategic vision of the healthier, more inclusive and more sustainable development which is at the heart of the overarching public interest.

3. The Parliamentary Assembly emphasises member States' commitments to upholding fundamental social rights enshrined in the European Social Charter (ETS No. 35 and ETS No. 163) and refers to the statement of the European Committee of Social Rights (ECSR) on "Covid-19 and social rights", adopted on 24 March 2021. The Assembly is deeply concerned about the situation of the vulnerable population that has been harshly affected by the socio-economic crisis sparked by the pandemic. It fully supports the ECSR proposals to improve their situation.

4. The Assembly deplores that during the successive lockdowns and shutdowns, many women, especially mothers, had to carry the double burden of extra (unpaid) care work and home-schooling, while also being overrepresented in low-paid jobs, facing greater income insecurity, greater risk of unemployment and an increase in domestic violence. Moreover, single parents suffered disproportionally from the closing of schools and day-care facilities for children, putting them at increased risk of poverty.

5. In this context, the Assembly wishes to highlight a legal void in the European Social Charter: working migrants originating from countries non-bound by this treaty are excluded from the application of certain provisions of the Charter. This loophole, one of many, highlights the need for the Charter to be modernised with new rights being recognised to meet the manifold challenges made more visible by the pandemic.

6. The Assembly believes that European States stand at a crossroads of a historic opportunity to rebalance their economic development with social and environmental needs in pursuing the UN Sustainable Development Agenda 2030, as well as to address socio-economic inequalities caused by a flawed growth model. Alternative growth strategies with the objective of reducing the depletion of exhaustible resources and

[1] Reference to Committee: Reference no. 4537 of 12 October 2020.
[2] Draft resolution adopted unanimously by the Committee on 20 May 2021.

greenhouse gas emissions need to be developed and implemented urgently. The Assembly recalls its Resolution 2329 (2020) which recommended that member States ensure that their economic recovery plans avert “a degradation of ecosystems likely to generate other epidemics of a zoonotic nature, and thus condition the aid put in place on the fulfilment of ambitious environmental and social criteria in line with the United Nations Sustainable Development Goals”. The Assembly therefore urges States to send clear signals to non-State actors about the direction of long-term macroeconomic policy orientations so as to better protect human well-being, dignity and the enjoyment of fundamental socio-economic rights.

7. The implementation of ambitious economic recovery measures requires the expansion of sovereign fiscal capacity in order to mobilise new or additional resources domestically or externally. Moreover, as the sovereign fiscal capacity varies widely across States in Europe, greater coordination and pooling of fiscal and financial resources to overcome the socio-economic crisis is necessary, in particular at regional and cross-border levels.

8. In light of the above considerations, and in order to put their socio-economic recovery on solid tracks and guarantee adequate social protection to all, the Assembly recommends that member States:

8.1. set conditions for enterprises to receive public financial support in order to guarantee the social rights of workers (such as preservation of employment), prohibit the distribution of dividends, strengthen sustainability of resources’ use and adopt roadmaps for reducing the environmental footprint of their activities;

8.2. expand public investment programmes aiming to:

8.2.1. improve quality, affordability and accessibility of public services and infrastructure;

8.2.2. stimulate high-quality employment and job creation, based on local economic needs and pursuing the goal of decent work for all;

8.2.3. enhance educational and professional opportunities for young people;

8.2.4. expand lifelong learning and training schemes to accompany the adaptation of human competences and skills in building a more sustainable and more digitalised economy;

8.2.5. guarantee adequate minimum income and social protection, in particular for more vulnerable population groups, including young people in transition towards autonomous living and single-parent families;

8.2.6. reclaim strategically important economic sectors for future prosperity, wellbeing and social equality, notably as regards sustainable energy, telecommunication networks, mobility, housing, healthcare, water and food supply, as well as scientific research and development capacity;

8.2.7. strengthen the foundations of the digital economy and its governance through resources-saving organisation of human work, as well as ensuring equal access to digital tools;

8.3. consolidate public finances by:

8.3.1. building mechanisms to allow public finances to be decoupled from the volatility of financial markets and developing a framework to collectively deal with the debt accumulated due to the pandemic (which could also be used for other debt);

8.3.2. increasing the share of domestic fund-raising from private sources, especially through progressive taxation that protects lower income groups;

8.3.3. raising new resources through the introduction of a tax on financial transactions, in particular with regard to high-frequency trading;

8.3.4. considering forms of property taxation and/or levies for the wealthiest parts of society in order to shift the burden of the crisis from the shoulders of the less fortunate to those of the most affluent;

8.3.5. enhancing inter-State co-operation in tax matters through the Inclusive Framework proposed by the OECD along the lines of Assembly Resolution 2370 (2021) on “Fighting fiscal injustice: the work of the OECD on taxation of digital economy“ in order to ensure a more adequate taxation of the digital economy and establish a new common corporate tax base;

8.3.6. in the case of member States of the European Union, revisiting the fiscal requirements of the EU Stability and Growth Pact in line with the need to maintain spending at least during the recovery period;

8.4. ensure efficient and transparent allocation of support funds to the private sector, based on long-term development priorities linked with SDGs, the Green Agenda and other country-specific social goals, involving parliamentary scrutiny of investment proposals and their implementation;

8.5. put in place a system of checks-and-balances with measures aimed at effectively eliminating gender pay gaps and all types of discrimination in employment.

