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Evaluation of the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency

Final Report

Written by ICF

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Abstract

This ex-post evaluation assesses the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), launched in response to the COVID-19 pandemic. The evaluation draws on a large body of evidence, including both primary and secondary research methods. These include counterfactual scenario-building and unemployment modelling based on Okun's law. The results confirm that SURE financing has been both additional and impactful, and has generally been effective in supporting Member States' employment and health policies, preventing less favourable macroeconomic outcomes, while entailing minimal costs to stakeholders and no significant fraud. In addition, SURE loans had a positive impact on Member States' public finances by reducing borrowing costs and extending maturities. The innovative financial architecture of SURE was efficient and conducive to the objectives of the instrument. SURE demonstrated coherence with the EU's social policy agenda and complemented other forms of EU support during the crisis. Its rapid implementation and innovative design underlined its relevance and EU added value. This evaluation highlights that lessons learned from the implementation of SURE can guide future crisis responses.

Cette évaluation ex post porte sur l'instrument européen de soutien temporaire à l'atténuation des risques de chômage en situation d'urgence (SURE), lancé en réponse à la pandémie de COVID-19. L'évaluation s'appuie sur une base factuelle complète, y compris des méthodes de recherche primaires et secondaires. Ces méthodes comprennent l'élaboration de scénarios contrefactuels et la modélisation du chômage sur la base de la loi d'Okun. Les résultats confirment que les prêts SURE ont été à la fois additionnels et efficaces, et qu'ils ont généralement permis de soutenir les politiques de l'emploi et de la santé des États membres et d'éviter des résultats macroéconomiques moins favorables, tout en n'entraînant que des coûts minimes pour les parties prenantes et en ne donnant lieu à aucune fraude significative. En outre, les prêts SURE ont eu un impact positif sur les finances publiques des États membres en réduisant les coûts d'emprunt et en allongeant les maturités. L'architecture financière innovante de SURE a été efficiente et a permis d'atteindre les objectifs de l'instrument. SURE a démontré sa cohérence avec l'agenda pour la politique sociale de l'UE et a complété d'autres formes de soutien de l'UE pendant la crise. Sa mise en œuvre rapide et sa conception innovante ont souligné sa pertinence et la valeur ajoutée de l'UE. Cette évaluation souligne que les enseignements tirés de la mise en œuvre de SURE peuvent guider les réponses aux crises futures.

In dieser Ex-post-Evaluation wird das europäische Instrument für die befristete Unterstützung zur Minderung des Arbeitslosigkeitsrisikos in Notfällen (SURE) untersucht, das als Reaktion auf die COVID-19-Pandemie eingeführt wurde. Die Bewertung stützt sich auf ein umfangreiches Datenmaterial, das sowohl primäre als auch sekundäre Recherchemethoden umfasst. Dazu gehören die Erstellung kontrafaktischer Szenarien und die Modellierung der Arbeitslosigkeit auf der Grundlage des Okun'schen Gesetzes. Die Ergebnisse bestätigen, dass die SURE-Finanzierung sowohl Wirkung erzielte als auch ergänzende Maßnahmen auslöste. Allgemein betrachtet unterstützte sie die Beschäftigungs- und Gesundheitspolitik der Mitgliedstaaten wirksam und verhinderte ungünstigere makroökonomische Ergebnisse bei gleichzeitiger Minimierung der Kosten für die Beteiligten und der Vermeidung wesentlichen Betrugs. Darüber hinaus wirkten sich die SURE-Darlehen positiv auf die öffentlichen Finanzen der Mitgliedstaaten aus, indem sie den Zinsaufwand senkten und die Laufzeiten verlängerten. Die innovative Finanzarchitektur von SURE war effizient und trug zur Zielerreichung bei. SURE stand im Einklang mit der

sozialpolitischen Agenda der EU und ergänzte andere Formen der EU-Unterstützung während der Krise. Die rasche Umsetzung und die innovative Gestaltung unterstrichen die Relevanz des Instruments und den durch die EU erreichten Mehrwert. Diese Evauluation zeigt auf, dass die aus der Umsetzung von SURE gezogenen Lehren für die Gestaltung künftiger Krisenreaktionen eingesetzt werden können.

List of abbreviations

Acronyms	Definitions
BoP	Balance of Payments
BRG	Better Regulations Guidelines
CBA	Cost-benefit analysis
CJEU	Court of Justice of the European Union
CRAs	Credit rating agencies
CRII	Coronavirus Response Investment Initiative
EASE	Effective active support to employment
ECA	European Court of Auditors
ECB	European Central Bank
ECCL	Enhanced Conditions Credit Line
EEA	European Economic Area
EFSM	European Financial Stabilisation Mechanism
EGF	European Guarantee Fund
EIB	European Investment Bank
ESF	European Social Fund
ESG	Environmental, social and governance
ESI Funds	European Structural and Investment Funds
ESM	European Stability Mechanism
EUBS	European Unemployment Benefit Scheme
EWSS	Employment Wage Subsidy Scheme
FTE	Full-Time Equivalent
GDP	Gross Domestic Product
GFC	Global financial crisis
GVA	Gross Value Added
JRS	Job retention schemes
LMP	Labour market policy
MFA	Macro-Financial Assistance

NGEU	NextGenerationEU
OIS	Overnight Index Swaps
OPC	Open public consultation
PCCL	Precautionary Conditioned Credit Line
PCS	Pandemic crisis support
PEPP	Pandemic Emergency Purchase Programme
PPE	Personal protective equipment
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
RRF	Recovery and Resilience Facility
SDGs	Sustainable Development Goals
STW	Short-time work
SURE	Support to mitigate Unemployment Risks in an Emergency
TFEU	Treaty on the Functioning of the European Union
ToC	Theory of change
ToR	Terms of Reference
TWSS	Temporary Wage Subsidy Scheme
WHO	World Health Organization

1 Introduction

This is the final report for the evaluation of the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). It presents the findings and results of the evaluation, including the methodologies and any limitations encountered during the analysis.

