

# Reflections on the COVID moment and life beyond neoliberalism

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## Summary

The COVID pandemic has demonstrated the weakness of neoliberalism by showing the importance of public services, workers' need for security, and a heightened awareness of collective interdependence. Economic theory recognises the deficiencies of depending on market forces by accepting certain grounds for public intervention, including public and collective goods and negative externalities. Acceptance of the human contribution to climate change has massively increased their importance. The pandemic has had similar effects. The very rich may be able to escape to safe places, but the great mass of us are dependent on the support of each other, often through a mobilisation of resources that only states can organise. While much of the community that was rediscovered during the pandemic was highly local, damage to the climate and the spread of disease cannot be contained within national boundaries; cooperation has to be cross-national. It is therefore incompatible with an obsession with national sovereignty. For Europeans the institutions of the EU are central.

## Résumé

La pandémie du COVID a démontré la faiblesse du néolibéralisme en mettant en évidence l'importance des services publics et le besoin de sécurité des travailleurs et elle a permis une conscience accrue de l'interdépendance collective. La théorie économique reconnaît les faiblesses de la dépendance aux seules forces du marché en admettant certains motifs d'intervention publique, s'agissant notamment des biens publics et collectifs et des externalités négatives. La prise de conscience de la responsabilité humaine dans le changement climatique a considérablement accru l'importance de ces interventions. La pandémie a eu des effets similaires. Les très riches peuvent peut-être se réfugier en lieu sûr, mais la grande majorité des individus dépendent du soutien des autres, souvent par une mobilisation des ressources que seuls les États peuvent assurer. Si une grande partie de la communauté redécouverte pendant la pandémie était éminemment locale, les dommages causés au climat et la propagation des maladies ne peuvent être circonscrits aux frontières nationales ; la coopération se doit donc d'être transnationale. Elle est dès lors incompatible avec l'obsession de la souveraineté nationale. Pour les Européens, les institutions de l'UE sont centrales.

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## Zusammenfassung

Die COVID-19-Pandemie hat die Schwächen des Liberalismus offengelegt und gezeigt, wie wichtig öffentliche Dienste und die Sicherheit von Arbeitnehmerinnen und Arbeitnehmern sind. Die Pandemie hat uns außerdem überdeutlich ins Bewusstsein gebracht, welche wechselseitigen Abhängigkeiten innerhalb unserer Gesellschaft bestehen. Die Wirtschaftstheorie kennt die mit der Abhängigkeit von Marktkräften verbundenen Unzulänglichkeiten und akzeptiert deshalb Gründe für bestimmte öffentliche Eingriffe zum Schutz öffentlicher und kollektiver Güter gegen negative externe Effekte. Die Erkenntnis, dass in erster Linie der Mensch den Klimawandel verursacht, gibt diesen Maßnahmen zusätzliches Gewicht. Die Pandemie hat vergleichbare Auswirkungen. Der wohlhabende Teil der Bevölkerung mag die Möglichkeit haben, sich in Sicherheit zu bringen, aber das Gros der Menschen ist von gegenseitiger Unterstützung abhängig, oft durch die Mobilisierung von Ressourcen, die nur der Staat organisieren kann. Während die Gemeinschaft, die während der Pandemie wiederentdeckt wurde, im Prinzip auf die lokale Ebene begrenzt war, können die Klimaschäden und die Ausbreitung von Krankheiten nicht innerhalb nationaler Grenzen eingehengt werden, hier ist eine länderübergreifende Zusammenarbeit unabdingbar. Diese ist nicht kompatibel mit der obsessiven Einforderung nationaler Souveränität. Für die Bürgerinnen und Bürger Europas haben die Institutionen der EU deshalb eine zentrale Bedeutung.

## Keywords

COVID, neoliberalism, collective action, employment security, public services, redundant capacity, flexicurity, climate change

Although the financial crisis of 2008 and its European aftermath were crises of the neoliberal model of political economy, for European policy-makers they did not immediately discredit that model, but in the first instance reinforced it. The situation in the wake of the coronavirus pandemic should be very different. There has been a 'COVID moment', a moment of widespread rediscovery of the importance of public services, of workers' needs for security in their lives, and of collective action. This last should in turn reinforce political will to take the difficult initiatives needed to arrest the even bigger issues of climate change, where the same lessons are needed. However, there will remain important conflicts over the extent to which the neoliberal model needs to concede changes. Some will advocate minimal cosmetic adjustment, while others will argue for a more radical rejection. Despite the dramatic novelty of the COVID-19 crisis, it will reinforce rather than transform existing confrontations over the direction of social and economic policy. Precisely because it has destroyed so much, the pandemic has created spaces for innovation. We stand at one of those historical moments where choices are made that will shape our lives for decades to come. It is therefore essential that supporters of a social democratic rather than a neoliberal path take full advantage of the COVID moment to press their case against a still powerful opponent. The moment will pass, and if advantage is not taken of it, there is a danger that the world will slip back into the politics of austerity, labour deregulation and market-only solutions.

In the following we shall first examine why we should expect the corona crisis to have different political implications from the financial one, and then consider three different areas in which different lessons should be learned: public services, workers' rights, and collective action in general. The wider, post-virus implications of these will be considered. Finally, we shall consider why the European Union is well placed to take advantage of this new crisis of neoliberalism.

