Marko HOČEVAR*

A PARADIGMATIC SHIFT? ECONOMIC CRISSES AND LABOUR MARKET POLICIES ON THE EU’S (SEMI-)PERIPHERY

Abstract. Ireland, Portugal and Slovenia – three states with different historical legacies and institutional frameworks – promoted labour market flexibility and active labour market policies before and during the 2008 crisis. These policies were postulated as basic policies on the EU level. However, a significant change came with the COVID-19 crisis when governments in all three states implemented measures much more resembling neo-Keynesian policies. In the article, we show that the crucial mechanisms for the various labour market policy choices made in these three countries were due to the two crises being of distinct types, the (non)coincidence of interests of a range of actors and classes, and the different policy frameworks promoted by the EU.

Keywords: crises, flexibility, labour market, European union, semi-periphery, COVID-19

Introduction

Every crisis is accompanied by a particular set of “crisis narratives” (Hay, 1999: 325) and the implementation of specific policies. Following the “end of history” (Fukuyama, 1992), the market forces seemed to be becoming ever more dominant, and the state was no longer always considered to be the sole or primary agent in the global system of economic governance. Dismantling the Keynesian welfare state became the new norm (Hirsch, 1995; Jessop, 2002a). Globalisation went along with the flexibilisation of the labour market and the introduction of “flexicurity” (Burroni and Keune, 2011; Keune and Serrano, 2014a; 2014b; Barbier, 2015; Bekker, 2018) as a new mode of regulating labour markets around the world. This was also the concept put forward by the European Union (EU) in the European

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Employment Strategy (Bekker, 2012), while in most EU member states the introduction of labour market flexibility was in fact accompanied by less and less security and the launching of active labour market policies (ALMPs) (Auer and Cazes, 2003).

After the endogenous financial crisis of 2008 and its varied impacts among countries and in distinct time periods, diverse policies were adopted by governments: the United States of America pursued a more neo-Keynesian economic policy while the EU demanded member states to apply harsh austerity measures, spending cuts and strict fiscal rules at the same time as further promoting the idea of labour market flexibility. Although different policy instruments were adopted to save jobs during the crisis of 2008 (Hijzen and Venn, 2011; Hijzen and Martin, 2013), this time the crucial idea was instead to save banks that were ‘too big to fail’. This caused a rise in unemployment in the respective member states and even greater labour market flexibility following the financial crisis of 2008 while also leading to a rise in non-standard types of employment (OECD, 2013).

In March 2020, when the World Health Organization (WHO) declared COVID-19 to be a global pandemic, it seemed that the world was heading towards another major economic crisis with the prospect of mass unemployment. The unprecedented lockdowns and shutdowns of economies and states were seen as possible catalysts for the complete breakdown of global capitalism, perhaps leading to a deep recession and extremely high unemployment. However, despite the fall in gross domestic product (GDP) in all EU member states and the small rise in unemployment during the COVID-19 crisis, the results were nowhere near the figures seen during the 2008 crisis (Eurostat, 2020a; 2020b). This was an outcome of the different economic and labour market policies put in place by the EU and the individual member states compared to the 2008 crisis.

In this article, we concentrate on three EU member states: Ireland, Portugal and Slovenia. We examine the evolution of industrial relations as well as the labour market policies aimed at greater flexibility implemented both before and after the 2008 financial crisis. Moreover, these developments are compared and contrasted with the new direction taken by labour market policy frameworks in the three states amid the COVID-19 crisis targeting a more stable labour market. The article seeks to answer the question: Which were the main factors that influenced the implementation of similar labour market policies in the three states examined during the two crises?

In what follows, we first establish a theoretical and methodological framework. A brief overview is then provided of the political, economic and social context both prior to and during the 2008 crisis, while outlining the crucial labour market policy measures implemented in the three states. In the fourth section, the Keynesian-like labour market policies and their
importance for saving jobs between March 2020 and June 2022 in the states considered are explained. In the fifth section, we discuss the internal and external reasons for these policy responses in contrast to the earlier developments. The key findings of the article are summarised and the conditionality of these neo-Keynesian policies is addressed in the concluding section.

Theoretical and methodological note

Dominating research and analysis over the last two decades, the varieties of capitalism theory claims that important differences exist between states, especially between different state-market arrangements (Hall and Soskice, 2001). However, Crouch (2005: 121) argued that every capitalist market economy is always a specific set of the “market, procedural state, and hierarchy: MPH”. Departing from the varieties of capitalism school, authors have observed how, particularly due to EU integration processes and the project of constructing the single market, most European states have adopted policies that are converging (van Appeldoorn, 1998; Streeck, 1998).

