

## THE EUROPEAN UNION'S REACTION TO THE COVID-19 PANDEMIC - ECONOMIC AND SOCIAL MEASURES ADOPTED\*–

Diana Gligor\*\*

**Abstract:** *The COVID – 19 pandemic has generated an unprecedented sanitary and economic crisis at global level. At European level, in order to fight the effects, a rapid response, common actions and European solidarity are needed. Furthermore, EU member states are in danger of losing the results obtained by now related to economic and social cohesion, and the mitigation of disparities among regions. European solidarity, the enactment of common decisions, the simplification of rules and procedures, and the allocation of supplementary funds in order to minimise the effects generated by this pandemic are essential, but, to an equal extent, the ability of member states to react to this crisis is crucial.*

**Keywords:** coronavirus, COVID-19, European solidarity, coordinated solutions, European funds

Taken by surprise, the European Union has attempted to minimise the negative impact generated by the COVID-19 pandemic throughout the member states, on the one hand through more flexible rules and procedures in order to allow the use of European funds in crisis situations and, on the other hand, through the allocation of funds for the private and public sectors.

This article aims to perform an analysis of the EU's reaction to the COVID-19 pandemic and the generated effects, looked upon from an economic and social point of view, respectively the economic and social measures taken to date, as well as the measures adopted by the member states.

Although the virus is the same in all member states, the way they react to the sanitary and economic crisis is different, and likely to give rise to deeper economic and

---

\*This work was supported by the project: *Quality, innovative and relevant doctoral and postdoctoral research for the labour market* - POCU/380/6/13/124146, project co-financed by the European Social Fund through The Romanian Operational Programme Human Capital 2014-2020.

\*\* Postdoctoral Researcher, Babeş-Bolyai University Cluj-Napoca; e-mail: diana.gligor@knm.ro

„Anuarul Institutului de Istorie «George Barițiu» din Cluj-Napoca. Series Historica”, LIX, 2020, Supliment, 2, *Lucrările conferinței internaționale online „ROMANIA-ITALIA-EUROPA. Evoluții istorice - Dinamici culturale - Relații internaționale”, 16-18 septembrie 2020*, p. 547-554.

social disparities between regions, thus thwarting the results obtained so far by means of the funds allocated from the Cohesion Policy.

The forecast impact of the crisis, viewed from an economic point of view, is a contraction of the economy of 7% in 2020, as well as a GDP reduction of 15% in the first trimester of 2020, reported to the same period of the previous year<sup>1</sup>.

The most widely affected economic sectors are or will be the ones that provide direct services to clients, such as tourism, culture, restaurants etc. Also, a major impact will be reflected in the SMEs' activity, which, even in the absence of a crisis, are struggling to stay on the market.

Thus, the socio – economic situation present in every member state, as well as their capacity to react to the challenges generated by the COVID-19 pandemic, constitute important elements in the process of economic and social recovery.

The European Union has been promoting, since the very beginning, the concept of economic and social cohesion, along with the reduction of disparities among its member states. In the light thereof, the challenge is twofold: on the one hand, every member state needs to make the right decisions in order to prevent an economic collapse. On the other hand, European authorities must ensure that all member states have the necessary tools to adopt the right decisions in order for the European economy to survive this crisis.

The following questions arise:

- Taking into consideration that even before the sanitary and economic crisis, economic and social disparities among member states existed, should the EU's intervention be differential, in order to additionally support those member states whose level of development and reaction capacity are lower? Is this kind of approach possible?

- Are the member states capable of using to the fullest the facilities offered by the European Commission (for example: flexible rules and procedures, supplementary funds etc.) in order to emerge from the crisis?

In order to formulate a response to the questions above, it is important to know what the main measures taken by the European Commission regarding the COVID-19 pandemic are, from a social and economic standpoint.

One of the measures taken has been to amend a regulation regarding state aid. According to the *Communication from the Commission – Temporary framework for*

---

<sup>1</sup> European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: Europe's moment: Repair and Prepare for the Next Generation, {SWD(2020) 98 final}*, Brussels, 2020, p. 2.