## **A crisis for neoliberalism: why this time is different**

The financial crisis of 2008 and subsequent Eurocrisis occurred at a time when European political leaders and their advisors were still in thrall to the idea that the superior performance of the Anglo-American economies was due to their preference for a free market economy unimpeded by government regulation. Only later was the lesson learned that it was those very qualities of light regulation that had produced the crisis in the first place, and that the irresponsible bank lending that had lain at its heart had itself given a misleading impression of the underlying health of those economies. Probably more substantive than these ideological points was the fact that, although bad conduct by leading banks and financial institutions had brought the crisis to us, it seemed that only the banks could save us. If a sickness of the financial sector had produced the crisis, then the sector had to be restored to health, and the rest of the population would have to make sacrifices to save it. Austerity was imposed to save the banks.

Ironically, these actions broke a major rule of what was supposed to govern relations between creditors and debtors if a market economy was to function efficiently (Amato and Fantacci, 2012). In a free market, creditor and debtor share risk; it is the duty of the creditor to check the character and extent of the risk it is assuming in accepting the debt, and it must therefore share the damage that flows from any failure. This is supposed to serve as a disincentive to irresponsible lending and thereby ensure the efficiency of a market economy that would not need to have much recourse to state regulation. In the years that ran up to the crisis, banks had taken on irresponsible private and public debt. However, instead of suffering losses as a result, they were to be protected. They were, in the phrase that became famous, too big to fail. This sequence of actions in itself discredited the self-governing capacity of financial markets. Moves to improved regulation followed, but this did not prevent the imposition of real suffering on populations in Greece, Italy and elsewhere. Matters were not helped by the fact that governments in those countries had irresponsibly used the public debt that the banks had been only too willing to proffer in order to combine increased public services without adequate taxation to pay for them.

However, the political consequences of austerity soon impacted on both European and national politics. The European Union (EU) and its institutions became highly unpopular, especially in the southern European countries that had been the main victims of austerity. This was no simple case of cause and effect; the most extreme reaction against the EU took place in the United Kingdom (UK), where austerity was imposed voluntarily by the national government, not at the behest of the European institutions. What happened was a confluence between hostility to austerity and a wave of xenophobia that was separately affecting Europe, the United States, India and several other parts of the world. This was a complex amalgam of frustration at globally induced economic disruption and fear of Islamic terrorism, which some skilful politicians were able to combine into a major new political force. Neoliberalism was swept up in that general resentment, but concealed within it. As a result, its own responsibility has never been confronted. Nevertheless, the lesson seemed to have been learned in Brussels and many national capitals. EU leaders started to talk about 'Social Europe' again, with the first indications of a European Pillar of Social Rights being proposed in 2016, and finally codified in 2021 (European Commission, 2021a). This was something that had been expunged from discourse for several years, and its seriousness and commitment remain very much in doubt (Vanhercke et al., 2020). The practical consequences so far have been fairly small, but the possibility of a post-neoliberal Europe and a true European social union has now been clearly indicated (Vandenbroucke et al., 2017).

The post-2008 fate of neoliberal orthodoxy has therefore been more complicated than seemed in the initial years. That was before the coronavirus crisis struck; no-one seems to be proposing a neoliberal solution to this. There is a distorted ghost of one in the libertarian rejection of all public

measures to control people's movements, but this is to misunderstand the nature of market freedom. The market operates as a strict constraint as well as a liberation. Freedom can be exercised provided it conforms to the principles of market competition; it is not a general licence to do as one likes. The libertarian demand not to have personal freedom impinged in any way – including the freedom to make other people ill, as in the case of opposing pandemic restrictions – has nothing to do with the market. This is why neoliberals have little to say about how to combat the coronavirus: there is no market in disease.

## Public policy lessons of the pandemic

With the neoliberal ideology that has dominated political and economic thought for four decades suddenly reduced to silence, the opportunity is here for alternatives to take the stage. The central lessons are the following:

- Strong, adequately funded public services are essential. They were not something needed only by poor people of the mid-20th century that can be dispensed with by an affluent population capable of standing on its own feet. The virus has shown us that the very complexity of today's strongly interlinked and tightly integrated societies means that public action is constantly needed to support the lives of individuals. Only the very wealthiest can find private means to protect themselves against potential disasters. The same is true of climate change. Normal persons on moderate or even fairly high incomes cannot be expected to bear the costs of the adjustments that they must make to their personal lives to be more environmentally responsible – for example, in home heating, especially since any actions they take will benefit the collectivity rather than themselves as individuals. The market cannot help here; only publicly organised and funded policies can do so.
- Similarly, in the face of exogenous shocks that massively disrupt economies – as with both the coronavirus and climate damage – individuals cannot provide for the security of their own working lives. Older forms of job security may well have become outdated, but they need to be replaced by new approaches, not by the increases in insecurity deliberately introduced during the neoliberal period.
- Finally, the pandemic has shown us the need for collective action; individuals cannot cope with crises of this kind alone or through the market. Again, looming far larger and more threatening than a coronavirus is the climate change crisis. This presents us with probably the greatest need for collective action ever known, and on a global scale. Only societies ideologically and politically prepared to care for collective action are in a state to confront this.