8.6 implement Resolution 2361 (2021) on “Covid-19 vaccines: ethical, legal and practical considerations” in order to help make Covid-19 vaccines a “global public good, accessible to all, everywhere” and to “overcome the barriers and restrictions arising from patents and intellectual property rights in order to ensure the widespread production and distribution of vaccines in all countries and to all citizens”.

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B. Draft recommendation[3]

1. The Parliamentary Assembly refers to its Resolution … (2021) on “Overcoming the socio-economic crisis sparked by the Covid-19 pandemic” and underscores the need for member States to honour their commitments under the European Social Charter (ETS No. 35 and ETS No. 163) by investing more in effective implementation of social rights. They can do so by expanding their fiscal capacity and public investment programmes, as well as by ensuring targeted support to private enterprises, where necessary, in exchange for the latter’s commitment to fully upholding socio-economic rights, maintaining and developing employment opportunities, contributing to the achievement of the Sustainable Development Goals and engaging in greening (rather than green-washing) their activities.

2. The pandemic context has highlighted the relevance of the European Social Charter as a benchmark for human development. As the Charter celebrates its 60th anniversary this year, the Assembly pays tribute to the ability of this living instrument to gradually embrace new developments in the socio-economic landscape of member States. It welcomes that the United Nations have in the recent decade recognised a series of new rights as fundamental human rights, and believes these should be reflected in the European Social Charter, as well.

3. The Assembly thus recommends that the Committee of Ministers:

3.1. mandate the European Committee of Social Rights to study the feasibility of adding new rights to the catalogue of rights already protected by the Charter and of expanding the reach of existing rights to all persons living under the jurisdiction of States Parties;

3.2. call on the four countries which have not yet ratified the Protocol amending the European Social Charter (ETS No. 142, “Turin Protocol”) to do so as soon as possible and, regarding the election of the members of the European Committee of Social Rights by the Assembly, to ensure, in the absence of rapid progress, that the Assembly can fully discharge its appointed function in the Charter’s monitoring machinery by adopting a unanimous decision to that effect;

3.3. call on all member States to sign, ratify and fully implement as many provisions as possible of the European Social Charter and its Protocols.

[3] Draft recommendation adopted unanimously by the Committee on 20 May 2021.

C. Explanatory memorandum by Mr Andrej Hunko, rapporteur

1. Introduction: the role of States in stabilising the socio-economic situation in the face of the pandemic

1. The Covid-19 shockwave has dominated the lives of all people across the world since its breakout in late 2019 and will keep policy makers occupied for years to come as all our countries grapple with the fallout from the pandemic. Despite early warnings and exhortations from the World Health Organization (WHO) and from this Assembly,[4] no country was prepared to face a pandemic challenge of this scale. When handling the previous financial and economic crisis of 2008-2010, austerity measures taken by many countries – or imposed by external rescuers on certain countries – further weakened the resilience of societies and the State, including the health sector, before the pandemic hit, directly affecting the most deprived and vulnerable parts of the population.[5]

2. In spring 2020, massive lockdowns across most of the globe slowed down economic activity so much that analysts saw a recession develop, resulting in deep cuts in revenue for enterprises, in income for many workers, and in tax receipts for the State. All Council of Europe member States had to roll out emergency support programmes for both enterprises and vulnerable persons. The States were called to the rescue and rose to the challenge of stabilising the socio-economic situation with historically large rescue packages despite shrinking tax inflows. They must now not only ensure a just, efficient and transparent use of these funds, but reconsider if these funds and economic measures are sufficient for the ongoing economic crisis: the European Central Bank reported an average fiscal package of 4% of GDP in the assessed European countries compared to an immediate fiscal response of 9% in the USA.

3. The autumn of 2020 and spring 2021 brought ~~a~~ new waves of infections, hospitalisations and deaths from Covid-19, along with the new types of restrictions or lockdowns affecting economic and social life in many member States. The situation only got worse at the turn of the year as infection numbers rose and new variants (first detected in the United Kingdom, South Africa, and Brazil) of coronavirus spread across Europe, exacerbating the pandemic and further straining public, corporate and personal finances. The launch of vaccination campaigns was hailed as a sign of hope that life would go back to normal – slowly, but surely. However, against the backdrop of shortages in vaccine(s) supply and organisational problems with vaccination in some member states, substantive effects on the ground took time to unfold.

4. In its Resolution 2361 (2021) on "Covid-19 vaccines: ethical, legal and practical considerations", adopted in January 2021, the Assembly called for Covid-19 vaccines to become a "global public good, accessible to all, everywhere". It urged member States and the European Union to "overcome the barriers and restrictions arising from patents and intellectual property rights in order to ensure the widespread production and distribution of vaccines in all countries and to all citizens". Likewise, a broad coalition of more than 100 States under the leadership of India and South Africa called to activate an emergency waiver of the WTO's TRIPS agreement in order to lift intellectual property rights for Covid-19 vaccines. The failure to act accordingly has contributed to the observed shortages in vaccine supply and not only cost lives, but also slowed down the path to normality, which hugely affects economic and social development.

5. Have our States learned their lessons from the previous crisis a decade ago? How to avoid the mistakes made in the past and embrace the challenge of sustainable growth in overcoming the socio-economic crisis sparked by the Covid-19 pandemic? How can we best protect social rights and prevent inequalities from widening further? These were some of the questions we debated together with experts during the hearing on 7 October 2020,[6] which then led to the tabling of a motion on this matter (Doc. 15145). Further to the decision of the Assembly to refer the issue for report to the Committee on Social Affairs, Health and Sustainable Development,[7] I was appointed rapporteur on 21 October 2020. Moreover, in April 2021, the Bureau recommended that the Assembly refer to the Committee two other motions to be taken into account in the framework of this report: "For a fairer future: building on the lessons of the Covid-19 pandemic to promote equality in Europe" (Doc. 15246) and "Covid-19 impact on global tourism and aviation industries and their safe revival" (Doc. 15254).