*State aid measures to support the economy in the current COVID-19 outbreak (2020/C 91 I/01)*<sup>2</sup>, it is considered that state aid schemes are compatible with the internal market, over a limited period of time, as they play a role in minimising the negative effects generated by the pandemic on the member states' economies.

In addition, temporary state aid measures have been established, such as: grant schemes for SMEs, guaranties or subsidies of interests on loans. The purpose of these exemptions from the state aid regulation is to prevent the crash of the European economy by supporting the business environment.

Another measure taken is the activation of the clause regarding the Stability and Growth Pact<sup>3</sup>, allowing the member states not to comply with the budgetary objectives assumed and to opt for a raise in public expenditure in order to reduce the impact prompted by this pandemic.

The coronavirus response investment initiative<sup>4</sup> proposed the redirection of 37 billion euros from the Cohesion Policy in order for the member states to access the necessary funds for a quick response to the sanitary and economic crisis. In this regard, a series of measures have been taken<sup>5</sup>, dedicated to both the private and the public sector:

- *SURE Instrument* – with a total allocation of 100 billion euros, its main objective is to offer loans to member states in favour of SMEs whose activity has been interrupted or reduced, so as to avoid redundancies, and, on the other hand, to provide people with a decent standard of living. Hence, through this instrument, support has been granted to the employees whose working hours have been reduced;
- *The fund for European aid for the most deprived* – by which the distribution of food packages to those in need is ensured;
- *EU support for agriculture and fisheries* – by adopting flexible regulations regarding the European Maritime Fisheries Fund which allow granting aids to the

<sup>2</sup> European Commission, *Communication from the Commission – Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (2020/C 91 I/01)*, "Official Journal of the European Union", Brussels, 2020, p. 4-9.

<sup>3</sup> European Commission, *Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact*, Brussels, 2020, p. 1-2.

<sup>4</sup> European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Investment Bank and the Eurogroup - Coordinated economic response to the COVID-19 Outbreak, COM(2020) 112 final*, Brussels, 2020, p. 8-12.

<sup>5</sup> European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions - Coronavirus Response, COM(2020) 143 final*, Brussels, 2020, p. 2-5.

fishermen whose activity has been interrupted by the pandemic. Flexible regulations have also been adopted for the European Agricultural Fund for Rural Development through an increased prepayment for farmers and an extension of the deadline for submitting support applications;

- *Cohesion Policy* – by the use of all uncommitted funds to tackle the effects generated by the pandemic, the simplification of rules regarding transfer between funds, the removal of the obligation to respect thematic concentration, the removal of the need to modify partnership agreements, by granting facilities regarding national co-financing (0 co-financing for the funds used in combating the effects generated by the pandemic), and through the establishment of a margin of financial flexibility for the closure of operational programmes;

- *The emergency support instrument* – through which 2,7 billion euros (the majority of the EU budget from 2020) have been transferred in order to ensure medical equipment to member states for testing and identification of treatments for COVID-19.

Furthermore, the European institutions have agreed on the amount of 240 billion euros made available in the form of a credit line through the Stability European Mechanism, and on the amount of 200 billion euros in the form of guarantees granted by the European Investment Bank.

Together with SURE instrument, the amount of 540 billion euros represents a means to support workers, SMEs and member states in the fight against the harmful effects of the pandemic.

Next Generation EU is another instrument used by the EU in the fight against COVID-19. With a total allocation of 750 billion euros, of which 390 billion in non-reimbursable funds and 360 billion in loans, it represents a consolidation of the EU's budget, with the funds being collected from financial markets. These funds will be used between 2020 and 2023 to support the economy and sustainable development, and channelled through EU programmes, based on resilience and recovery plans<sup>6</sup>.

The European Commission has attempted through a variety of measures to fight the negative effects of COVID-19, by engendering a set of coordinated rules and solutions, and through the promotion of European solidarity. Nevertheless, as mentioned before, the reaction of each member state contributes to a large extent to overcoming the two crises.