### *The recovery of public services*

According to neoliberal ideology, the delivery of services by public rather than private, capitalist firms was inferior almost by definition. When President Ronald Reagan cited an US tag: 'The most terrifying nine words in the English language are "I'm from the government, and I'm here to help"', he expressed one of the principal sentiments on which neoliberals depended for their popular support. As a generalisation it is always an absurd exaggeration, but very few people indeed apart from extreme libertarians would have felt any sympathy for it during the pandemic. Without public health services it would have been impossible to provide the treatment and care that people needed in large numbers and urgently. Very few observers, at least in Europe, would contest that view. That is an easy lesson to learn, and politicians of all stripes can currently share in the reflected glory of public health-care systems by praising them. It is more important and more difficult for

them to acknowledge that in most countries these systems were poorly equipped to meet the initial shock of the virus, because they had not been prepared for such an eventuality.

It is not that public spending on health has been declining. In virtually all member states of the Organization for Economic Co-operation and Development (OECD) it has been increasing steadily as a percentage of GDP throughout the current century (OECD, 2020), despite austerity and neoliberal approaches to public spending. The problem is more subtle. During this period (and before) the health of populations in many advanced economies has actually been declining, partly as a result of lifestyle issues. In addition, the costs of providing treatment have been increasing as more expensive therapies and pharmaceuticals are developed. The incomes of many health service personnel have often been held back in order to accommodate part of this increased demand, leading many wealthy countries to recruit their staff from lower-income parts of the world, to the detriment of the health services of these latter. Public health spending would probably need to have risen even higher than it has been doing if systems were to keep up fully with changing needs. This becomes particularly evident when systems are subject to shocks. These may be highly predictable shocks, such as the demands for health care caused by annual influenza epidemics, which regularly put health care in several advanced systems under great strain; a shock as big as COVID-19 went far beyond that.

This issue raises at least two questions: that of redundant capacity in public service provision, and that of private contracting in times of public emergency.

*Redundant capacity:* The question becomes: do we expect our health services to be prepared for such possibilities as a coronavirus – the likelihood of which had been known for some years – which means spending more for *reserve* resources (see also De Beer and Keune, 2022)? Or do we shrug our shoulders and say that, given we are reluctant to see either taxes or the public share of gross national income rise any higher than they are at present, we accept occasional but rare large increases in deaths and suffering, with knock-on effects for general health services, as sad but inevitable? Asked these questions, especially now after the pandemic, the majority of citizens and policy-makers would probably choose the former option. In practice however there has been a revealed if unknown preference for the latter. This will be especially the case among supporters of a neoliberal approach, but it is probably more extensive than this.

The issue concerns what engineers term redundant capacity. (For an early application of this concept in the social sciences, see Streeck, 1997.) In systems where safety is a major concern, it is not enough for system design to be adequate for normal daily use; it has to be ready for sudden, life-threatening shocks and overloads. A bridge that is just strong enough to bear its normal loads will be in danger of collapse the day an abnormally heavy lorry tries to cross it. An aeroplane whose frame is just strong enough for calm air conditions will be in danger of collapse during turbulence. Equally, a public health system that has resources to deal with a predictable everyday flow of patients will be in danger of collapse if a pandemic strike. All these systems can avoid collapse under extreme stress only if they have a strength and capacity that is not actually used for most of the time – a spare capacity that is usually redundant. Providing such redundant capacity is costly, and it is not possible to provide against an infinite scale of possible risk. There can always be events so extreme that the best constructed bridges, planes and health systems will collapse. There is an ineluctable role for human judgement in appraising where to place that risk.

In recent decades firms in most sectors of the economy have come under extreme pressure to reduce costs. This has been especially the case as (following neoliberal norms) shareholder value maximisation has become the sole criterion by which a firm's success is measured. One of the easiest, least visible ways to cut costs is to reduce the provision of redundant capacity, unless state safety regulations make this impossible. Again following neoliberal reforms, public services, believed to be by nature inefficient, have been expected to learn from the private sector in order to

improve their efficiency. One of the main lessons they could learn was to reduce redundant capacity. This has included ignoring the warnings over several years from many epidemiologists that a major virus attack was likely to spread across the world before long. Health is probably the strongest example of the role of redundant capacity, but it extends to other services, such as social care and the provision of back-up support for public transport. It is an issue that needs to be taken into account in debates over public spending.

Political parties do not like to propose increasing taxes; it is far easier to promise that public services will 'do more for less', which often means reducing redundant capacity. The advocacy for highly resilient, shock-resistant health and other public services will have to be done by citizens' groups in civil society, pressing these issues on the political class. For a few months now memories of the time of coronavirus will remain strong enough in voters' minds for them to understand a need for a higher level of redundant capacity than is usually provided, and be willing to pay for it. There will be a 'COVID moment', but it will not endure long. Those wanting to take advantage of it to move public services to a new, higher, post-neoliberal level will need to act now.