6. In this context, I should recall that in 2020 I had the honour to work on and to present our Committee's report on "Lessons for the future from an effective and rights-based response to the Covid-19 pandemic"

[4] See PACE Resolution 2114 (2016) on "The handling of international public-health emergencies".
[5] See PACE Resolution 1884 (2012) on "Austerity measures – a danger for democracy and social rights".
[6] Hearing on "Overcoming the socio-economic crisis sparked by the Covid-19 pandemic" held by the Sub-Committee on the European Social Charter on 7 October 2020.
[7] Reference No. 4537 of 12 October 2020.

(Doc. 15115), which included chapters on saving the economic system and upholding social rights and social cohesion. Following a debate, the Assembly expressed concern about the “potentially lasting damage to our political, democratic, social, financial and economic systems”[8] from an inadequate response to the pandemic. Moreover, it recommended that member States “ensure that their economic recovery and safeguarding plans do not create the conditions for a future degradation of ecosystems likely to generate other epidemics of a zoonotic nature, and thus condition the aid put in place on the fulfilment of ambitious environmental and social criteria in line with the United Nations Sustainable Development Goals”.

7. This report seeks to review the socio-economic trends and policy measures against the background of the still unfolding crisis induced by the pandemic and the measures taken to contain it across Europe. We shall focus on the role of the State in using various policy tools and intervention measures to repair the damage in the socio-economic tissue and to orient economic actors towards advancing socially and environmentally balanced development. This is a unique moment and an opportunity for Europe to boost solidarity between countries by pooling resources, know-how and long-term vision towards reclaiming and reinvesting in strategically important sectors of the economy and society, especially the health system, for future prosperity and social equality. By studying the best available research evidence and policy advice from the major macroeconomic authorities, we shall aim to formulate appropriate policy recommendations to our member States.

2. Multifaceted effects of the socio-economic crisis following the pandemic

8. We have seen the gradual relaxation of restrictions on personal mobility over the summer of 2020, and the new round of restrictive measures all across Europe in the autumn of 2020 and early 2021. However, unlike in spring 2020, we saw last autumn widespread public exasperation (“pandemic fatigue”) and even open social revolt in some countries as the second wave of the pandemic started spiking. Unauthorised gatherings of the population (such as clandestine parties or opening of restaurants and shops) have defied the official orders even further during the third wave.

9. It is clear that we are not all equal before the pandemic and its effects: (pre)existing social inequalities[9] have led to unequal access to health care, disparate conditions for home-schooling, weaker general health conditions to confront the illness (such as those linked to nutrition problems, lack of physical exercise, and poverty), and harsh psychological consequences (especially for those already vulnerable, often living in small and/or crowded accommodation), as well as uneven social protection. The latter is particularly problematic for “those who fall out of working life and the education system early”[10] or do not have proper access to it altogether.

10. The slowdown in economic activity across Europe and the world is visible through deteriorating economic indicators. The International Labour Organization (ILO) points to the effects on labour markets, notably a worldwide decline of 8.3% in labour income before considering fiscal income support measures, which is equivalent to 4.4% of global GDP.[11] Working hours globally decreased by 8.8% or about 255 million full-time jobs – four times more than during the 2008/09 financial crisis;[12] some compare the situation to that of 1929. Worldwide, more than 80 million people dropped out of the labour force in 2020 due to inactivity because of the pandemic; many of them could end up being unemployed if jobs vanish as enterprises close or downsize activities – in addition to 33 million who lost their jobs in 2020. The OECD sees an additional risk of a surge in post-Covid bankruptcies and as a result in unemployment if no substantive support is allocated to deeply affected sectors. The World Bank expects a "truly unprecedented" increase in global poverty with "COVID-19-induced new poor" to rise to between 119 and 124 million.[13]

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[8] See PACE Resolution 2329 (2020) and Recommendation 2174 (2020) adopted on 26 June 2020.
[9] My colleague Ms Selin Sayek Böke (Turkey, SOC) is currently preparing a report on “Socio-economic inequalities in Europe: time to restore social trust by strengthening social rights”.
[10] According to the analysis of social protection systems under “The impact of Covid-19 on people experiencing poverty and vulnerability – re-building Europe with a social heart” study by the European Anti-Poverty Network (EAPN), social protection was inadequate in at least 19 out of 23 surveyed countries before the Covid-19 epidemic, mainly due to regional disparities, punitive conditionality, low level of and restrictions in access to social benefits, complexity of the social protection system and arbitrariness in its administration, accessibility issues for people with disabilities and in situations of dependency, exclusion of migrants, undocumented people, the homeless, certain categories of workers (self-employed, platform workers, migrant workers) and the long-term unemployed (see pages 15 to 25).
[11] See ILO Monitor: COVID-19 and the world of work, and https://ilostat.ilo.org/topics/covid-19/.
[12] Globally, about half of working-hour losses are due to the loss of employment and the other half are due to reduced working hours (including workers who stay employed but are not working). For Europe, reduced working hours represent a greater proportion – about 80% - of working hour losses.
[13] See https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-looking-back-2020-and-outlook-2021.