The most important features shared by EU member states in recent decades are the processes of neoliberalisation and recommodification2. Crouch and Keune (2005) argued that the strongest forces pushing for recommodification and neoliberalisation are foreign economic and political elites. This is consistent with the analysis of van Appeldoorn (1998) who claims that the critical role in the neoliberalisation of the EU was played by the EU bureaucracy and the European Roundtable of Industrialists. The global and national neoliberal revolutions and the EU’s specific model of “embedded neoliberalism” led nation-states to implement various types of neoliberal policies, each in their own way. Hence, Streeck (2010: 35) contended that neoliberalism has driven various types of capitalist economies towards more commonality, while not suggesting that identities are completely shared, but instead processes that are common and similar.

These shared features have also been reflected in labour market policies. The EU has focused on promoting flexicurity as its umbrella concept (modelled on the example of Denmark), pushing different states to adopt and implement converging policies, albeit within considerably different institutional frameworks (Bekker, 2012). This push towards flexibility was the

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2 Recommodification is a set of processes for establishing more market discipline in the labour force, and more competition among workers with fewer state provisions or with heavily conditioned state provisions for the unemployed. Greer defines recommodification as “any institutional change that reinstates the discipline of labour market competition on workers, whether in or out of work and whether through reforms to welfare states, industrial relations, or labour markets” (Greer, 2016: 165). The processes of recommodification are crucial in the transition from the welfare to the workfare state (Jessop, 2002a; 2002b).
answer to the structural contradiction of the loss of competitiveness, bringing changes in the labour market and employment, the rise of non-standard types of employment, and the loss of power of organised labour (Bohle and Greskovits, 2007).

In this context, it is true that Ireland, Portugal and Slovenia differ in many important respects: they have their own histories and distinct state-capital-labour arrangements; different types of state-economy relations; various types of policy networks; diverse types of market economy; a range of welfare regimes; and varied traditions in terms of the state’s role in regulating the economy (Esping-Andersen, 1990; Hall and Soskice, 2001; Koukiadaki et al., 2016; Müller et al., 2019). Slovenia is often referred to as a typical (neo-) corporatist state (Stanojević, 2014), Ireland as a “neoliberal corporatist” state (Boucher and Collins, 2003), while Portugal, after the long period of fascist corporatism, from the 1990s also embraced onwards the “middle model” of corporatism (Royo, 2002; Balbona and Begega, 2015). Table 1 provides an overview of these differences.

Table 1: DIFFERENCES IN STATE-CAPITAL-LABOUR ARRANGEMENTS BETWEEN IRELAND, PORTUGAL AND SLOVENIA

<table>
<thead>
<tr>
<th></th>
<th>Ireland</th>
<th>Portugal</th>
<th>Slovenia</th>
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<tbody>
<tr>
<td>Type of policy network</td>
<td>Neoliberal corporatism (liberal pluralism)</td>
<td>Middle model</td>
<td>Neo-corporatism</td>
</tr>
<tr>
<td>Type of market economy</td>
<td>Liberal-market economy</td>
<td>Mixed-market economy/State-influenced</td>
<td>Coordinated-market economy</td>
</tr>
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<td></td>
<td>(Varieties of capitalism theory)</td>
<td>market economy (Mediterranean type)</td>
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<tr>
<td>Welfare regime</td>
<td>Liberal regime</td>
<td>Specific type (Mediterranean)</td>
<td>Social-democratic</td>
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<td>corporatist-statism)</td>
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<tr>
<td>History and politico-economic system in the 20th century</td>
<td>Capitalist economy</td>
<td>Fascist dictatorship</td>
<td>Socialist self-management</td>
</tr>
</tbody>
</table>

Source: Esping-Andersen (1990); Hall and Soskice (2001); Boucher and Collins (2003); Kolarič (2010); Koukiadaki et al. (2016); Stanojević (2018); da Paz Campos Lima (2019); Müller et al. (2019).

However, all three examined states are situated on the semi-periphery of both the capitalist world system and the EU3 (see: Coakley, 2016; Rodrigues

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3 The concept of semi-periphery is a concept developed by Immanuel Wallerstein (2004), who derived it from the core-periphery divide as developed by the broader theory of dependency (Gunder Frank, 1978). The concept of the semi-periphery is a spatial notion used to explain territories and states that comprise a mixture of core and peripheral production processes and that are situated somewhere between the core states and peripheral states in the capitalist world system.
et al., Santos and Teles, 2016; Santos et al., 2017; Boatcă, 2006; Podvršič and Schmidt, 2018; Morales Ruvalcaba, 2020). In addition, the variations of labour market policies due to these institutional differences started to diminish in the last few decades, especially as Portugal and Slovenia became more neoliberal and Ireland’s development model became based on cheap labour and very little labour protection after the late 1980s. All three states adopted similar policies prior to the crisis of 2008 and thereafter, implementing them in the strict EU policy framework aimed at ensuring greater labour market flexibility in these states (Hočevar, 2021; da Paz Campos Lima, 2019; Ó Riain, 2014). The mentioned policies have therefore led to much stronger convergence between the three countries compared to decades ago, which makes a cross-country comparison possible and necessary in order to be able to provide more general, yet still empirically informed, conclusions and arguments regarding the changing nature of the state regulation of labour markets on the EU’s (semi-)periphery.