*Private profit and public emergency:* The pandemic has placed a spotlight on another neoliberal legacy: the role of the private sector in service delivery and the rules that should govern that role. Health is either public or private in two senses. First is the question whether the provision is by state or capitalist agencies. (There is also the possibility of provision that is neither state nor capitalist; this will be considered below in the discussion of the revival of community.) Second, health can be private in the sense of personal to individuals (as in the case of an illness), or public in the sense of requiring collective measures to provide protection to those individuals (as in the case of containing mass infection). A viral pandemic involves both. Individuals who are infected require individual medical treatment; but measures like lockdowns, social distancing and mask wearing, tracing a virus's spread, and administering vaccines are all public health measures. Both public and private provision can address individual health needs, but major problems arise if capitalist firms are involved in the provision of public health. There is no market in public health; the state or a local agency forms the demand, not a mass of individual customers. There can be competition only if government offers contracts to a wide range of providers, but given the collective nature of the challenge, there will be major advantages in limiting these to a small number. There are important network externalities in the provision of most public health measures, so there will be a trend towards monopoly. When a single buyer meets a single supplier, there is no market discipline; only external regulation can prevent corruption.

There were interesting examples of this process in the British approach to the coronavirus; there were possibly other instances too, but the UK will serve as a case. Following their neoliberal ideology, British governments have long demonstrated a preference for the provision of public services by private firms wherever possible, and they have developed privileged relations with a small number of firms for doing this. There are gains from network externalities in dealing repeatedly with the same known individuals and groups. Such privileged relations were widely used in coping with the pandemic. The government argued that, because the situation was urgent, there was no time to follow open contracting procedures; contracts were awarded in secret to chosen favoured firms. These existing networks were however not enough for the size of the task in providing protective equipment, carrying out COVID tests, and tracking cases and their contacts. The government therefore announced that, there being no time for proper contract procedures, they would award supply contracts to people and firms known personally to ministers and members of parliament, even if these had no prior experience in the sector concerned. These were often favoured over firms with experience but lacking personal political contacts. For tracking and tracing services they were also favoured over the existing local government public health services; these, being in the public sector, were mistrusted.

This cannot be said to have constituted true neoliberalism if the latter is concerned with markets and open competition; indeed, true neoliberals should have opposed these practices more strongly than anyone. However, in many countries a bastard form of neoliberalism has long been practised. (For fuller accounts, see Crouch, 2011, 2015.) An important argument of neoliberal ideology being the inevitable superiority of private over public management, government departments have been encouraged to work closely with private firms, including in some cases allowing individual ‘buddy’ firms privileged access to opportunities to win public contracts. This has been done under cover of the widely promoted doctrines of New Public Management. This is anathema to historical neoclassical economic arguments that politics and business need to respect clear boundaries between themselves, and that contracts for government business must be won under open and fair competition, but it has become part of the canon of what neoliberalism means in practical politics.

The result of the new rules (or absence of rules), as both true neoliberals and opponents of private corporate involvement in public health would predict, has been some highly ineffective provision. In the British case the coronavirus track and trace system was managed by a political appointee with no public health experience, with contracts awarded to favoured firms without competition. Existing public health agencies with long experience of tracking disease spread were marginalised. The scheme cost £37bn and never became fully effective. These practices were severely criticised in a report of the National Audit Office [UK] (2020), but this did not lead the government to change its policy. This experience can be contrasted with the same government’s approach to the vaccination programme. There was again a political appointee in charge, but one with expertise in the field; and the task of vaccinating the public was entrusted to the public National Health Service. It became probably the most effective vaccination programme in Europe.

These two issues: the importance to be given to redundant capacity in health and other public services vulnerable to major exogenous shocks, and relations between public services and private providers, need to be subject to earnest debate during the forthcoming period of post-pandemic sensitivity.

### *Security of employment*

Confronting the pandemic required limiting human interaction as much as was feasible, which in turn meant temporarily closing down large parts of the economy. Most affected were obviously those economic activities that require personal contact between service provider and client (ETUI, 2020). Businesses like restaurants and bars, hotels, hairdressers and much of the travel and tourism sector were closed for long periods.

Personal services of these kinds have been among the main sectors of employment growth in the advanced economies for some time. Where there is a necessary contact between provider and client, there is less scope for the twin forces of globalisation and automation that have destroyed so many jobs in manufacturing and non-personal services in recent decades. Relatively sheltered from competition from very low-cost producing countries, personal services sectors have been able to help solve the puzzle: how were relatively low-productivity workers to make a reasonable living when employment in Fordist manufacturing had declined and neoliberal policies had reduced public employment? Fordist manufacturing had improved the productivity of such workers by supporting them with technology; public employment before the neoliberal turn afforded protection from competition for many of them, providing stable if relatively low wages.

But the personal services solution to the employment problem has come at a cost. Seeking to drive low-productivity labour costs down, employers have often offered not just low wages but also low levels of security to such workers. At the most extreme they have been denied employee status, being treated as self-employed and therefore lacking all employment rights, even though in

reality heavily dependent on an individual firm for work – the so-called ‘gig economy’ (Crouch, 2019). In other instances workers have been placed on ‘zero hours contracts’, where they have to be immediately available whenever an employer summons them, but are paid only for the hours when actually performing a work task. For example, domiciliary care workers are often paid only for the hours actually spent with clients, and not when they are travelling between appointments. In some countries, especially in southern Europe, employers have made major use of temporary appointments and forms of part-time work that prevent workers from reaching a threshold where they acquire rights.