Indeed, as expected, member states' reactions have been quite different, with the reasons being both political (an approach that falls beyond the purpose of this paper)

---

<sup>6</sup> European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions - The EU budget powering the recovery plan for Europe, COM(2020) 442 final*, Brussels, 2020, p. 4.

and administrative (reflected by the capacity to react to the crisis, the efficiency of decision-making etc.).

For example, the simplification of the rules and procedures has made it possible for Bulgaria to use 20 million euros for the acquisition of medical equipment, for Greece to use 1,14 billion euros to fight the economic effects generated by the pandemic, with the financial support directed towards SMEs, and for Italy to use 30 million euros in the regions of Emilia-Romagna and Tuscany to support economic activities<sup>7</sup>.

Also, Latvia used 30 million euros for the rehabilitation of medical infrastructure and hiring medical workers, 35 million for supporting the business environment and 45 million for expanding the broadband network in rural areas. The latter measure aimed to ensure the necessary infrastructure for educational activities and grant workers the possibility to conduct their activity from home, in order to avoid unemployment (European Commission, 2020).

Poland redirected 15 million euros for the acquisition of medical equipment and 120 million euros for the business environment<sup>8</sup>.

Romania also took advantage of the facilities, by redirecting 1 billion euros for the acquisition of medical equipment and protective materials (450 million) and for supporting the business environment (550 million)<sup>9</sup>. Also, funds were reassigned within the Operational Programme for Human Capital in order to support medical workers and those on furlough.

A measurement of the effects of such actions taken at European level and applied by the member states at national level is premature, but the main socio-economic indicators should be tracked in order to identify (1) whether these measures have had a positive impact and (2) the way member states have used them to tackle the impact of the pandemic.

On a closer look at the statistical data one can observe that the unemployment rate has risen between March and August 2020 compared to the same period of 2019.

Hence, the unemployment rate has increased by 0,8% at European level, with several states whose unemployment rate exceeds the European average, such as Germany, Denmark, Croatia, Latvia, Romania, Slovakia etc. We can safely acknowledge the importance and usefulness of the actions taken by the European

---

<sup>7</sup> European Commission, *Coronavirus response Investment Initiative: Cohesion Policy action against the coronavirus pandemic*, Brussels, 2020, p. 1-2.

<sup>8</sup> *Ibidem*, p. 1-2.

<sup>9</sup> The Ministry of European Funds - Romania, *Fonduri suplimentare pentru combaterea efectelor negative ale pandemiei COVID-19*, Bucharest, 2020.

Union. There is one member state that is an exception to these statistics, France, whose unemployment rate has decreased by 1,5% in August 2020 compared to the same period of 2019.

Nonetheless, it is important that the measures adopted by each member state be used properly and in a sustainable way in order to avoid the downturn of the economic sectors affected by the pandemic, and not as social measures, whose effects are visible in the short term, but do not contribute to overcoming the economic crisis.

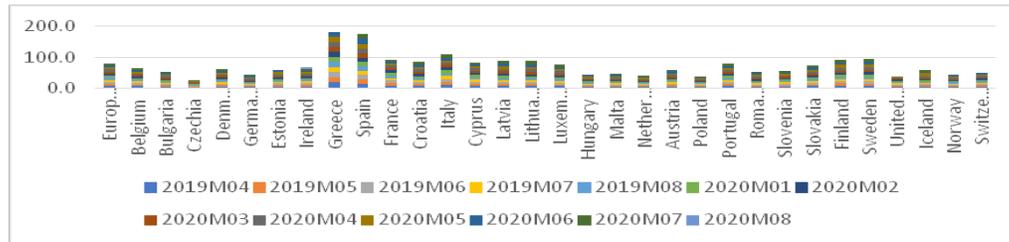


Figure 1. *The evolution of unemployability in 2020, compared to the same period of 2019*

Original visual representation based on the data available at [www.eurostat.ro](http://www.eurostat.ro)<sup>10</sup>.