11. Most jobs were lost in hard-hit sectors, such as tourism/travel and food catering services, arts and culture, retail trade and construction; at the same time, certain sectors – including information, communication, online retail, delivery, financial and insurance services – managed to boost their economic activity. Overall, women lost 5% more in employment than men, and young workers lost 8.7% more than older workers, as they were already over-represented in short-term jobs and informal employment, which are not covered properly by social protection systems even in "normal" times. In this context, as Prof. Karamessini pointed out during the Committee hearing on 7 October 2020, long-term challenges arising from a policy perspective include: 1) significance of domestic (unpaid) work mainly carried out by women; 2) lack of publicly provided care for aging and vulnerable persons; 3) precarious forms of employment resulting in weaker social protection of women, migrants and foreign-born people in the care sector. There is also the need for enhanced social protection for young people who are in transition towards autonomous living and work. Furthermore, higher-skilled workers in better paid employment were hit less severely by the crisis than lower paid and more precarious workers. At the same time the risk of infection differs clearly in different sectors of the economy, with less safety in working conditions for lower income workers.

12. The volume of world trade in goods and services has fallen precipitously in the first half of 2020 (equivalent to a 17.2% year-on-year decline) as the pandemic disrupted both production and consumption, and struggled to recover in the second half of the year. In this context, Europe was hit even harder with a decline of 24% in exports and 22% in imports in the first half of 2020; however, its rebound in the second half of 2020 was spectacular, with a total decline for 2020 of 2% (exports) and 3% (imports) in a year-on-year comparison. The WTO (World Trade Organization) estimates that a global decline in the volume of merchandise trade for 2020 of 5.3% will be followed by an 8% rise in 2021; trade in services followed a similar pattern but the official data is yet insufficient to complete the picture. The recovery of global value chains through trade is essential not only for development, but also for beating the epidemic: as one leading producer of vaccines points out, manufacturing a Covid-19 vaccine requires some 280 components supplied by 19 countries.[14]

13. Global GDP declined by 4.4% in 2020 according to the World Bank[15] and by 4.8% according to the WTO, with huge differences across regions and Europe facing a growth downgrade of 4.7%. The EBRD (European Bank for Reconstruction and Development) sees an overall contraction across its region of emerging economies of 3.9% in 2020.[16] But the most spectacular fall is seen in terms of global foreign direct investment which according to the UNCTAD (United Nations Conference on Trade and Development) collapsed in 2020, falling 42% worldwide (down to USD 859 billion from USD 1.5 trillion in 2019), with a bleak outlook for 2021 (except for the technology and healthcare sectors). For Europe, investment inflows dried up completely (from USD 344 billion in 2019 to negative USD 4 billion in 2020).[17] Again, these indicators show a worse economic decline than that of the financial crisis of 2008/09.

14. Within Europe, economic impact depends on specialisations and exposure to tradable sectors. In this respect, countries of southern Europe are particularly dependent on the tourism sector and were among the hardest hit in Europe by the first wave of the pandemic in the spring of 2020. The most affected service sector remains travel, for which revenue in 2020 is down by 68% globally and by 55% in Europe compared to 2019. Worldwide, "a decline in international tourism in 2020 [was] equivalent to a loss of about 1 billion arrivals and 1.1 trillion USD in international tourism receipts, according to the United Nations World Tourism Organization", while the international passenger traffic contracted by 60% according to the International Civil Aviation Organization, putting millions of jobs at risk.[18]

15. In contrast, financial markets resumed "business as usual" very quickly after the first pandemic wave. Stock indices all over the world registered all-time-highs and capital incomes remained relatively constant in 2020 fuelled by Covid-19 vaccines roll out, ultra-low interest rates, generous government spending or stimulus packages and – for Europe – a successful, however incomplete settlement of the divorce between the UK and the EU through a post-Brexit Free Trade Agreement. Despite the pandemic, the number of millionaires

[14] See WTO briefs on COVID-19 and world trade, https://www.wto.org/english/tratop_e/covid19_e/covid19_e.htm, https://www.wto.org/english/news_e/pres20_e/pr862_e.htm and https://www.wto.org/english/news_e/spno_e/spno5_e.htm.
[15] See World Bank: The Global Economic Outlook During the COVID-19 Pandemic.
[16] See https://www.ebrd.com/news/2020/ebrd-revises-down-economic-forecasts-amid-continuing-coronavirus-uncertainty.html. The EBRD's data refers to 23 Council of Europe member States in central, eastern and south-eastern Europe, plus Belarus, Kosovo, and 12 countries of central Asia, the Middle East and North Africa.
[17] See https://unctad.org/news/global-foreign-direct-investment-fell-42-2020-outlook-remains-weak.
[18] See Doc. 15254 (motion for a recommendation on "Covid-19 impact on global tourism and aviation industries and their safe revival").

increased by 5,632,000 in 2020 with the USA, China and Switzerland "gaining" two-thirds of the world's new millionaires.[19] The winners from the 2020 pandemic year were involved in software and high-tech companies, enterprises selling videoconference licenses, streaming providers, and the delivery industry, as well as financial trading. It appears that enterprises profiting from the crisis are taking advantage of gaps in global digital taxation or of precarious employment contracts (such as those common in delivery services).