At the same time in most countries legal changes have been gradually reducing the employment security rights of standard workers (Crouch, 2019). The rationale for this was that, at a time of rapid structural change when numbers of workers needed might rapidly decline, firms could not be expected to take on workers with bundles of rights that made it expensive to employ them and difficult to dismiss them. Such legal changes have been exposing those on relatively low wages to bear the full brunt of the costs of economic change. Meanwhile, such ‘reforms’ as the Harz IV measures in Germany and the universal credit benefit system in the UK have reduced financial support for workers during periods of unemployment or other causes of inability to work to levels that barely enable their ‘beneficiaries’ to feed, shelter and clothe themselves. Such reforms served a double neoliberal purpose. They reduced public spending, and gave those affected a strong incentive to accept whatever work was available, however poor the wages, conditions and security.

Citizens were encouraged to see themselves as consumers, not as workers. They were invited to enjoy the low prices of clothing produced by workers in appalling conditions in poor countries and not to care about either those workers or the impact on home industries. Low prices seemed to compensate for the low wages and deteriorating working conditions induced by unregulated globalisation – though as Ban et al. (2022) demonstrate, the damage of bad working conditions can extend far beyond the workers affected.

Both job security and unemployment support were being removed at the same time. This was deliberate. According to strict neoliberal thinking, provided wages, unemployment support and job security decline enough, entrepreneurs will appear to engage workers at the low levels of wages that they would then be prepared to accept. This seemed to be how the US employment system worked, delivering lower levels of unemployment than most of Europe. Until the early 2000s economists did not notice that US workers affected in this way were supplementing their incomes by remortgaging their homes and taking on other forms of debt, which was to become a major cause of the 2008 crisis.

More progressive policy-makers argued that if security in individual jobs was declining, it needed to be replaced by security in employment in general – that is, that if a worker lost one job, it should be relatively easy to find a replacement, and in the meantime there should be generous unemployment support. Particular emphasis was placed on providing advice, help and retraining that would enable workers to find new work – the package known as active labour market policy (ALMP) following policy initiatives in Sweden dating back to the 1970s. This whole approach of accepting flexibility through a reduction in job protection in exchange for new forms of employment security, based on Dutch and Danish experiments, was known as ‘flexicurity’. Flexicurity as a European policy was a compromise between neoliberal approaches to employment policy and more labour-oriented ones – but very much on the former’s terms. Pure neoliberal labour policy was at its peak around the turn of the present century. It consisted more or less in simply reducing employment protection legislation to a bare minimum. Fairly soon afterwards policy-makers seemed to realise that while exposing workers to extreme insecurity in this way seemed to be tolerated by US workers, Europeans demanded a degree of security. The Dutch and in particular Danish approaches seemed to offer that with fairly small compromises with the overall deregulation



agenda. However, while the idea was enthusiastically endorsed by European policy-makers (European Commission, 2007), in practice it was heavily diluted in an even further neoliberal direction as individual governments produced their own versions of it. ALMP did not grow as a share of national budgets, and was often redefined as the US idea of ‘workfare’ – pressing workers to take poor, low-paid jobs rather than helping them find training and chances to improve their situations. This approach in turn required that unemployment support be reduced rather than increased, destroying the other limb of flexicurity. Although the Commission has consistently stressed the need to create ‘good’ jobs – a further essential means for preventing European workers from being dragged into competition with the world’s very low-cost producers – in practice little has been achieved on that count (Friedrich Ebert Stiftung, 2020). As a result, both flexicurity and ALMP acquired bad reputations among workers as mere extensions of neoliberal labour policy among trade unions and many workers.

The pandemic has intensified these already developing problems. ALMP became a virtual impossibility, as it was difficult to see what kinds of jobs workers should be preparing themselves for. As sectors of the economy – and especially those employing many low-paid and insecure workers – were closed down for long periods, millions were thrown on to the low benefits of systems infused with the workfare ideology that assumes unemployment is the result of individual refusals to work. Emergency measures had to be cobbled together to provide temporarily more generous cover.

As we enter the post-pandemic world, we need innovative plans and policies for the future of work. Policy-makers should have learned certain lessons and stand ready to launch a major overhaul of employment services, with the emphasis fully on positive help and innovation rather than the punishment model to which so many governments retreated during the neoliberal period. The Commission seems already to have learned many lessons concerning the inadequacy of neoliberal labour market policy, and in the years before 2020 real improvements had been taking place in European employment (ETUI, 2020). There is however now a severe danger that some employer and neoliberal political interests will argue that, given the desperate state of post-COVID labour markets, all worker protection should be dropped and wages and conditions allowed to fall until an equilibrium is reached and employment increases – in other words, a reinforcement of neoliberalism. It is essential that an alternative set of lessons be learned from the pandemic and pressed on policy-makers:

- Even outside a period of pandemic, inability to find work is likely to be the result of exogenous factors hurting people’s chances rather than their own idleness. The pandemic provided a giant instance of this, but smaller ones like the collapse of a major local employer, or the replacement of skills by technology, will be hitting workers somewhere all the time. In the wake of the pandemic the personal services sectors that have been such major job creators will take time to recover. Unemployment support therefore needs to be generous, not punitive. Many workers who would never have expected to have recourse to state benefits have had to do so during the COVID-19 crisis, and in several countries will have discovered how paltry such benefits are. They may, at least for a while, be more willing than in the past to accept the need for generous systems of support. Of course, employment service personnel need to seek out any persons not seriously seeking work and put them on minimal support levels; but there should be a presumption that job loss is an exogenous shock imposed on individuals, against which they need protection.
- As economies pick up again, ALMP must be based on the most creative models – mainly those to be found in the Nordic countries – with the emphasis firmly on support, advice and training. We know that the job market for people with moderate and low skills is going to

become more difficult as technological change transforms work. This is the time completely to shun the workfare model of ALMP, and instead embed the latter firmly in the concept of the social investment welfare state, with its stress on education, training and services like child care, which also play an important supportive role in helping family members find work. The generally admired intention of creating more ‘good’ jobs is dependent on workers being equipped to carry out ‘good’ work.

- Flexicurity also needs to be relaunched in its most positive form: not seeing training and help with job search as alternatives to generous unemployment support, but as running alongside it – in other words, shifting its compromise further from a neoliberal to a social democratic direction. A further fundamental aspect of such a shift is to assert as part of flexicurity the always important but never mentioned feature of the Danish model: strong trade unions. Workers and unions do need to accept that strong job protection rights are not viable in a rapidly changing economy, where firms, sectors and occupations are vulnerable to collapse. Otherwise, as we see already in much of southern Europe, firms will find means of employing workers on inferior contracts, creating conflicts between these workers and those employed on standard terms. But there needs to be a triple exchange for the reduction of job security rights: good, professional ALMP to help people become equipped for new occupations; generous unemployment support to help people through what might become prolonged difficult times; and union representation to ensure that reduced job security does not lead to victimisation and prejudice. The decline of unions has been one of the main forces of recent years undermining workers’ positions. Unions themselves must find ways of recruiting workers in those sectors with poor representation, whether those in small firms, or in insecure jobs and false self-employment, or in comfortable middle-ranking positions that are by no means certain of security in the changing labour market.
- Many governments helped sustain companies and workers through the pandemic with various forms of support (see Ebbinghaus and Lehner, 2022). This can obviously not provide a precedent for economic policy in normal times, but there is sense in the argument that, in a globalised economy, the costs of supporting workers through social insurance and other protections should increasingly be borne by the state and general taxpayer rather than by employers. At present firms who avoid providing standard employment escape social insurance charges and such obligations as health and safety. By concentrating on taxation by numbers of employees, the fiscal system actually gives employers incentives to adopt bad practices (Crouch, 2019). This needs to be reversed, with high fiscal burdens falling on those who do not provide good working conditions and terms of engagement. At the same time, to ensure that social insurance and other charges do not become ‘a tax on jobs’ more of the costs of employment security need to fall on the general taxpayer.

Recovering from the COVID-19 crisis both necessitates and makes politically possible a major policy renewal in the labour market field. The pandemic has thrown a strong light on the already negative implications of the neoliberal approach to equipping people for the labour force. It should now be clear to all but the most ideological policy-makers that a punitive approach to workers will be of no help in restructuring employment opportunities after this devastating blow. Of course, left unaided, people will manage to put together some kind of working life, hopping from one insecure and goal-less job to another and thereby keeping the unemployment statistics down. But this will not help create an economy of good jobs. As with public services, there is now a ‘COVID moment’, when many people, accustomed to viewing those experiencing difficulties on the labour market as idle, have had a chance to take a different view. Either they, or someone close to them, will have

experienced the cruelty and negativity of many contemporary employment support programmes, and they should be ready to welcome generous and constructive approaches.

Again, this moment will not last long. It must be taken up now. A particular responsibility here falls on trade unions – their own survival depends on their accepting it. They need to go beyond their understandable inclination to defend achievements of the past, usually a past of industrial society, and advocate solutions that will help the workforce of the future. They also need to avoid the trap of defending existing secure workers at the cost of marginalising the insecure. Strategies can be found that unite these interests, and which must be pursued energetically. Unions' own recovery from their current near-universal decline also depends on their learning how to represent workers – both secure, professional ones and those coping with major insecurity, in private services. These are the sectors that are most rapidly growing but where unions are currently weakest.

### *Rediscovering the collective*

One of the main teachings of neoliberalism has been that attempts at realising collective goals are doomed to failure, and that everyone really stands to gain when each pursues his or her own interests. In the pure form of neoclassical economic theory, the paradox is resolved: within pure markets, one can maximise profit only by providing goods and services that people want to buy. It is not at all that the collective does not exist or is unimportant, but that market discipline ensures that the collective is served when we all pursue our own interests. However, in the vulgarised form that market economy ideas reached political discourse the message became simply: 'Look after yourself; never mind anyone else'. The part about market discipline tended to be forgotten; in any case, few markets are pure. The pandemic brought to many a different perspective on the collective. Looked at negatively, in our isolation during lockdowns we became aware how much we needed other people and how little we were really isolated individuals who needed to do nothing other than buy goods and services in order to be happy. Positively, there were many examples of neighbourly help and the discovery of community bonds that enabled people to enrich lives that had become impoverished, and not only financially.