1.1 Objectives and scope of the evaluation

SURE was a landmark initiative in addressing an unforeseen and unprecedented (common) economic shock. Originating as a reaction to the economic fallout of the COVID-19 pandemic, SURE's temporary nature[1], combined with its innovative approach underscores its distinctiveness in the European Union (EU) policy toolkit. SURE had several novel characteristics:

- Swift conception amid an unpredictable and rapidly evolving crisis;
- A design focus on preserving employment and mitigating unemployment risks;
- Financial architecture constituting a system of guarantees to underpin common borrowing and lending;
- A governance structure that sidesteps inter-governmental complexities, opting for a more streamlined, EU-wide collaborative approach.

The evaluation provides a comprehensive examination of SURE, addressing critical issues raised by stakeholders. It assesses the design and implementation of SURE (including its novel features) with both fresh perspectives and reflective hindsight. It takes stock of its effectiveness and achievements, as well as identifying potential shortcomings and lessons. The evaluation addressed several specific issues raised by stakeholders[2,3]:

- *Additionality of SURE support*: the extent to which some or all of the measures financed by SURE would not have been implemented at all or implemented with reduced scope, generosity or duration. In a broader sense, the evaluation examines if SURE's absence might have limited Member States' fiscal responses to the crisis;
- *Impact additionality*: the potential curtailed macroeconomic effects had SURE not been in place;
- *Unintended consequences*: addressing concerns that the employment-related measures implemented with SURE financing might have inadvertently supported unproductive or zombie companies, or impaired labour market mobility;
- *Audit and control*: whether the SURE framework was effective in minimising the risk of irregularities and fraud.

The evaluation serves multiple purposes, encompassing accountability, fostering learning, and informing future policy directions. Overall, it will not only serve an essential accountability purpose for a wide spectrum of stakeholders such as the European Court of Auditors (ECA), national authorities, social partners, and EU citizens, but will also contribute to fostering learning and informing future policy directions. While SURE was designed as a temporary instrument, its creation may have long-term implications for EU perceptions of and responses to common large-scale shocks and challenges. Its success has renewed debate on whether the EU should develop a more permanent financial mechanism to address future economic shocks. While certain national authorities and

[1] SURE was based on Article 122 of the Treaty on the Functioning of the European Union (TFEU), which allows the EU to provide, “in a spirit of solidarity”, temporary financial assistance to Member States in difficulty due to exceptional circumstances beyond their control.

[2] ECA, *Support to mitigate Unemployment Risks in an Emergency (SURE),* Special report 28/2022, 2022.

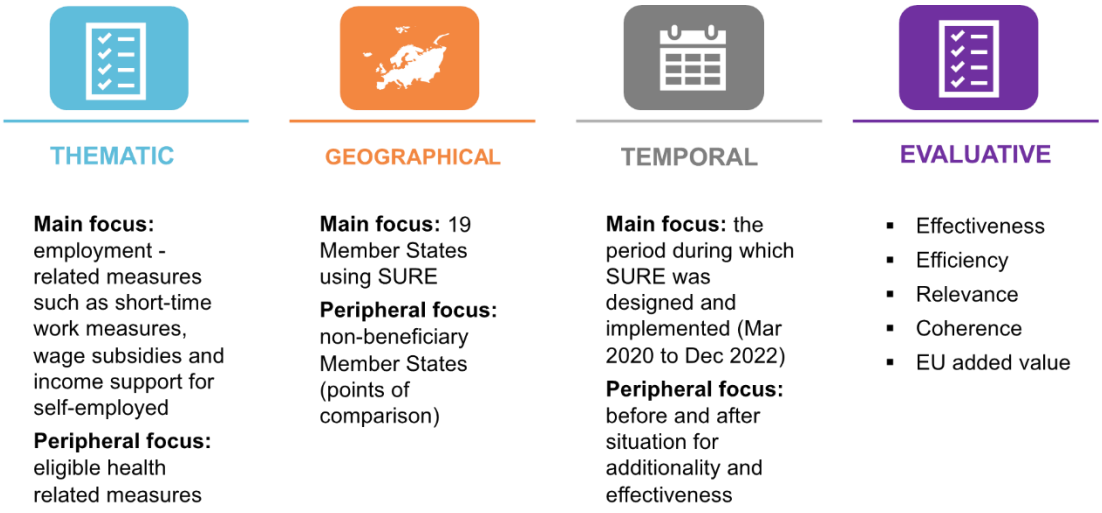
[3] Call for evidence for an evaluation - Ares(2023)4234881.

stakeholders emphasise SURE's temporary character, others advocate for a permanent EU tool. This evaluation will contribute to this discussion.

The evaluation has a well-defined scope. Figure 1 outlines the various aspects covered by the ex-post evaluation, notably the measures financed by SURE across 19 beneficiary Member States, alongside a comparative analysis of non-beneficiary countries, between March 2020 and December 2022. In line with the Commission's Better Regulation Guidelines (BRG), the ex-post evaluation addresses the following:

- To what extent was the intervention successful and why? [effectiveness, efficiency, coherence];
- How did it make a difference? [EU added value];
- How relevant was the intervention? [relevance].

Figure 1. Scope of ex-post evaluation of SURE



1.2 Structure of the report

The report is structured as follows:

- Section 2 describes the **conceptual (including theory-based design) and methodological framework** for the evaluation and discusses the strengths and limitations of the evidence;
- Section 3 provides essential **background and context,** such as the rationale for SURE, its take-up, implementation and policy use;
- Section 4 assesses the **effectiveness of SURE** in relation to the impact pathways set-out in section 2;
- Section 5 looks at **cost and efficiency aspects** of both the SURE instrument and the measures it supported;
- Section 6 examines the **coherence of the instrument**. It covers topics such as alignment with Sustainable Development Goals (SDGs) and other EU instruments;
- Section 7 looks at the **relevance and EU added value** of SURE, including its novel design features, temporal relevance, and alignment with EU policy objectives, as well as its contribution to fostering solidarity, trust, and mutual cooperation among Member States;
- Finally, section 8 **concludes** with a comprehensive synthesis of findings on the design, implementation, and impact of SURE, before presenting a set of actionable policy insights and lessons.

The main report is complemented with a separate Technical Annex containing:

- Annex 1: Procedural information;
- Annex 2: Evaluation matrix and answers to the evaluation questions (by criterion)
- Annex 3: Indicators database (provided separately);
- Annex 4: Country case studies (provided separately);
- Annex 5: Stakeholder consultation – synopsis report;
- Annex 6: Literature review;
- Annex 7: Economic and labour market trends;
- Annex 8: Counterfactual analysis;
- Annex 9: Analysis of cost and benefits;
- Annex 10: List of stakeholders interviewed;
- Annex 11: List of references.