Within the world-systems theoretical framework and Streek’s modification of the varieties of capitalism approach, we employ the historical-materialist approach and the comparative method to explain the processes in the three selected states. A short history of the integration of the three states into the capitalist world system and the EU is first presented, while also explaining the crucial labour market policies and developments prior to and after the 2008–2009 crisis. We then examine the critical policy instruments these states adopted during the COVID-19 pandemic. The discussion focuses on a comparison of the similarities and differences in political developments in the three states during both the 2008 crisis and the COVID-19 crisis in the context of the methods used for the reproduction of the capitalist mode of production.

Different frameworks and structural determinants: EU accession, the 2008 crisis, and flexibilisation of the labour market

Before and after the 2008 crisis, the three countries examined showed very similar trends and tendencies. Internal devaluation and labour market flexibilisation were introduced in order to sustain competitiveness in the capitalist world economy, while pressure came from the EU to conform to its policies structured in a way to comply with the logic of ‘embedded neoliberalism’ and the interests of financial and industrial capital in Europe. The crisis of 2008 also had a similar effect on the three states and their employment policies – due to huge pressure exerted by the EU, the EC, the ECB and the ‘financial markets’ – they all acted consistently with the interests of further pursuing flexibilisation of the labour market and ALMPs.
The rise and fall of the Celtic Tiger

Ireland is a specific case when studying labour market policies. In 1987, a social partnership was created between trade unions and employer organisations, leading to a series of “partnership” agreements where the main consensus was that a strong pro-business approach was the correct one (Allen, 2001; D’Art and Turner, 2011; Ó Riain, 2014; Boullet, 2015). The basic element of all reforms agreed upon by the social partners was “strong voluntarism with minimal employment rights” (McDonough and Dundon, 2010: 544). Hence, Boucher and Collins (2003) claimed that Ireland is a specific “neoliberal corporatist state”.

After 1994, a long and uninterrupted period of economic growth commenced supported by high levels of foreign direct investment (FDI), mostly from the USA. Ireland did not establish a minimum wage until 2000 and had very weak employment protection (Glyn, 2005: 202–204). Ireland was keen to present itself as a state with low-cost labour, which was one of the primary elements for attracting FDI. The low corporate tax rate was also one of the key elements of Ireland’s particular growth model. From 1958, there was a zero corporate tax rate on exports, while in 1980 a flat 10% tax rate on all manufacturing was introduced. In 2003, this was changed to 12.5% following considerable pressure from the EU (Boullet, 2015: 23). In this sense, the Irish labour market had to provide suitable conditions – enough flexibility and not excessively high wages or taxes – in order to give foreign corporations sufficiently large margins to make big profits (Collings et al., 2008).

Prior to the 2008 crisis, Ireland was “the euro area’s fastest-growing and one of the richest states in terms of GNP per capita” (Boullet, 2015: 18). This steady rise in GDP and employment levels led to the proclamation of the rise of the Celtic Tiger (Allen, 2001; Ó Riain, 2014). The stable and high growth did not lead to wage pressures or more labour rights because large unemployment existed before this period of growth along with very low female employment, coupled with many Irish workers working overseas but willing to return to Ireland (Boullet, 2015).

This neoliberalised corporatist system of social partnership collapsed when the crisis broke out in 2008 (Mercile and Murphy, 2015). At the end of 2009, the Irish government excluded the unions from the policy-making process and, even before the intervention of the infamous Troika4, it introduced a series of cuts and reforms (Maccarrone et al., 2019: 316). The crisis resulted in a 3-year programme (2010–2013) during which the Troika dictated all crucial policies (Dukelow, 2018: 198). Two very important spend-

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4 The Troika consisted of representatives from the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF).
ing cuts were made by the government. The first was the cut to the jobseeker’s allowance. The duration of the jobseeker’s benefits was also decreased. In November 2010, the minimum wage was reduced by 12% while the government also introduced other cutbacks. After the election in 2011, the minimum wage was restored to its previous level (Walsh, 2015; O’Connell, 2017).

The number of individuals claiming Jobseeker’s Benefit rose from 121,763 to 160,122 in 2009 (Dukelow, 2018: 202). Unemployment skyrocketed in this period – in 2007, it was 5%, while between 2009 and 2014 it reached 15%, never dropping below 12% (Eurostat, 2022). The answer to these trends was the introduction of stricter ALMPs in Ireland as a solution to the rising unemployment, which meant greater flexibility and less security (O’Connell, 2017; Dukelow, 2018: 219).

**Portugal and labour market flexicurity**

Portugal’s corporatist system was developed in the years following the democratic revolution in 1974. It was based on tripartite agreements between labour, capital and the state. The norm in the regulation of employment and the labour market was the cooperation between the biggest trade unions and the largest employer organisations (da Paz Campos Lima, 2019: 484–485).