The political lessons of this experience are complex. Historically voluntary community actions were proposed by the opponents of socialism as means by which social goals and community support could be delivered without the need for a big state. This was in particular important to the Catholic Church's opposition to socialism. Early-generation socialists were in turn likely to view voluntary social action as providing inadequate services, bestowed as acts of charity controlled by the giver rather than as citizens' rights. This was a debate in which the left advocated the state (and perhaps local government) as the sole acceptable form of collectivity, while the centre and right advocated more pluralism – though often seeking to exclude the state altogether. The advocates of market approaches at that time did not differ from this position. For example, the early theorists of Austro-German *Ordoliberalismus*, while insisting on severe limits to the state's role, also believed that the field of the market should be circumscribed; workers must be able to live important parts of their lives beyond its reach. Community and collectivity were seen as accompanying the market and the limited state.

Contemporary neoliberalism, stemming largely from US sources, takes a very different view. From its perspective virtually every human activity will have its efficiency improved if it is part of the global market. Only if we can compare the costs and benefits of any one action against others can we be sure that the action in question is the most efficient use of resources, and that requires the activity being subject to market rules. While very few neoliberals actually condemn voluntary activities, and probably welcome them if they can be used to reduce public services, they have no real place for them.

This shift from the Christian to the neoliberal right, though rarely noticed, has reduced the right's claims over voluntary action and the charitable sector. This has been matched by a change on the left. Especially in the light of growing knowledge of what 'actual existing socialism' in the Soviet bloc and China meant in practice, most of the contemporary socialist or social democratic left has shed its insistence on state monopolies. The combination has made possible a reconfiguration of the place of community and voluntary action in relation to the familiar state/market dichotomy. Parties, groups and individuals associated with the political left are increasingly likely to see the mobilisation of local support groups as preludes or adjuncts to public social policy, and – perhaps more important – to provide learning opportunities about various kinds of need and about the damage done by neoliberal policies.

The pandemic exaggerated some of these existing trends. For example, food banks and refuges for women faced with violent partners were already a sadly necessary part of early 21st century life. The corona crisis reduced increasing numbers to poverty as jobs disappeared. Lockdowns prevented many women from escaping from homes full of tension and violence as people were forced on each other's company for prolonged periods. Food banks and refuges grew in number and importance, and larger numbers of people became involved in running them. People learned about suffering, and many asked that public policy should do more about such issues.

The virus also turned citizens' attention to the world outside their own small circle in a different way. It has been an issue impossible to ignore, leading many people who had becoming increasingly detached from public life and politics to take a deep interest in these things, and to appreciate a need for the collective. The pandemic taught us about our mutual dependence and that we can do things for each other – through both voluntary activity and political demands for government action, seen as complementary rather than as rivals. Once again, there is a COVID moment, when many citizens are aware of the society around them and that there is much wrong with it. While that moment lasts, they will be willing to make some sacrifices for it. But it will not last long before we turn back in on ourselves.

As noted above, beyond the coronavirus stands climate change, which too needs collective action. Combating the virus has certainly required individual action – accepting vaccination, wearing masks, maintaining social distance – but these could achieve nothing without vast collective efforts. Further, if we learn the lessons of the pandemic by investing in public services, moving to new forms of employment security, and restoring the collective, we shall have gone beyond preventing the bad to positively asserting the good. Combating climate change requires the same combination of individual and collective actions, but also promises the achievement of new goods. We are well past the days when to care about the environment risked becoming an enemy of economic growth and indeed of employment. The prospects of 'green growth', green technologies, and investment in environment-friendly processes and products open the possibility of new forms of economic activity and employment in high value-added sectors. There will be important first-mover advantages here. Governments that are the first to adopt strong pro-environment policies give incentives to local firms to make the products that aid those policies, and these in turn then have advantages in global markets. The entire EU can be in this position. It is therefore in the interests of unions, not to try to slow down the green growth strategy to protect inevitably declining sectors, but to press for the creation of the new and the sustainable jobs they will bring.

## **Conclusions**

The above discussion has been based on the hypothesis that there is such a thing as a COVID moment that will enable a reset of political positions. The hypothesis rests on the assumption that the neoliberal hegemony that has dominated policy-making across much of the political spectrum

for past decades was already in decline following the longer-term fallout from the financial crisis. The pandemic has further demonstrated the weakness of neoliberalism by showing the importance of public services, workers' need for security, and a heightened awareness of collective interdependence. Unlike the financial crisis, which heightened our dependence on the banks that had caused the crisis in the first place, financial institutions are not fundamental to the virus and responses to it; their interests are no longer paramount. Individual governments and, in particular, the EU, which has in recent years been slowly disengaging from its earlier neoliberal entanglement, can use the COVID moment to move forward.

Economic theory tries to recognise the deficiencies of its normal dependence on market forces by accepting certain grounds for public intervention in them. Two of these recognise that the market cannot meet all human needs: public and collective goods (such as health and education) and negative externalities. These last exist where certain by-products of a commercial activity cannot be captured within its market transactions. Acceptance of the human contribution to climate change has massively increased their importance. The pandemic has done something similar in making us all aware of the need to provide well in advance for potential health crises. The free market will by itself not justify major spending on personal protective equipment, expensive therapies and machinery for crises that might never happen – spending therefore that might never result in a return of profit to shareholders.