2 Evaluation design and methodology

This section presents the approach to the ex-post evaluation of SURE, comprising: (i) the retrospective theory of change (ToC), which maps the impact pathways of SURE, and (ii) the evaluation framework. It also presents an overview of the methods used for the evaluation, highlighting the strengths and weaknesses of the overall evidence base.

2.1 ToC and impact pathways

The evaluation adopts a theory-driven approach. A series of impact pathways were developed to serve as testable hypotheses by outlining the anticipated mechanisms through which SURE was expected to achieve a range of outcomes and impacts. This provides a structured basis for assessing the instrument's effectiveness. By comparing real-world outcomes with these predefined pathways, the evaluation rigorously tested the validity of the initial theories and underlying critical assumptions. This process is essential for identifying not just whether SURE met its objectives, but how and why it did so. Understanding the theoretical basis of the instrument's design and its actual impact allows a more grounded and insightful evaluation.

The ToC for SURE is structured around three distinct impact pathways.

- *Impact Pathway 1: Supporting Member States in preserving employment during the COVID-19 crisis*. This includes a *sub-pathway: implementation of employment preservation and health measures by Member States*. The idea is to differentiate between the support provided by SURE to Member States (Pathway 1) and the impacts of the supported measures (sub-pathway). This distinction is important for assessing the additionality/added value of the SURE instrument. The need to clearly distinguish between the effects of SURE financing versus the effects of the job retention schemes (JRS) (and health measures) eventually implemented (with SURE financing) was reinforced by various academics and experts at a workshop organised by the evaluation team;
- *Impact Pathway 2: Policy innovation and governance.* This pathway reflects the innovative policies and governance structures associated with SURE;
- *Impact Pathway 3: Financial architecture of SURE*. Here, the focus is on the borrowing and lending activities underpinning SURE.

Impact pathways were developed through an iterative and collaborative process.

- Intervention logic presented in the terms of reference (ToR) for the evaluation;
- Preliminary desk research and literature review;
- Scoping interviews with Commission officials;
- Workshop with Commission officials.

The ToC, applied retrospectively, considers the substantial ex-ante uncertainties present during the inception and implementation of SURE. Although the evaluation adopted a retrospective approach in developing the impact pathways, combining tangible results with the reflective power of hindsight, it also considered the uncertainty that existed *ex-ante*. Recognising this uncertainty is crucial, as it played a pivotal role in shaping the context and design of the SURE instrument.

Each pathway is described briefly below, followed by stylised illustrations (Figure 2 to Figure 5).

2.1.1 Impact Pathway 1: Supporting Member States in preserving employment during the COVID-19 crisis

This pathway articulates the main purpose and scope of SURE and, as such, makes explicit the channels through which SURE support is expected to have contributed to mitigating the social and economic impacts of the COVID-19

pandemic. The main purpose of SURE was to provide a fiscal backstop to EU Member States, ensuring that they had the means to adequately respond to the economic shock caused by the pandemic (and accompanying containment measures), without being constrained by national fiscal capacities. By ensuring that the financing was used for JRS, SURE aimed to protect workers' jobs and incomes. The collective expression of EU solidarity in the form of SURE instrument potentially gave Member States the confidence to undertake the necessary scale of fiscal action to respond to the pandemic, without triggering unrest in financial markets. This impact pathway relies on critical assumptions about the additionality of SURE financing. In the absence of SURE financing, Member States may have faced fiscal or borrowing constraints, potentially limiting their ability to provide adequate support (e.g. JRS, health-related measures).

Sub-pathway: impacts of the supported measures

This sub-pathway illustrates how SURE-financed employment and health-related measures could have contributed to reducing unemployment rates and promoting a faster recovery compared to previous crises. Existing theoretical and empirical literature on JRS suggested that SURE-supported employment measures would help to maintain firms' survival and workers' incomes. By incentivising firms to retain workers instead of laying them off, they avoided firing and hiring costs. Public support also prevented affected firms – and self-employed people – from declaring bankruptcy due to a lack of liquidity while maintaining their staff in a context of zero or significantly reduced revenue. Workers continued to receive wages and avoided unemployment or financial distress.

These measures acted as fiscal stabilisers by smoothing out consumption and Gross Domestic Product (GDP), mitigating the impact of the COVID-19 shock and improving the synchronisation of European cycles. Short-time work (STW) schemes and similar measures supported economic recovery by preserving employment relationships. This ensured that workers were available and firms ready to resume activity once lockdown measures were lifted, reducing hysteresis effects. By preserving employment relationships, SURE-supported measures contributed to the resilience of the labour market participation rate to the exogenous shock (unemployed people are more likely to leave the labour market).

SURE also supported health-related measures such as overtime and extra pay for medical staff, and the purchase of medical equipment. These measures likely enhanced the capacity of national healthcare systems. Additionally, SURE supported the purchase of personal protective equipment (PPE), such as face masks, and provided support to meet increased COVID-19 related health and safety requirements, such as screens. These measures allowed firms and workers to safely resume work and daily activities.

2.1.2 Impact Pathway 2: Policy innovation and governance

SURE constitutes a significant policy innovation with the potential to shift political and public perceptions on the EU's response to shocks and crises. This policy innovation is characterised by three key dimensions: (i) a clear social purpose, (ii) a sound governance framework based on light conditionality, temporary nature, and an EU approach (rather than an inter-governmental approach), and (iii) an innovative financial architecture. Although SURE was a temporary response to an immediate crisis, its legacy is expected to have a lasting impact on the EU's response to future economic challenges. By demonstrating the benefits of swift, coordinated, large-scale action at EU level, SURE could contribute to political and public endorsement for tools based on common borrowing and guarantees.

2.1.3 Impact Pathway 3: Financial architecture of SURE

While the SURE instrument was not specifically designed with this objective in mind, it may have played a role in shaping the EU's borrowing strategies and possibly social bond market dynamics. This pathway unpacks the mechanisms through which SURE might have contributed to (i) establishing the European Commission as a

significant participant in bond markets, and (ii) developing social bond markets. It also illustrates how Member States could have benefitted from better borrowing conditions, such as lower costs and longer tenors, which would have created fiscal space to enhance their anti-crisis responses.