16. The pandemic has also exacerbated existing economic inequalities as large multinational companies like Amazon profited enormously to the detriment of small local shops, and the wealth of the richest percentile grew further, while vulnerable parts of the population and certain categories of workers suffered the most (notably the self-employed, women in short-term, part-time, or gig economy jobs, those in informal employment, those unable to telework from home, those subject to a reduction of working time or in temporary unemployment, and those who lost employment altogether).[20] During the lockdowns, many women, especially mothers, had to carry the double burden of extra (unpaid) care work and home-schooling, while also being overrepresented in low-paid jobs (such as in the healthcare sector, elderly-care homes and the education system). According to the OECD, women also face greater income insecurity and risk of unemployment. Additionally, the threat of domestic violence against women and children increased. Single parents suffered disproportionally from the closing of schools and day-care facilities for children. In no other group of the society, is the risk of poverty as high as it is for single parents, and the pandemic situation has increased it further.

17. As Mr Boček, Vice-Governor of the Council of Europe Development Bank (CEB), highlighted during the Committee hearing on 7 October 2020, disparities had been widening not only in terms of income, but also regarding unequal opportunities in accessing the labour market, education, housing and health services. One out of three low-income households in the bottom 25% in Europe has faced problems getting a reliable internet connection or personal computer for distance learning and remote care assistance during the pandemic. Likewise, unequal access to education was already an issue before the pandemic as schools in disadvantaged areas often had fewer qualified teachers and suffered from shortages in material supplies to provide for effective learning environments. Further lasting collateral damage was caused by the prolonged and repeated closing of schools and educational institutions due to pandemic-related containment measures. Given that the situation of children largely depends on their families' socio-economic background, the existing gaps and widening disparities scotched many efforts concerning education equity.[21]

18. This combines further with the urban-versus-rural divide due to infrastructure shortages after years of underinvestment and budgetary austerity. As the study on "The impact of Covid-19 on people experiencing poverty and vulnerability – re-building Europe with a social heart" by the European Anti-Poverty Network (EAPN) shows,[22] already before the pandemic, 21 out of 25 European countries surveyed were facing challenges in securing coverage and quality public services for all, particularly for poor and vulnerable groups. Minimum income schemes have been largely insufficient, and social protection systems were under-funded in half of the surveyed countries. Social vulnerability of European households is amplified by indebtedness, lack of savings and precarious employment, as well as prevalent diseases and disabilities, poor physical and mental health, insecure housing or homelessness and discrimination affecting certain minorities, Roma and immigrants.

19. Young people across Europe are also heavily affected by the pandemic; as educational institutions have been closed and activities of young people have been strongly restricted, the youth unemployment rate increased in many Council of Europe member States: for EU countries, this rate went up from about 15% at the end of 2019 to about 18% at the end of 2020.[23] If the youth unemployment situation in 2019, notably in southern and eastern Europe, had nearly returned to the level before the financial crisis of 2008/09, the pandemic year of 2020 annihilated the improvement attained over the last decade. In general, youth unemployment rate is above the overall unemployment rate and due to the pandemic, there is serious concern that the current crisis will exacerbate young people's disconnection from the labour market, with a real risk of seeing a "lost generation" which will drop out of the labour force and will remain unavailable on the labour market.

20. Overall, there has been an increase in unemployment in 2020 in nearly all Council of Europe member States.[24] The enormous slowdown in economic activity continues to jeopardise many jobs, especially in low-

[19] See, https://www.visualcapitalist.com/changes-to-the-worlds-millionaires-2020/.
[20] See, for instance, the Bertelsmann Study for Germany: https://www.sueddeutsche.de/wirtschaft/corona-helden-gehalt-2020-1.5140443.
[21] My colleague Baroness Doreen E. Massey is currently finalising her report on "Impact of Covid-19 on children's rights".
[22] See https://www.eapn.eu/the-impact-of-covid-19-on-people-experiencing-poverty-and-vulnerability-eapn-report/.
[23] See Eurostat news release 16/2021 of 1 February 2021.
[24] See OECD (2021), Unemployment rate (indicator).

wage sectors such as the tourism, gig and catering industries. Many countries managed to mitigate the rise in unemployment to the extent of their fiscal ability, mainly through wide-ranging short-time allowances, but also through fiscal stimulus measures. However, as the sovereign fiscal capacity varies widely across States in Europe, so do the possibilities for implementing ambitious economic recovery measures.

3. Emergency measures taken to counteract "collateral damages"

21. In reaction to the rapidly eroding socio-economic situation, all Council of Europe member States took more or less significant emergency measures to compensate for wage losses, simultaneously softening the social effects of the crisis, supporting businesses as needed and providing macro-economic stabilising effects. As the EAPN study shows, many European governments stepped up income support by extending unemployment benefits, social allowances and housing protection for vulnerable populations, and put in place direct payments or moratoria on taxes, social contributions and rent payments for some types of enterprises. In the education sector, most countries tried to launch distant learning schemes, with mixed results. Positive examples of urgent action also include rapid adaptation of national health-care systems (such as for effective, publicly-managed testing and tracing of the coronavirus, the early isolation of infected individuals, and free access to health care for immigrants) and job retention schemes (including through exemptions from social security contributions for enterprises to avoid bankruptcies, promotion of teleworking, short-time working schemes and a temporary ban on layoffs).

22. Remarkably, the EU Commission lifted state aid rules and suspended government borrowing limits (fixed in the Stability and Growth Pact). Moreover, the EU found the political will for common financial programmes not only to provide social support (such as via the SURE programme), but also for a massive investment programme (NextGenerationEU) with a "Green Deal" approach. This investment programme is endowed with € 750 billion. Approved in February 2021, the European Recovery and Resilience Facility (the main element of NextGenerationEU) earmarks € 672.5 billion in loans and grants to member States in support of investment and reforms.