Both the pandemic and the climate crisis have reminded us of our extreme vulnerability to forces of nature, however sophisticated our technology and institutions have become. The very rich may be able to use their wealth to escape to safe places somewhere on the planet, but the great mass of us have little chance of taking action as individuals against these great challenges. We are dependent on the support of each other, sometimes through voluntary efforts, but also through a mobilisation of resources that only states and groups of states can organise.

Further, while much of the community that was rediscovered during the pandemic was highly local, in a world where so much is globally traded and where damage to the climate and the spread of disease cannot possibly be contained within national boundaries, cooperation has to be cross-national. It is therefore incompatible with an obsession with national sovereignty. For Europeans the institutions of the EU are central. The EU is unique as a supranational institution of governance that contains a real element of democracy and rich contacts with civil society. It also has unique weight as a trading bloc and is therefore in a position to build socially responsible conditions into the terms of its relationships with the rest of the world. The COVID moment can also be a European moment.

There are clear indications that this has been happening. Already, in June 2019, when the word COVID-19 still did not exist, the European Council committed itself to *A New Strategic Agenda for the EU 2019-24* (European Council, 2019), among the four key priorities of which was building a 'climate-neutral, green, fair and Social Europe'. Not only did this signal the rehabilitation of Social Europe; it coupled it with environmental policies – a fundamental necessity. The COVID-19 disaster has certainly advanced this change still further. In the past two years the EU has committed itself to vast programmes of public borrowing to combat the twin crises of climate change (European Commission, 2021b) and the coronavirus (European Commission, 2020).

Borrowing on this scale to fund mainly public programmes is entirely inconsistent with the neoliberal approaches that have characterised EU policies since the late 1990s, culminating in the response to the financial crisis. It may be that, while the debts incurred by various states in the years leading up to that crisis could be presented as the results of blameworthy behaviour, the climate and coronavirus crises are very different. The damage to the environment is the fault of millions of people and firms dating back over decades, and the pandemic might be attributed to the heedless expansion of global contacts, but neither create a situation in which there might be moral

hazard if current governments and populations are helped to combat them through public debt. Some neoliberals might therefore be willing to see these crises as justifying public spending and borrowing in a way that the financial crisis did not. Nevertheless, there is much in these latest EU policy packages that could not have been proposed if neoliberal economists and bankers still occupied the dominant position in European institutions of a few years ago.

Both the climate and pandemic policies recognise social and not just technical needs. There is a major stress on spending on public goods, and encouraging healthy lifestyles – a kind of intervention incompatible with neoliberal ideas of the role of government. Considerable attention is paid to the impact on workers of both the economic restructuring enforced by green policies and the employment disasters created by responses to the pandemic, and to the ways in which the pandemic in particular has worsened inequalities. Parts of the policy package involve reversing the recent slide in the burden of taxation away from corporations and towards individual workers and consumers. The EU has played a major role in plans for a financial transactions tax, that will not just provide valuable resources for public spending by taxing certain firms, but will also provide a disincentive to the speculative behaviour that lay behind much of the 2008 crisis. There will also be, in conjunction with the new US administration and other governments around the world, moves to a common corporate tax base, to discourage the race to the bottom in corporate taxation that has distorted tax systems for years now.

It is of course possible to complain that these measures are inadequate. Securing agreement among many governments on a minimum corporate tax rate has involved major compromises with countries that have benefited from low rates. These new minimum rates will still privilege corporations (and wealthy individuals able to present their incomes as corporate profits and capital gains rather than earnings from employment) over individual workers. The entire package of measures will channel large sums to private firms, and therefore serves to prop up the capitalist economy. However, transcending capitalism was never part of the European project; nor is it the project of any major national political party in Europe or the rest of the democratic world. Rather, it is remarkable that such a radical shift away from neoliberal to social and Keynesian capitalism is being produced within a Europe where only a minority of countries are governed by parties of the left or have such parties as junior coalition partners. It is a sobering thought that, alongside the two great crises, a force impelling the change has been fear of the rise of xenophobic, anti-European movements – not any threats from the labour movement or political left.

Whether individual national governments, particularly in central Europe, share in this political turn is yet to be seen. However, that there is a change is undoubted. All who want a change in this direction should welcome it and seize the opportunities it presents of a long-needed return of Social Europe.

One reason why the financial crisis did not immediately produce a crisis for neoliberalism as such was that nearly all major political forces had bought into its assumptions. Criticism could be articulated only from marginal positions that were powerless effectively to confront it. In the wake of the virus we face the opposite problem, that is also curiously problematic. Today virtually all political forces accept the important role that health and other public services played in combating the virus, that there are major defects in labour markets, and that human life is bound by mutual and community dependence. If we now have a problem, it is not that the right lessons are not being recognised, but rather that too many political interests are *claiming* to have learned them. This includes many for whom the COVID moment is just an interlude during which they can pretend to have learned the lessons, before dropping them when the moment passes. There is a danger that the voices of those seriously learning the lessons will be drowned out by hypocrites with louder voices. It is therefore essential that this moment is used by those who have believed consistently in public services, employment rights and the value of community.

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