Figure 2. Impact Pathway 1: Supporting Member States to preserve employment during the COVID-19 crisis

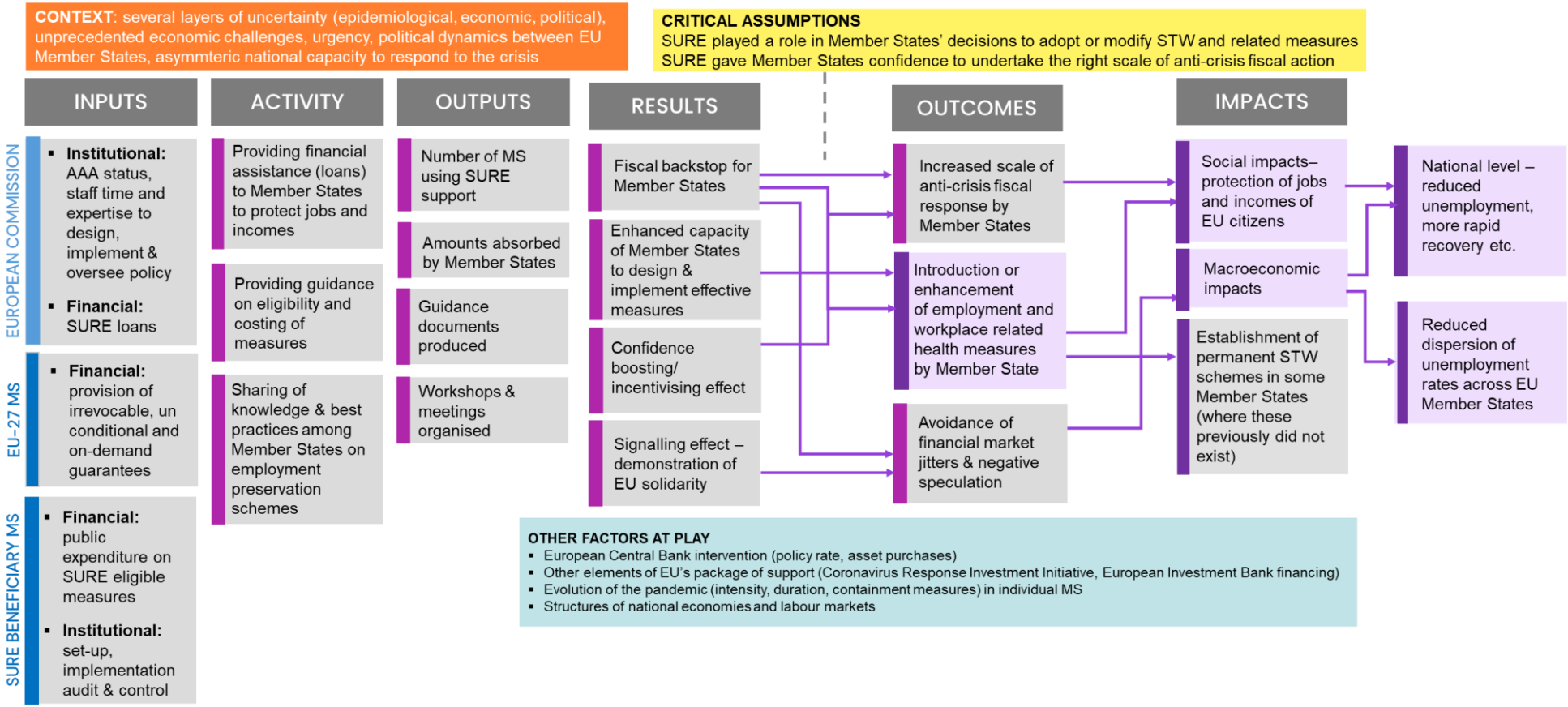


Figure 3. Sub-pathway: Implementation of employment preservation and health measures by Member States