23. However, member States of the European Union are still facing a stringent legal framework: the rules for budget deficit management under the stability and growth pact and the state aid rules were lifted only temporarily. If the financial and economic governance of the EU were reinstated without major reforms, it could prove harmful to the first signs of economic and social recovery. At the same time, the disbursement of the European Recovery and Resilience Facility is linked to the implementation of country-specific Recommendations of the European Semester, with potentially harmful reforms of labour markets and of pension systems as conditions. The recent statement of EU Commissioner P. Gentiloni is a clear warning on the role of social dialogue in the future: he admonishes that without greater involvement of the trade unions in the development of national recovery plans, the desired reforms of the labour markets and the pension system will be unenforceable.[25]

24. Looking into the future, in combination with the EU's multiannual financial framework for 2021-2027, a total of €1.8 trillion are planned to be mobilised to "rebuild a post-Covid-19 Europe, which will be greener, more digital, more resilient and better fit for the current and forthcoming challenges". Indeed, an impressive 30% share – more than ever before – of the EU's funds under both the long-term budget and NextGenerationEU will be committed to fighting climate change and better protecting biodiversity, as well as to paying greater attention to gender-related issues. However, if at first sight these figures may look spectacular, they pale in comparison to the US efforts where the overall stimulus package to businesses and households totals USD 4.8 trillion over 2020-2021[26]. At the same time, the European and American socio-economic models differ significantly, which explains why European countries' support is more targeted, needs-based and often with "strings attached", as opposed to the "helicopter money"[27] approach adopted by the US.

25. In this context, we should welcome the EU's plans to propose raising new resources through a financial transaction tax and a financial contribution of the corporate sector or a new common corporate tax base, building on recent developments towards enhanced cooperation in tax matters (the relevant proposals should be made by June 2024). I wish to recall that this Assembly proposed the launching of a European tax on

[25] See https://www.transform-network.net/en/blog/article/portuguese-council-presidency-european-pillar-of-social-rights-must-be-made-binding/.
[26] Including USD 2 trillion in spring 2020 plus USD 900 billion in December 2020 (Trump Administration) and USD 1.9 trillion in spring 2021 (Biden Administration). See also https://www.washingtonpost.com/world/2021/03/10/coronavirus-stimulus-international-comparison/.
[27] The term "helicopter money" refers to big sums of new money that is printed (rather than borrowed) and distributed among the public (as direct payments), "to stimulate the economy during a recession or when interest rates fall to zero" (according to https://www.ig.com/en/glossary-trading-terms/helicopter-money-definition).

financial transactions in its Resolution 1905 (2012) on "Restoring social justice through a tax on financial transactions", advocating that a substantial share of revenue from such a tax would be used for "priority funding of measures in favour of sustainable growth, job creation, social needs and global solidarity action". Let us hope that with the UK having left the EU, there will be fewer obstacles towards the instauration of this tax at the EU level earlier than 2024. Yawning inequalities have, in some countries, triggered a debate on whether a levy on capital could help prevent a more extreme inequality of wealth in the population. Such a levy on capital could be considered as an additional instrument in order to mobilise new fiscal resources.

26. More than ever, European countries need to rebalance their socio-economic development policies, so as to consolidate real economy and social protection systems, ensure sound management of the sovereign debt, while mobilising resources for more sustainable, more human-centred development, and aim for economic convergence in developing a common strategic industrial policy. We should therefore welcome the efforts of the OECD towards brokering a global agreement on taxation of the digital economy and minimum corporate tax rate by the mid-2021 meeting of G20 finance ministers and central bank governors.[28]

27. However, it is evident that not all States have the same financial power to stand up to several waves of the pandemic and the resulting lingering disease burden. The EBRD survey[29] confirms that "the economic impact of the Covid-19 crisis on people's lives was more pronounced in the EBRD regions than in advanced Europe […] where stimulus packages were typically larger". Many countries continue to depend on financial markets (especially those outside the EU), with rising interest rates limiting their scope of action or even threatening their financial stability. In macroeconomic terms, European countries are experiencing economic downturn, loss of public revenue and steeply rising sovereign debt regardless of hard or soft, early, late or no compulsory lockdown measures. Further ahead, there is a real risk of future economic and social imbalances when economically strong countries are able to support their economies, whilst other countries suffer more from the decline in economic activity. In this context, we should applaud the Council of Europe Development Bank (CEB) for the timely and valuable support it is providing to governments and local authorities in 15 countries to help sustain public health services and mitigate the effects of the pandemic on the economy.[30]

4. Making fair, efficient, and transparent use of rescue packages to invest into "the future we want"

28. As the CEB's Vice-Governor explained during the hearing on 7 October 2020, the way forward is two-fold. Short-term solutions were needed to deal with emergencies during the crisis, including country-specific measures of income support and facilitated access to medical services, as well as targeted support to the corporate sector to prevent massive disruption in economic activity and chain bankruptcies as a result. Moreover, long-term investment strategies are needed to enhance public health systems and make them more adaptable to facilitating quick responses in the future, shifting the focus of health-care systems to disease prevention and health promotion, linking up health-care and social care services to better support vulnerable groups, especially the elderly, and attracting more doctors and care providers to disadvantaged areas. States should also invest more in upgrading and adapting their education systems, boosting the capacity, quality, efficiency, affordability and accessibility of public services, as well as enhancing access to social housing and green areas for low-income families through integrated housing development strategies, and mainstreaming Sustainable Development Goals through public and private sectors. In addition, an economic growth strategy combined with social policies is needed so as to focus on changing the composition of output whilst stabilising the economy and meeting the objective of improving well-being.