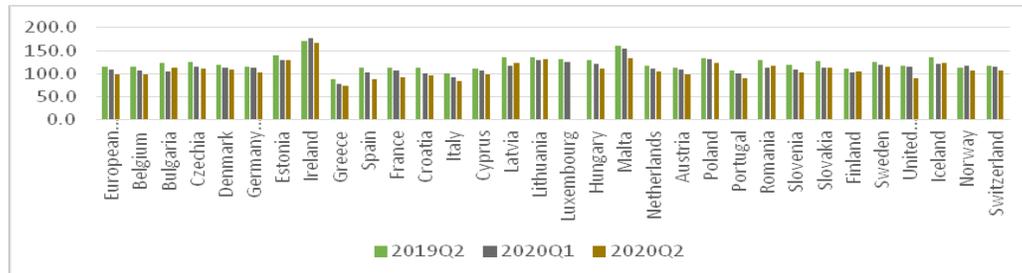


Figure 2. *Evolution of GDP/capita in 2020, compared to the same period of 2019*

Original visual representation based on the data available at [www.eurostat.ro](http://www.eurostat.ro)<sup>11</sup>.

As one can observe, all member states of the European Union are facing an economic slowdown, generated by the pandemic. States such as Italy or Spain have

<sup>10</sup> European Commission, *Eurostat, Brussels*, available at: <https://appsso.eurostat.ec.europa.eu>, accessed on: 12.09.2020.

<sup>11</sup> *Ibidem*.

registered a decrease of their GDP/capita in the second semester of 2020, compared to the same period of 2019, of more than 18%, with the effects being more visible also because of the intensity of the healthcare crisis which, by default, has been reflected in the economy. The situation of the other member states who are confronting similar issues, in both the economic and the social sector, is also not to be neglected.

If we are to return to the questions enounced at the beginning of this article, the possible answers are:

- The European Union promotes, through all published documents regarding the pandemic, European solidarity and an integrated approach without favouring any member state. It allows each member state to make decisions regarding the way they tackle the effects of the pandemic, by giving them both guidance and flexibility in applying the best measures tailored to their own national situation. Furthermore, giving preferential treatment or supplementary support to a member state would create frictions and contravene European regulations;
- With regard to the administrative capacity of the member states to use the facilities and funds allocated, the answer is still unclear, with the results being visible in the next period of time. However, the capacity of the member states to use the allocated funds from the Cohesion Policy might represent a clue regarding the efficiency and promptness of using the funds to fight the pandemic.

The pandemic generated by COVID-19 represents a challenge for all member states (and not only) both from a political point of view and from a sanitary and economic one. This prompted the need for an increased capacity of reacting to the crisis, while taking responsibility for the actions and quick responses in order to protect the population.

It is clear that European solidarity, so starkly promoted by the European Union over the last few months, represents a key element in the continuity of the European Project and in emerging from the crisis.

Moreover, the funds allocated for economic and social recovery represent an important element, as the values thereof are considerable: 540 billion euros for the three safety nets (workers, companies and states), 750 billion euros through the Next Generation Instrument and approximately 377 billion euros allocated through the Cohesion Policy 2021 – 2027<sup>12</sup>.

---

<sup>12</sup> Council of the European Union, *Infographic - EU budget 2021-2027 and recovery plan*, Brussels, 2020, available at: <https://www.consilium.europa.eu/ro/infographics/recovery-plan-mff-2021-2027/>, accessed on: 13.09.2020.

Yet, it is an equally clear fact that some member states will overcome this crisis more easily and others will suffer to a greater extent from both a social and an economic point of view because of their usual political, economic and social context. Other factors that may occur are related to reaction capacity and, why not, to particular interest regarding the process of economic and social recovery.

The economic and social forecasts in the medium term are not very optimistic, but it will be interesting to watch and analyse (1) whether social disparities are deepening, undermining the efforts of the European institutions to recover the social and economic gaps between regions and (2) if there will be member states who stand to gain in the aftermath of this crisis.