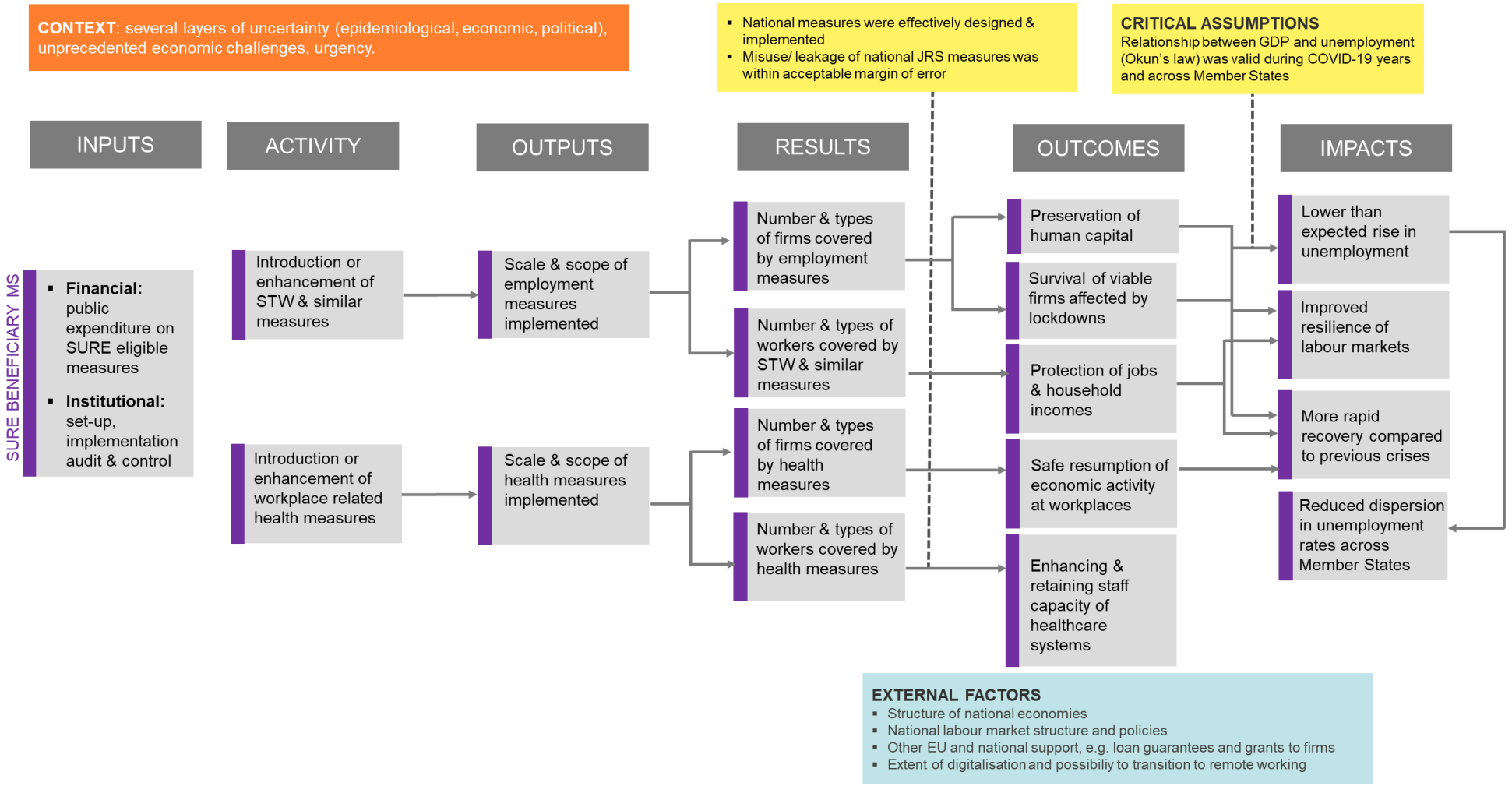


Figure 4. Impact Pathway 2: Policy innovation and governance

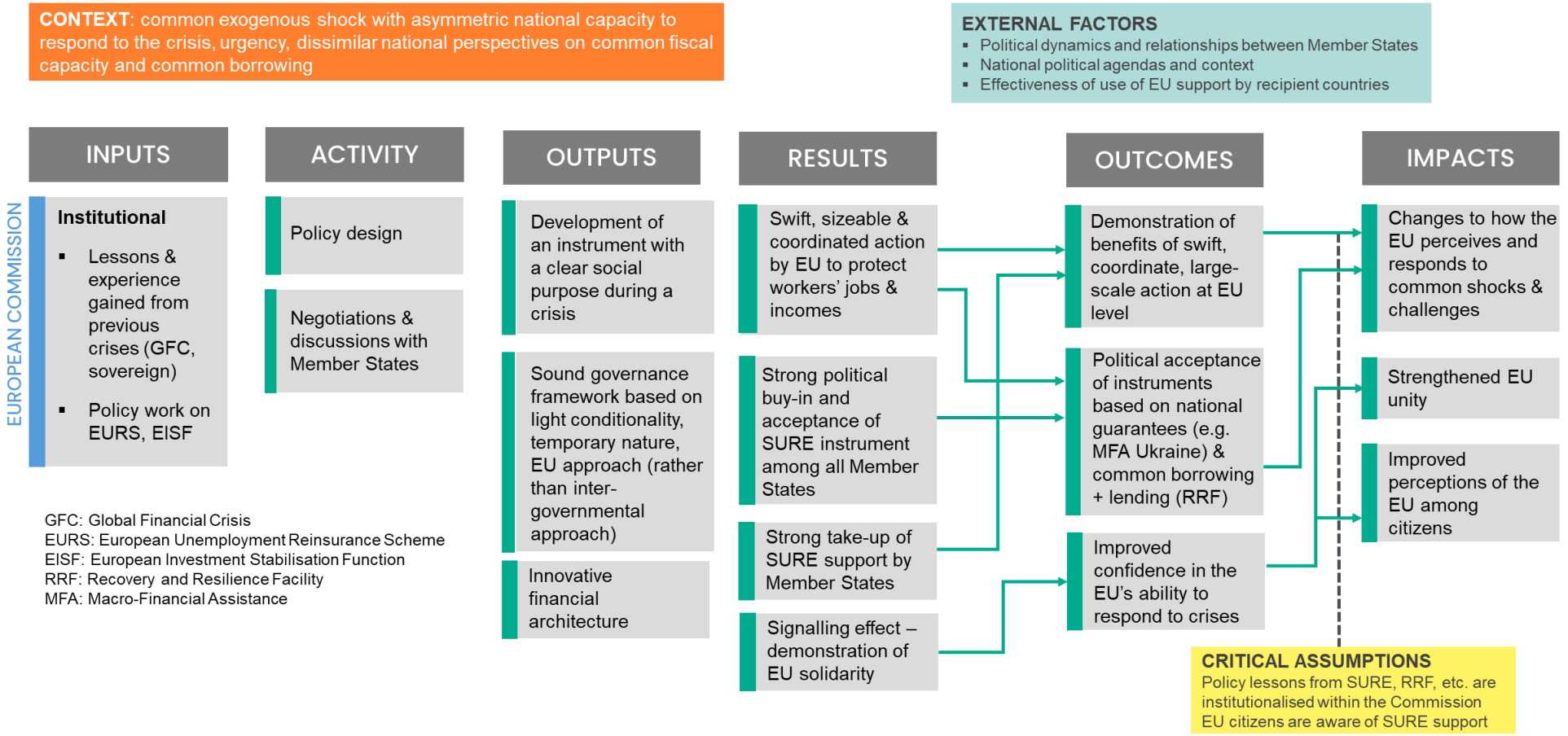
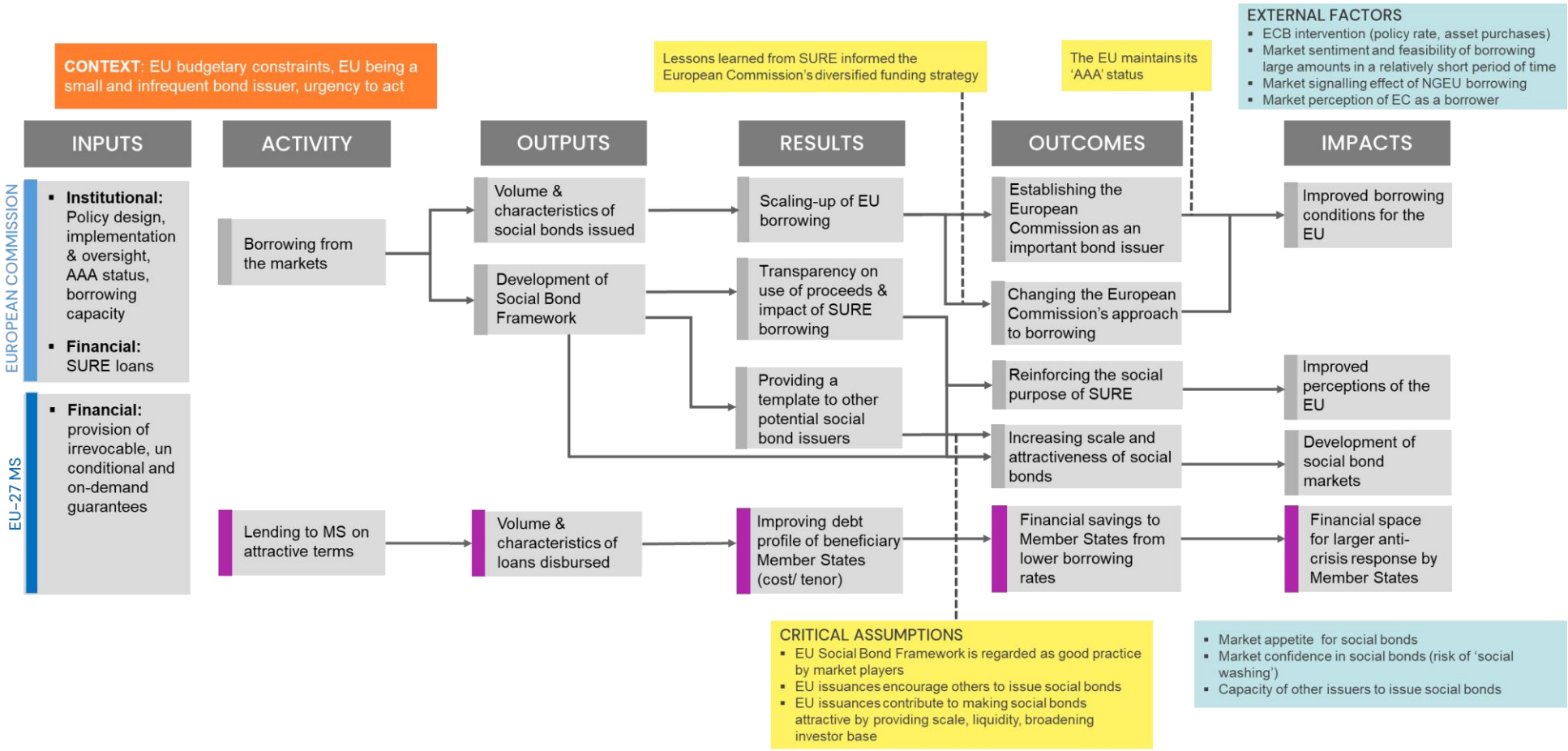