29. It is by no means easy to formulate policy recommendations to States with widely differing capacities for facing the pandemic and the socio-economic hardship. I would like to argue in favour of a paradigm shift so as to avoid repeating errors of past reactions to economic and financial crises based on massive austerity

[28] As described in the report on "Fighting fiscal injustice: the work of the OECD on taxation of digital economy" (Doc. 15251) by Mr Georgios Katrougkalos, the related opinion by Ms Selin Sayek Böke (Doc. 15266) and the PACE Resolution 2370 (2021).

[29] In August 2020, the EBRD and the IFO Institute conducted a survey of almost 40,000 adults in 14 countries (Belarus, Egypt, Greece, Hungary, Poland, Serbia, Turkey and Ukraine, as well as France, Germany, Italy, the Netherlands, Spain and Sweden). See the EBRD report on "Regional economic prospects – Covid-19: early estimates of the damage, uncertain prospects" of September 2020, downloadable from https://www.ebrd.com/news/2020/ebrd-revises-down-economic-forecasts-amid-continuing-coronavirus-uncertainty.html.

[30] This includes loans to the Czech Republic (€300 million), Madrid Municipality and Spanish Government (respectively, € 200 million and € 300 million), the Slovak Republic (€ 300 million), Italy (€ 300 million), Hungary (€ 175 million), Lithuania (€ 200 million), the Republic of Moldova (€ 70 million), Turkey (€ 200 million), Estonia (€ 200 million), Croatia (€ 200 million), Latvia (€ 150 million), Greece (€ 200 million), Serbia (€ 200 million), San Marino (€ 10 million), and Kosovo* (€ 35 million), (*all references to Kosovo, whether to the territory, institutions or population, in this text shall be understood in full compliance with United Nations Security Council Resolution 1244 and without prejudice to the status of Kosovo).

and cuts in public expenditure. It is encouraging that major international organisations (such as the OECD) and institutions (such as the World Bank) are calling for States to invest and co-ordinate their policies rather than tighten their budgetary belts. Indeed, as the joint statement (issued during the Spring Meetings 2021) of 189 member countries of the World Bank Group and the International Monetary Fund underlines, "strong international coordination is urgently needed to contain the impacts of the pandemic, resume progress toward countries' development goals, and lay the groundwork for green, resilient, and inclusive development" because "a global recovery will require sustained, differentiated, and targeted financial and technical support to governments and the private sector".[31]

30. I believe that we should follow up on the recent key Assembly's recommendations to member States in order to help shield the most vulnerable people and businesses with expansionist social and economic policies; to contain epidemic outbreaks using tried and tested, effective and as far as possible evidence-based public health measures that are implemented in a human rights-compliant way (as recommended in PACE Resolution 2329 (2020)); and to minimise harm to the economic system while putting the people and the planet first. This, in my opinion, implies – first and foremost – that when delivering multilateral financial support to member States, no punitive conditionalities such as austerity measures should apply if they could harm social protection systems, health systems or fundamental rights as defined in the revised European Social Charter and the European Convention on Human Rights. At the same time, support for enterprises at national level should promote social and environmental goals as part of the overarching public interest in pursuing sustainable development. For instance, the Austrian support programme outlaws workforce reductions for enterprises benefiting from governmental support. In general, it seems unethical for enterprises to pay out dividends to shareholders while receiving financial support from the State and laying off workers.

31. In its statement on "Covid-19 and Social Rights" of 22 April 2021, the European Committee of Social Rights (ECSR) urges States to invest in "social rights and in their delivery – consistent with the use of maximum available resources", underlining that the European Social Charter provides a framework which will help "mitigate the adverse impact of the crisis and accelerate the post-pandemic social and economic recovery". The ECSR also asks States to assess if their legal and policy frameworks are sufficient "to ensure a Charter-compliant response to the challenges presented by Covid-19".[32]

32. We should urge member States to take a concerted approach for a robust and equitable economic recovery based on strengthening not only social cohesion but also quality in economic performance, thus underpinning democratic legitimacy in the process.[33] Member States should evaluate the measures taken to contain the pandemic with regard to their effect against the spread of Sars-CoV-2 (effectiveness) and negative impacts on economy and society (collateral damage). An unchecked pandemic would cause its own collateral damage on the economy and on society and, given the existing inequalities, lead to a scenario of social Darwinism leaving the most vulnerable groups most exposed to the threats of the pandemic and its long-term consequences. At the same time, it is the responsibility of political decision-makers to ensure that the cure is no worse than the disease as premature lifting of restrictive measures risks causing a new wave of infections and new restrictions, with severe consequences for more vulnerable groups.

33. While States have to act to contain the spread of virus, the principle of proportionality must be guaranteed at all times. In particular, lockdown measures should always be screened, evaluated and calibrated in terms of their effectiveness and their uneven effects on the population, and support measures should be offered for the most affected groups of people. Moreover, our States should work together to build mechanisms to allow public finances to be decoupled from the volatility of the markets.