The EU’s 2004 enlargement brought a new problem for policymakers. Portugal’s economy could not compete with the lower labour costs in the new member states, in turn leading to less investment and lower employment. Accordingly, in 2003, a new labour code was adopted. This proved to play an important role as it “broke with the favourability principle, allowing collective agreements to deviate *in pejus* from statutory regulations”, and also “broke with the principle of continuity by allowing any signatory party to request unilaterally the expiry (caducidade) of existing agreements” (da Paz Campos Lima, 2019: 485).

In 2006, a Green Paper on labour relations was adopted that chiefly focused on the advantages of the flexicurity model then being propagated by the European Commission (EC) (Eurofound, 2006). Since the trade unions opposed the concept of flexicurity, in the White Paper on labour relations adopted in 2007 the new concept for transforming the labour market regulation became “adaptability”, which was merely a different label for flexicurity (Eurofound, 2008). The White Paper provided the basis for the introduction of the new labour law adopted in November 2008 that lowered labour protection (Cardoso and Branco, 2017; 2018; da Paz Campos Lima, 2019).

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5 For a detailed analysis of the important labour market changes, see Walsh (2015) and Dukelow (2018).
After the crisis erupted, led by the Partido Socialista (PS) and in concord with the EU the Portuguese government initially promoted and adopted measures in line with the Keynesian policies of fiscal expansion to tackle the first wave of the crisis. Yet, in April 2010, the PS, with the support of the opposition Partido Social Democrata (PSD), implemented cuts to avoid crossing the deficit thresholds set by the EU and imposed wage freezes, limits on unemployment benefits, and stricter rules requiring unemployed persons to accept any job available. In September 2010, a new austerity package was adopted: wage cuts in the public sector, the blocking of all promotions, lower and stricter criteria for family allowances etc. In March 2011, a third package was proposed that included decreases in pensions and cuts in the welfare and health systems. However, since this plan was not agreed upon by the social partners the Confederação Geral dos Trabalhadores Portugueses (CGTP), the biggest trade union confederation, organised a large demonstration on 19 March 2011. The plan was ultimately abandoned and the socialist government resigned (Fernandes, 2017; Glatzer, 2018).

After the interest rates on government bonds had risen to more than 7%, the Portuguese government sought a bailout from the Troika. In early May 2011, the government signed a Memorandum of Understanding with the Troika most clearly calling for further flexibilisation of the labour market and a revision of unemployment insurance (Távora and González, 2016; Fernandes, 2017; Teles et al., 2020).

The new government was formed during the summer of 2011. The new right-wing government was led by the PSD and the Centro Democrático e Social – Partido Popular (CDS-PP). This new government implemented even more radical neoliberal policies than the Troika required. These measures led to a dramatic rise in unemployment – while in 2008 it was 7.7%, in 2013 it had grown to over 16% (Eurostat, 2022), with the main response to this being the further promotion of ALMPs (ILO, 2018). Moreover, there was a significant rise in temporary-contract arrangements (Santos and Fernandez, 2016; ILO, 2018).

Slovenia’s short-lived ‘third way’

Slovenia formed part of socialist Yugoslavia and gained independence in 1991 following Yugoslavia’s disintegration. In subsequent years, a strong neo-corporatist arrangement was set up by liberal governments led by the strongest party Liberalna demokracija Slovenije (LDS), with the support of trade unions and employer organisations, as institutionalised by the establishment of the Economic and Social Council in 1994. There was a firm consensus among trade unions, capital and the state: trade unions were permitted to cooperate in the decision-making process while also having to secure
the consent of the working class with regard to the growing intensification of work and the slower rise in wages – internal devaluation (Crowley and Stanojević, 2011; Stanojević, 2014).

Nevertheless, a break came in in 2004 when the conservative *Slovenska demokratska stranka* (SDS) won the elections and started pursuing a radical neoliberal programme. It wanted to deregulate and flexibilise the labour market and establish a more capital-friendly environment. Further, it wished to pursue a flat income tax rate. The unions were mobilised against these measures and in 2005 prevented the most extreme neoliberal measures from being implemented. Still, in later years they agreed on flexibilisation of the labour market in line with the EU’s flexicurity framework. While the government tried to pass a new employment law as early as in 2006, obstruction by the unions meant it was impossible to approve the amendments to the labour code. In October 2007, the National Assembly passed the new Act Amending the Employment Relationships Act (2007), which the trade unions also approved. The law moved in the direction of flexible employment, all on the pretext of ensuring competitiveness.

When the crisis hit Slovenia in 2009, a new government led by the Social Democrats took over, initially implementing neo-Keynesian policies. Two schemes were adopted to prevent the rapid rise of unemployment, yet this changed quickly and the government began adopting social spending cuts. It sought to implement a “mini-job” reform to open up opportunities for greater flexibility. At the same time, it also wanted to extend the retirement age. However, the backlash from trade unions was efficient, managing to temporarily prevent these measures being introduced by employing direct democracy through referenda, resulting in citizens rejecting the mentioned reforms (Stanojević, 2018; Hočevar, 2021).