Figure 5. Impact Pathway 3: Financial architecture of SURE



2.1.4 Key focus areas for the evaluation

The detailed evaluation framework, which sets out the evaluation criteria, indicators, methods and data sources for each evaluation question, is presented in Annex 2. This section outlines the main focus areas for the evaluation under each evaluation criterion.

2.1.4.1 Effectiveness

The assessment of SURE's effectiveness has three critical dimensions:

- **Assessing the impact pathways.** Examining actual achievements and outcomes against the impact pathways developed;
- **Additionality.** Assessing input (unique financial advantages of SURE financing), output (enabling Member States to do something they would otherwise not be able to do), and impact (realising impacts that would not have occurred without SURE);
- **Unintended consequences.** Assessing both negative (e.g. market distortions) and positive (e.g. skill preservation, transition to formal economy) effects in the labour market due to employment-related measures financed by SURE.

2.1.4.2 Efficiency

This criterion evaluates SURE's economic efficiency by weighing the financial inputs against the benefits realised. It includes an examination of the proportionality of administrative and management costs associated with the design and implementation of the instrument and related monitoring and reporting. It also assesses the extent to which the financial architecture adequately protected the EU budget, reviews evidence on the cost-efficiency of measures supported by SURE, and scrutinises the efficacy of audit and control mechanisms in preventing misuse and fraud.

2.1.4.3 Coherence

The evaluation assesses SURE's alignment with SDGs and its interaction with other EU instruments. It presents insights into Member States' experiences of leveraging both SURE and the European Social Fund (ESF) to determine the extent to which these instruments were used in a complementary manner. It also examines if there were any complementarities or overlaps with the European Stability Mechanism (ESM).

2.1.4.4 Relevance

The evaluation of the relevance of SURE considers its suitability for addressing COVID-19 pandemic challenges within the EU's economic and financial landscape. Focus areas include its temporal relevance over 2020-2022 amid European Central Bank (ECB) monetary policy shifts, alignment with broader EU objectives such as the European Pillar of Social Rights, and assessing visibility and public awareness among EU citizens.

2.1.4.5 EU added value

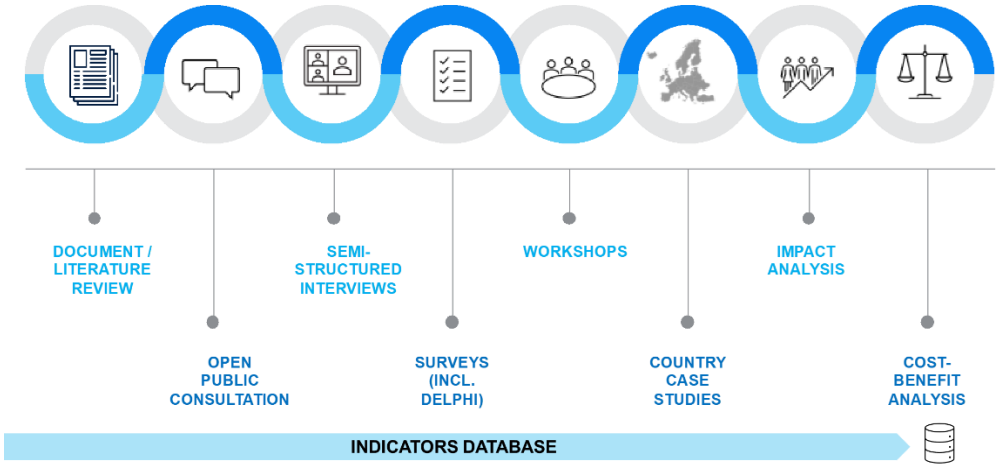
This criterion highlights SURE's unique contributions at European level that individual Member States could not have achieved alone. As the additionality of SURE is examined within the effectiveness criterion, the evaluation of its EU added value focuses on whether its establishment demonstrated solidarity, promoted cohesion and stability, enabled a coordinated response to the economic impact of COVID-19, enhanced crisis management capabilities, contributed to the stability of the euro area, and facilitated the exchange of knowledge between Member States.