34. As the EAPN representative pointed out during the hearing on 7 October 2020, minimum income schemes are insufficient or inadequate and social protection systems are under-funded in half of the surveyed countries. In this context, as one Committee member pointed out, instead of discussing fiscal discipline, it is necessary to think about the substance of fiscal expansion which would focus on rights-based challenges and the State's role in providing basic public services together with progressive taxation.

35. Some economists view the current hardship in terms of public health, unemployment and environmental degradation as a triple crisis that our States need to confront in rebuilding a stronger post-Covid

[31] "Working toward a green, resilient, and inclusive recovery", feature story of 9 April 2021, and press release, respectively https://www.worldbank.org/en/news/feature/2021/04/09/working-toward-a-green-resilient-and-inclusive-recovery and https://www.worldbank.org/en/news/press-release/2021/04/09/world-bank-imf-spring-meetings-2021-development-committee-communique.
[32] More information is available on https://www.coe.int/en/web/european-social-charter/social-rights-in-times-of-pandemic.
[33] See Resolution 2158 (2017) on "Fighting income inequality: a means of fostering social cohesion and economic development".

Europe.[34] Considering the central role that the State has in providing macroeconomic stability and social inclusion, as well as facilitating structural transition towards more balanced, more sustainable development for the sake of public good, they put forward a policy option of a European job guarantee.[35] This is a policy choice whereby the public sector would provide high-quality employment opportunities, based on local economic needs and pursuing the goal of decent work for all; as the private sector and the economy gradually recover, people would be able to move also to private sector jobs of comparable quality.

36. In a similar vein, the EAPN advocates in favour of double-track measures aimed at stimulating employment and protecting the rights of the working population (such as by guaranteeing adequate minimum wages to shield the population against in-work poverty). Young people would in particular benefit from public employment-stimulating schemes and would also need the extension of social protection schemes to shield them from the risk of poverty. The ECSR, for its part, insists on the obligation of States to "maintain a high and stable level of employment with a view to realising the objective of full employment", including "through public employment programmes, public works, hiring subsidies and various support measures for the creation of quality jobs with decent working conditions".[36] I notably appreciate the ECSR's position on the situation of women and migrant workers who are overrepresented in the sectors hard-hit by the pandemic (care, construction and service sectors), significantly exposed to health risks and violence, as well as trafficking and exploitation in the case of migrant workers, and need specific protection measures.

37. In this context, we should highlight a legal void in the European Social Charter: working migrants originating from countries non-bound by this treaty are excluded from the application of certain provisions of the Charter. This loophole, one of many, shows the need for the Charter to be modernised, with new rights being recognised to meet the manifold challenges made more visible by the pandemic. Moreover, from a good democratic governance perspective, the Assembly should become involved in the election of members of the ECSR, as foreseen by the Turin Protocol (ETS No.142) of the European Social Charter. Even though this protocol did not enter into force, all its provisions have been implemented (by decision of the Committee of Ministers) except the election of the members of the ECSR by PACE.

38. Seeing the post-Covid socio-economic crisis as an opportunity for strengthening economic fundamentals across Europe, three leading research institutes (IMK in Germany, OFCE in France and WIIW in Austria) propose a 10-year investment programme of € 2 trillion for concrete European projects with a focus on public health, transport and energy infrastructure, and decarbonisation policies. The main goals should be raising productivity and living standards, as well as enhancing regional cohesion and fostering sustainable transition towards a greener economy. The suggested investment scheme consists of two pillars: a national pillar with a focus on the hardest-hit countries (€ 500 billion); and a European pillar with a focus on the Health4EU (€ 400 billion), ultra-rapid train (€ 550 billion) and e-highway (€ 260 billion) programmes, as well as support for measures to mitigate climate change (€ 290 billion). However, the ambition of this investment programme is open to debate: given the severity of the pandemic, and the social and climate crisis in 2020, it is remarkable that this proposal does not exceed the Marshall-Fund type of proposal seen in 2012.[37]

5. Concluding remarks

39. In conclusion, we can say that despite considerable uncertainties, "cautious optimism" prevails among policy makers and macroeconomists with regard to the prospects for a socio-economic recovery in 2021 and the coming years. Robust recovery is feasible, but significant risks need to be addressed, with a high probability of Covid-19 resurgence, increasing both public and corporate debt levels, potential due-diligence failures, a lack of a European dimension and policy reversals at country level. National parliaments and parliamentarians should advocate a strategic, long-term vision and ambition for a transformative recovery on the European continent with strong green and social dimensions. The crucial question of how to distribute the financial burden of the crisis should be discussed in different political and legal frameworks, with the involvement of citizens, social partners and parliaments. The persisting danger of the resurgence of austerity with negative economic, social and political outcomes should be averted; on the contrary, it is time to invest in repairing the damages of past austerity and the current pandemic by building a more sustainable and more inclusive future.

[34] Jan J. Zygmuntowski, Kirył Zach, and Krzysztof Hejduk, "European Job Guarantee: Targeting the Triple Crises Facing Post-COVID Europe" (20 October 2020). Available at SSRN: https://ssrn.com/abstract=3715344 or http://dx.doi.org/10.2139/ssrn.3715344.
[35] Pavlina Tcherneva, economist, Associate Professor of Economics at Bard College, author of "The Case for a Job Guarantee", 2020.
[36] See the statement on https://www.coe.int/en/web/european-social-charter/social-rights-in-times-of-pandemic.
[37] Marshall-Plan 2012 proposal called for the yearly investment of € 2600 billion, equivalent of 2% GDP – see https://www.dgb.de/themen/++co++985b632e-407e-11e2-b652-00188b4dc422