After the Social-Democratic-led government resigned and new elections were held in 2011, the conservative coalition pushed forward with further spending cuts and austerity. The strongest party was again SDS that pushsed for adoption of the Fiscal Balance Act (2012), which lowered the public sector wage scale by 8%, imposed even more radical spending cuts in the area of social security, decreased child and parental allowances and reduced the pensions of almost 30,000 people – this was later ruled to be unconstitutional. The next government, led by liberals, adopted another 4.5% wage cut in the public sector and increased value-added tax (Stanojević et al., 2016; Hočevar, 2020; 2021). Unemployment rose from 4.4% to above 10% in 2011, while the answer to this increase was the implementation of ALMPs (Hočevar, 2020) and the rise in the use of temporary contract arrangements. The share of non-standard working arrangements accordingly went up to around 35% (Kanjuo Mrčela and Ignjatović, 2015).

Two common trends appear in all three states: 1) before the financial
crisis of 2008, all three states, with their different historical legacies and types of market economy, were introducing labour market flexibility as it was deemed necessary by the EU and domestic political and economic elites; 2) after the 2008 crisis broke out, the policy choices in three states were determined by the policies imposed by foreign powers (directly or indirectly) – either the Troika or the ‘financial markets’ – and again, they were all imposing further labour market flexibility and strict fiscal austerity, while the solution to the growing unemployment was primarily seen in ALMPs (O’Connel, 2017; Glatzer, 2018; Hočevar, 2020).

This does not mean the three countries did not implement different job retention schemes (JRSs). They certainly did – Ireland implemented its systematic short-time working (STW) and Portugal had its Suspensão ou redução temporaria da prestação de trabalho6, whereas in Slovenia two different schemes were introduced: a subsidy scheme for reduced working hours and another one for employees on temporary forced leave (Arpaia et al., 2010; Hijzen and Venn, 2011). Still, these JRSs had a very limited impact on preserving jobs because the criteria were very strict and the states did not have enough money to implement them widely due to the austerity simultaneously demanded by the EU and the Troika.

The COVID-19 crisis and job retention schemes

The COVID-19 crisis has proved to be at least a temporary game changer. The EU suspended the strict fiscal rules codified in the Stability and Growth Pact and the Maastricht criteria (European Commission, 2020), while it also established the SURE mechanism7 to help member states to finance the JRSs (European Commission, 2022). This proved to be critical because it enabled member states to act in a counter-cyclical manner and prevent the rise of unemployment. Ireland, Portugal and Slovenia adopted very generous schemes aimed at stabilising their labour markets and preventing a further crash.

JRSs in Ireland during the COVID-19 crisis

In early February 2020, general elections were held in Ireland; however, since the results were not straightforward, it took months to form a new government. This also coincided with the outbreak of the COVID-19 pandemic. Hence, the first measures were adopted by the old government, whereas the new government came into power on 27 June 2020 (two

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6 Suspension or temporary reduction of a work provision.
7 The full name of the mechanism established by the EC is the European instrument for temporary support to mitigate unemployment risks in an emergency.
centrist parties, Fianna Fail and Fine Gael, and the Green Party formed a coalition) (Prendergast, 2021: 4; McMahon, 2022: 3). First, the Irish government adopted the Pandemic Unemployment Payment (PUP) amounting to EUR 350 per week. Later, different levels of payment were introduced, depending on individuals’ previous earnings (Prendergast, 2021: 5).

The Irish government also introduced the Temporary Wage Subsidy Scheme (TWSS) on 26 March 2020 that was terminated at the end of August 2020. This measure was aimed to help businesses survive the shutdown, and all those expected to suffer at least a 25% loss of turnover could apply for the TWSS. Employee wages were subsidised by up to 70% (the maximum weekly amount being EUR 412), whereas in May 2020 the subsidy was increased to cover up to 85% of an individual’s wage, although the maximum weekly allowance remained the same (Prendergast, 2021: 5). The TWSS was replaced by the Employment Wage Subsidy Scheme (EWSS) on 1 September 2020. Payment rates under the EWSS were first set at EUR 151 and EUR 203 a week, but after October 2020 these rates were made equal to the PUP payment rates (EUR 203, EUR 250, EUR 300, EUR 350). The EWSS was closed at the end of April 2022 for companies not directly affected by the COVID-19 lockdowns and by the end of May 2022 for those that were directly impacted (Gibbons, 2021).

The impact of these instruments was huge: in May 2020, 664,000 workers were included in the TWSS while almost 600,000 people were covered by the pandemic unemployment payment (Prendergast, 2021: 1). In December 2021, almost 25,000 employers and around 280,000 employees were included in the EWSS (Department of Finance, 2022: 1).

**JRSs in Portugal during the COVID-19 crisis**

Amid the COVID-19 pandemic, Portugal underwent some political turbulence that ended in political stabilisation. The PS was the strongest party in the minority government formed with other leftist parties. Yet, on 30 January 2022, new elections were held at which the PS won the majority of votes (da Paz Campos Lima and Carrilho, 2022: 2). The labour market policies and related policy instruments adopted were coordinated with the social partners, although no tripartite agreement was signed.