2.2 Methods and tools

The evaluation uses a comprehensive mixed-methods approach, integrating both quantitative and qualitative research techniques (see Figure 6). Data from multiple sources are combined and triangulated to provide a rich and robust evidence base for the evaluation. An indicators database brings together the data from various sources (Annex 3).

These methods are summarised in the sub-sections below. Section 2.3 indicates the caveats and limitations of the methods and data, together with the solutions put in place to address them.

Figure 6. Overview of methods



2.2.1 Document and literature review

This task involved the systematic compilation of information and evidence concerning the evaluation questions. The desk research included:

- Review and analysis of official data, documentation and reporting on SURE;
- Review of economic literature assessing the impacts of JRS;
- Review of grey literature, including relevant ECA reports, as well as national evaluations and performance audits of STW schemes implemented during the COVID-19 pandemic;
- Mapping flagship JRS measures implemented in each EU Member State.

A complete list of references is presented in Annex 11. The findings from the review of economic and grey literature are provided in Annex 6.

2.2.2 Open Public Consultation (OPC)

The OPC gathers the views of wider stakeholders including firms and workers on the relevance, effectiveness and added value of SURE and the national measures it supported. It was launched in English on 26 October 2023 and in all EU national languages at the end of November 2023; it was closed on 15 February 2024.

Data from the OPC were cleaned and analysed and, although the very low response rate limits the validity of the results, the responses support the evaluation's main evidence base. Annex 5 includes a descriptive analysis of the responses from the OPC.

2.2.3 Semi-structured interviews

Over 100 interviews were conducted with a range of stakeholders to collect a diversity of perspectives. The evaluation team conducted 21 EU-level interviews to gather in-depth information on the functioning and performance of SURE:

- Nine scoping interviews with Commission officials;
- Eight interviews on the funding side of SURE (on SURE Social Bond Framework, with credit rating agencies (CRAs) and primary dealers/underwriters, as well as other issuers);
- Four interviews with EU-level social partners and other organisations.

Eight interviews were carried out with representatives of non-beneficiary Member States to collect their perspectives as providers of national guarantees.

Finally, 76 interviews were conducted with various stakeholders in the six case study countries, covering ministries and other national administrations, social partners and wider stakeholders.

The synopsis report is available in Annex 5.

2.2.4 Surveys

Three online surveys were conducted:

- A survey targeting Ministries of Finance in beneficiary Member States to gather information on the extent to which Member States were financially constrained at the onset of and during the COVID-19 pandemic, the role played by SURE in providing fiscal space and influencing decisions on creation and/or expansion of national STW schemes and similar measures, the impact of SURE financing and measures implemented, feedback on various design and efficiency aspects, and the added value of SURE;
- A survey targeting Ministries of Labour in beneficiary Member States to gather information on the role played by SURE in providing fiscal space and influencing decisions on creation and/or expansion of national STW schemes and similar measures (including on design features of national schemes), and the impact of SURE-financed measures;
- A survey of experts on the socioeconomic effects of SURE and the measures it supported, hypothetical scenarios without SURE, and its overall added value. This involved distributing one survey per case study country to a panel of experts, including economists, labour market specialists from academia, think tanks, and representatives from the private sector and social partners. It used the Delphi method and aimed to reach a consensus on the counterfactual scenarios and impacts of measures supported by SURE.

The synopsis report (including an analysis of responses to the three surveys) is available in Annex 5.

2.2.5 Workshop with academics and experts

A workshop on 29 February 2024 gathered opinions and feedback from eight experts and academics who have published on SURE and JRS. It focused on topics where the experts' insights were of particular value:

- Whether the European Commission's ex-ante emphasis on JRS was the most appropriate strategy for cushioning the impact of the COVID-19 pandemic (and lockdown measures) on workers' jobs and incomes;
- Ex-post evidence on the effectiveness of JRS (financed by SURE) in maintaining employment and protecting incomes;
- Most effective measures in varying circumstances, as well as lessons and potential pitfalls to avoid in designing and implementing JRS;
- Unintended consequences – both positive and negative – of JRS on the labour market and beyond;
- Distilling critical lessons from the SURE experience, particularly how its design and implementation can inform the development of robust, resilient future crisis response at EU level.

The synopsis report in Annex 5 includes an anonymised summary of the discussions.

2.2.6 Country case studies

The evaluation incorporates six country case studies (Greece, Italy, Lithuania, Poland, Portugal, Spain) to analyse the relevance and effectiveness of SURE and supported measures across various contexts and settings. Countries were selected during Phase 1 – Inception, based on criteria including the diversity of supported schemes, wider context and geographical coverage, and practical data accessibility considerations. The case studies use a mixed-methods approach, incorporating evidence collected via desk research, national-level interviews, surveys and micro-data analysis (subject to data availability). The case studies are not country-level evaluations of SURE, but, rather, provide depth, and nuance to the evaluation.

Southern countries collectively received 75 % of SURE financial support, thus the evaluation covers a significant portion of SURE financing. Geographical, institutional, and contextual diversity is achieved by including Poland and Lithuania in the sample.