Two vital policy instruments were adopted: the simplified lay-off scheme and the regime supporting the temporary reduction of working time (da Paz Campos Lima and Carrilho, 2022: 3). First, the simplified lay-off scheme was introduced in March 2020. Workers facing reduced working hours in companies that had to be closed due to lockdowns or in companies experiencing a more than 40% decrease in their turnover received two-thirds of their gross wage (up to EUR 1,950 monthly, with 30% paid by the employer.
and the other 70% by social security insurance). From January 2021, the rate for hours not worked was increased to 100% (up to 3 minimum wages), with companies paying 20% of it. Second, the “extraordinary support for the progressive recovery of companies in a situation of business crisis” was introduced in August 2020. It is a typical STW scheme, allowing for a reduction of between 50% and 70% in working time and provides wages for the hours not worked (da Paz Campos Lima, 2021; OECD, 2021).

Between March 2020 and 15 January 2021, almost 1,385,000 workers were included in the simplified lay-off scheme, while around 200,000 were encompassed by the progressive recovery scheme; between 15 January and 27 April 2021, more than 540,000 workers were included in the simplified lay-off scheme, and over 387,000 workers were covered by the progressive recovery scheme (da Paz Campos Lima, 2021: 5).

**JRSs in Slovenia during the COVID-19 crisis**

The COVID-19 pandemic arrived while Slovenia was facing a government crisis. Namely, the liberal prime minister Marjan Šarec resigned on 27 January 2020. Everybody expected new elections to be held, while tensions regarding the COVID-19 pandemic were rising. However, longstanding conservative politician Janez Janša managed to form a new government with the help of some other liberal and conservative parties (Breznik and Lužar, 2021: 4; Breznik et al., 2022: 2). The new government introduced certain tax cuts for the richest and the trade unions slowly abandoned any collaboration with the government (Breznik et al., 2022: 11).

Yet, the new neoliberal and neoconservative government also introduced very neo-Keynesian-like labour market policies. Slovenia had two different but complementary schemes in place. The first was named waiting for work at home, and the second the partial subsidising of full-time work. The former was actually a temporary lay-off scheme providing for the reimbursement of wages, while the second was a subsidy for STW. These schemes were part of many different laws passed after March 2020 with the aim of cushioning the impact of the rise in unemployment (Poje, 2021).

Regulation of the temporary lay-off scheme has varied over time. At the outset, it provided 80% of wage compensation, with the average salary being established in 2019 as the maximum rate and the minimum wage as the minimum. Later, it was changed and fixed at EUR 892.50, while the average salary was once again set as the limit. Subsidies for STW were introduced in June 2020. The government subsidised companies for up to 50% of their employees’ full-time wages. Thus, workers had to work at least 50% of the time – 20 hours a week – while the state reimbursed the rest (from 5 to 20 hours a week) at different rates (Breznik and Lužar, 2021: 12).
In 2020, the government spent over EUR 326 million on waiting for work at home and around EUR 25 million on STW, and more than 200,000 people were involved in some sort of JRS (Employment Service of Slovenia, 2021: 38), whereas in 2021, in total, the government spent over EUR 350 million on JRSs, and more than 350,000 workers were covered by one of these schemes (Employment Service of Slovenia, 2022: 38–39).

These extensive policies have had an important impact on the labour markets in the three states. Although everybody expected to see mass unemployment emerging due to the huge economic shock of the pandemic, this was not the case. Instead, quite the opposite was true. In Ireland, unemployment during the pandemic went up from 4.8% in March 2020 to 7.3% in September 2020, reaching its highest level of 7.7% in March 2021. Since then, unemployment has been declining and in the summer of 2022 it was around 5%. A similar situation is observed in Portugal. In March 2020, unemployment was at 6.5%, reaching its highest level of 8% in August 2020; it has thereafter remained stable at around 6%. In Slovenia, the situation is even more unprecedented – in March 2020, the unemployment rate was 4.5%, rising slightly to reach its highest level of 5.4% in January 2021. Since then, the unemployment rate has been falling and in the summer of 2022 it was below 4%, namely, a record low (OECD, 2022a).

Discussion: factors determining labour market policy choices on the EU’s semi-periphery

We have already explained the main policy choices and policy instruments the three states adopted before and during the 2008 crisis and also during the COVID-19 crisis. There is a clear difference in policies – while before and after the 2008 crisis, the main goal was to implement labour market flexibility and introduce ALMPs, the COVID-19 crisis saw old-Keynesian regulations returning to the table. However, this still does not explain why the governments of the three countries, with their different political, economic and social frameworks and clear tendencies to adopt policies promoting labour market flexibility, made such a sharp U-turn.

Despite one expecting differences in policies before and after the 2008 crisis due to the distinct legacies, varied institutional frameworks and particular governing parties and coalitions, in fact one sees convergence among the three states. The crucial pre-crisis convergence mechanism was provided by the EU and its umbrella concept of flexicurity (Bekker, 2012; Keune and Serrano, 2014). After the 2008 crisis started, the three states, again, introduced, in different ways, very similar policies. Since all three countries had large debt-to-GDP ratios, the financial markets had been increasing the interest rates on government bonds, which meant more expensive
borrowing. They were on their way to defaulting. The EU advocated strong austerity measures and less spending. Ireland and Portugal were under the direct control of the Troika for 3 years, while although Slovenia only just managed to avoid it, it had to conform to the austerity policies demanded. This led to the crisis of collective bargaining and hindered the social dialogue in the following years in these states. Crucially, Portugal and Slovenia both received a state-specific recommendation from the EC calling for more labour market flexibility (Bekker, 2018), while all three states also had to further implement the ALMPs (Hočevar, 2020; O’Connell, 2017; Keane, 2016; Glatzer, 2018), thus becoming the cornerstone of the “Europeanisation of labour markets” (Barbier, 2015).

These developments towards labour market flexibility and deregulation were halted for a while between 2015 and 2016. Economic growth and pressures from trade unions led to successful minimum wage increases, while social dialogue was also restored in all three states. Unemployment levels also began to slowly fall towards their pre-crisis levels (Eurostat, 2022), while in all three countries non-standard forms of employment – temporary contracts and part-time employment – were on the rise since the ALMPs and flexibility had not been structurally addressed (ILO, 2016; Florczak and Otto, 2019).

However, things changed radically with the arrival of the pandemic. One should note that the same parties held power in the three states during both the 2008 and COVID-19 crises. It is striking that they had been either openly advocating and adopting neoliberal labour market reforms prior to the 2008 financial crisis and after it – the (neo)liberal Fianna Fáil in Ireland; the PS in Portugal, which back then was more of a neoliberalised social democratic party and has since become a more traditional social democratic party; and the neoconservative and neoliberal SDS in Slovenia. With the outbreak of the COVID-19 pandemic, they went on to fully encourage neo-Keynesian labour market policies. Since the respective parties’ ideologies did not change dramatically, except for the Portuguese PS becoming more social democratic again, the question then arises as to what pushed these parties to adopt completely different policies from those before and during the 2008 crisis.8

If we turn to trade unions and their respective strength, we can see that the trade union density in the three states being examined is still decreasing.

8 We should not completely disregard the rational calculation behind the adoption of these measures – the importance of the next elections. All parties, especially governing ones, are always involved in prolonged campaigns for the next elections and implement policies that can help them win those elections. However, this rational choice perspective seems insufficient to explain the changing nature of the state regulation of the Labour market during the two crises because they would have pursued these pro-social policies a decade ago too.
The union density level has been declining in the last two decades, suggesting that these specific policy responses had very little to do with the strength of trade unions and organised labour (OECD, 2022b). Historically speaking, Keynesian policies were implemented after the Second World War precisely because of the very strong trade unions, which also had large memberships. Today, this is not the case and thus one must look for a different explanation for this turn of events.

First, it is necessary to take the very different nature of the two crises into account. The 2008 crisis was a typical capitalist crisis where overinvestment in the real estate sector in the USA and speculations about subprime mortgages produced a domino effect of collapsing major banks and other financial institutions. In the EU, the situation was different, with the biggest problem apparently being high public debt levels states had accumulated by bailing out big banks in order to prevent the collapse of both their banking systems and the single currency project. In the three states considered, the greatest problems arose from a huge bubble in real estate in Ireland, the large loans that were given to managers in Slovenia for the privatisation of the companies they were responsible for, and the long period of stagnation in Portugal (Ó Riain, 2014; da Paz Campos Lima, 2019; Hočevar, 2021). Governments were bailing out banks and large companies in order to avoid bankruptcy, which led to increases in public debt levels and the crisis thereby became one of sovereign debt. With a view to saving banks, through different mechanisms the EU ‘helped' different states to avoid defaulting, in turn seriously compromising the single currency project. Yet, the cornerstone of all these policies was strict austerity and the transformation of debt states into consolidation states (Streeck, 2016; 2017).

On the other hand, the COVID-19 pandemic proved to be a unique exogenous crisis that literally brought the entire world economy to a halt. The complete shutdowns and lockdowns around the world, including those in the three states examined, not only threatened to seriously destabilise parts or sectors of their capitalist economies but to seriously shake the very foundations of capitalism. As Block observed years ago, when serious deprivations occur and “when economic activity has already been sharply reduced, the threat of a further loss of business confidence loses its urgency since the negative consequences are already present” (Block, 1987: 87), and the roles of governments become very different from those in ‘normal' times, with a shift from focusing on facilitating the free market system to becoming crucial actors in terms of preventing the entire capitalist system from collapsing.

Second, the commonalities of the policies of all three states both before and after the 2008 crisis and during the COVID-19 crisis must be understood in the context of the specific class power relations and class interests at play
in these three states. The trade unions were very quickly denounced after the 2008 crisis, with the working class and the alleged labour market ‘rigidity’ being declared the biggest threat to the capitalist economy. For future success, it was, then, essential to curtail labour rights, deregulate the labour market even further and introduce ALMPs. This was seen as necessary for the interests of capital to regain their competitiveness and high-profit shares following the crisis. The interests of the employers and the unions were diametrically opposite, and the interests of employers prevailed, as is usual in capitalism, also because they were in line with the decades-long mantra of neoliberal self-regulating markets and the need for fewer state regulations.

The COVID-19 crisis proved to be a different type of crisis. Capital and organised labour held very similar interests – to keep the entire capitalist economy afloat. This meant that the interests of capitalists were not to deregulate the labour market as they would still have to take on the burden of the lockdowns and eventually close their businesses; they needed strong state intervention to ensure their businesses stayed afloat. The interests of trade unions were similar and in line with advocating stronger state intervention in order to prevent the rise of unemployment. The three states were also interested in avoiding a huge rise in unemployment. Such a rise in unemployment would have placed social protection systems under considerable pressure, and the states would have to spend even more than on the temporary lay-off schemes and STW.

Still, this does not mean that the interests of trade unions played the crucial role, simply that the overlapping interests of organised labour and capital led to Keynesian-like policies. Otherwise, it is impossible to explain the countries’ similar policies when we know that in Slovenia the trade unions were completely excluded from the policymaking process, whereas in Portugal and Ireland the state took over the principal role, although the trade unions were consulted. The claim made by Poulantzas (2014: 129) that, in capitalism, the state is “the specific material condensation of a relationship of forces among classes and class fractions” must be considered while explaining the countries’ different policy choices in relation to specific material class interests as well as interests of the state.

Third, the EU, notably the EC and the ECB, also proved to be decisive in dictating policies in the three states during the COVID-19 crisis. One cannot understand the policy choices made by the three states without including the importance of the EU’s pro-Keynesian framework established in March 2020. This different approach is best seen in the SURE mechanism adopted a month later in April 2020. The SURE mechanism’s general framework was allocated a budget of EUR 100 billion, while the goal was to help member states finance various JRSs to minimise the shock to the labour market. Current figures show Ireland received EUR 2.473 billion, Portugal EUR 5.943
billion and Slovenia EUR 1.113 billion (European Commission, 2022). This helped the three member states to adopt generous JRSs and prevent a great increase in unemployment. Moreover, some kind of institutional learning evidently occurred on the level of the EU because it did not promote fiscal austerity again. At the same time, the many destabilising factors on the EU level and following Brexit and the multitude of other counter-EU movements in the member states meant that the EU could hardly afford to promote another set of socially controversial policies.

Crucially, the massive support provided for businesses and workers was in the interest of the survival of both the EU single market and the entire European capitalist project because not just certain sectors were hit, like in the 2008 crisis, but the entire world and European capitalism were brought to a halt for several months. The role of the EU, as an external authority, thus proved to be a key element in the diverse resolution of the two different crises. European governance has had a critical impact on its member states’ ‘Europeanisation of crisis responses’.

The three factors: distinct types of crises, the (non)coincidence of class interests and the different policy frameworks pursued by the EU played a vital role in framing the labour market policies in the three states, and help understand the convergence of the policies during the two crises despite their different respective institutional frameworks. While this does not mean we have exhausted all of the possible, external or internal, factors, compared to the 2008 crisis and previous developments in the area of labour market policies, these three factors are clearly essential for explaining the most important elements of the changes observed within the different institutional settings in three countries.

Conclusion

The presented cross-state and cross-crisis comparative perspectives help to explain the frameworks and reasons for the changes to the labour market policies in different national contexts in similar ways. During the COVID-19 crisis, despite the different concrete labour market policy instruments adopted in the three states within their distinct institutional frameworks, the underlying logic was the same and was different from the labour market policies before and after the global financial crisis of 2008. Three factors that contributed to the different policy responses in the three states examined were identified: first, the difference in the nature, extent and magnitude of the crisis; second, the specific balance of class power relations and class interests; and, third, the impact of EU-promoted and (co-)financed labour market policies. In this sense, the main goal of both the three nation-states and the EU did not change, i.e., the reproduction of the capitalist economy.
What changed were the specific circumstances, which were radically different before and after the 2008 crisis and after March 2020.

COVID-19 has proved to be an external shock and led to a “pandemic paradigm shift” (Rubinić, 2020). However, this “pandemic paradigmatic shift” might prove to be just that – a unique response within the broader deregulation and flexibilisation of labour markets. When taking a historical-materialist perspective and comparing the reasons for the temporarily different cross-national policy responses, the making of general claims about radical and long-term Keynesian policies would demand a stronger and more organised working class, which is not the case in the three countries considered, nor the EU as a whole. As explained, the future of labour market regulation depends on the balance of class power relations and the EU’s orientation regarding that.

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