2.2.7 Impact analysis

A structured, multi-step methodology is used to determine the specific contribution of SURE financing to macroeconomic impacts (notably, unemployment avoided[4]), **amid a complex array of COVID-19-pandemic-related economic measures**. This methodology comprises:

- Descriptive analysis of macroeconomic outcomes, offering an initial snapshot of how key economic indicators evolved throughout the pandemic and its aftermath. This step laid the groundwork for a deeper understanding of the broader economic context;
- Analysis based on Okun's Law to estimate the extent of unemployment averted during the pandemic. While this analysis does not establish a direct causal link between the reduction in unemployment and the implementation of JRS, earlier analyses by the International Monetary Fund (IMF) (using Okun's Law estimates) suggest that the muted response of the unemployment rate to the fall in activity during the pandemic reflected widespread adoption of JRS. A comprehensive discussion on the limitations of Okun's Law and the justification for this methodological approach is presented in Section 4;
- A counterfactual assessment to determine the specific contribution of SURE financing to preventing unemployment, estimated using Okun's Law. Predicted unemployment rates under hypothetical (counterfactual) scenarios – where SURE was not implemented – are compared to the actual unemployment figures observed, enabling some estimates of the impact of SURE financing in curtailing unemployment during the pandemic.

2.2.8 Analysis of costs and benefits

The evaluation compares the costs and benefits of the SURE instrument to ascertain its efficiency. The primary costs are not directly linked to the instrument itself (considering that support was provided in the form of loans which are repayable by Member States), but, rather, to the deployment of employment and health-related measures eligible under SURE. The costs intrinsically linked to SURE as a lending facility were:

- EU level: Commission staff time (Directorates-General (DG) for Budget (BUDG), Economic and Financial Affairs (ECFIN) and Employment, Social Affairs and Inclusion (EMPL)) involved in designing and managing the SURE instrument. This includes a broad array of responsibilities, such as developing the legal basis, overseeing implementation, managing bond issuances, loan administration, and the facilitation of disbursements and repayments;

[4] The quantitative assessment was limited to unemployment avoided due to various methodological (e.g. data availability) and practical considerations (e.g. time and budget available for the evaluation)

- Member State level: Beneficiary Member States incurred costs in discussing eligibility of measures, negotiating loan agreements, complying with reporting requirements, etc. All Member States incurred costs in negotiating the guarantee agreement essential for the SURE mechanism's functioning.

Given the relatively limited nature of the costs associated with the SURE instrument, the evaluation assesses these qualitatively. It also examines the efficiency of the financial architecture of SURE and the audit and control of SURE-financed measures by Member States in order to understand what worked well and what could be done better or differently. Finally, it assesses the proportionality of these costs in relation to the benefits realised. The latter are significant and wide-ranging and correspond to outcomes and impacts identified in the impact pathways.

2.3 Limitations and caveats

As with any study of this complexity, the evaluation encountered a series of conceptual and practical challenges. These are summarised below, together with the solutions adopted.

- *Challenges and limitations of determining the macroeconomic impact of employment-related measures and attributing these to SURE financing:* The evaluation uses an approach based on Okun's Law to assess the impact of SURE financing on unemployment rates, while acknowledging its limitations in establishing causality. Alternative methodologies, such as difference-in-differences, comparing SURE beneficiaries (treatment group) to non-beneficiaries (control group), were considered but discarded, given the difficulties in ensuring comparability between the groups, exacerbated by varying economic and structural conditions and the widespread implementation of JRS during the COVID-19 pandemic. Methodological approaches based on micro-datasets would have been impractical and presented specific challenges (see Section 4 and Annex 8);
- *Assessing the effectiveness of health-related measures:* Although SURE's support for health-related measures was crucial, assessing its effectiveness presents challenges due to the diversity of measures. From COVID-19 testing to healthcare worker bonuses, the range of measures complicates efforts to measure outcomes accurately. The evaluation thus adopts a qualitative assessment approach, using targeted surveys, stakeholder interviews, and public consultations to gain insights into the effectiveness and EU added value of health-related measures. In-depth analysis is prioritised for specific case study countries (Poland and Portugal) where such measures represent a significant portion of SURE spending, enabling a more nuanced understanding of their effects;
- *Determining the share of JRS spending financed by SURE:* This is challenging due to differences in scope and purpose of the two main sources of information, the SURE and labour market policy (LMP) databases. Differences in naming conventions, grouping of measures, inclusion of out-of-scope measures, omission of in-scope measures, and discrepancies in reported spending on same measures all contribute to difficulties in calculating totals and data inconsistencies. The evaluation team prioritises the SURE database as the main source for determining overall spending on JRS. In-depth analysis for case study countries involves manual cross-referencing and consultation with relevant ministries to ensure the accuracy of spending calculations. For non-case study countries, calculations rely solely on the SURE database (with insights from the LMP database), targeted surveys, and consideration of country-specific factors;
- *Mapping of flagship JRS measures*: Mapping the main JRS measure in each Member State is challenging due to difficulties in reconciling different sources of information (language ambiguities, lack of clarity on the measure to which the mapped information relates, changes over time). The evaluation focuses on key characteristics of the schemes using authoritative sources on the subject matter

(e.g. European Trade Union Institute (ETUI), European Foundation for the Improvement of Living and Working Conditions (Eurofound)). Country researchers validated information for case study countries;

- *Low response rate of OPC and incomplete coverage of surveys targeting ministerial officials:* The low level of awareness or familiarity with SURE may have contributed to the very low response rate to the OPC (only 10 respondents, despite various promotional activities, including translation into all EU languages and dissemination through official Commission channels). Nor did the targeted surveys achieve full participation, despite close follow-up with the support of the Commission. Responses were received (from the Ministry of Finance and/or the Ministry of Labour) from 16 of the 19 beneficiary Member States.

Notwithstanding these limitations and caveats, the overall results of this evaluation appear robust. The evaluation team exercised due diligence in interpreting the findings, cautiously drawing conclusions and appropriately qualifying the findings where necessary. The use of a range of methodological approaches, including both qualitative and quantitative analyses, enabled the team to triangulate evidence across multiple lines of inquiry. This methodological triangulation is instrumental in ensuring that each evaluation question is addressed from various perspectives, enhancing the reliability and depth of the findings. The challenges, ranging from the complexities of attributing macroeconomic impacts to SURE financing to the intricacies of assessing the effectiveness of health-related measures, were met with thoughtful and pragmatic solutions. Finally, the emerging findings were subject to critical review and challenge by accomplished economists at a workshop (see Section 2.2.5), adding a crucial layer of scrutiny and insight to the evaluation findings.

3 Background and state of play

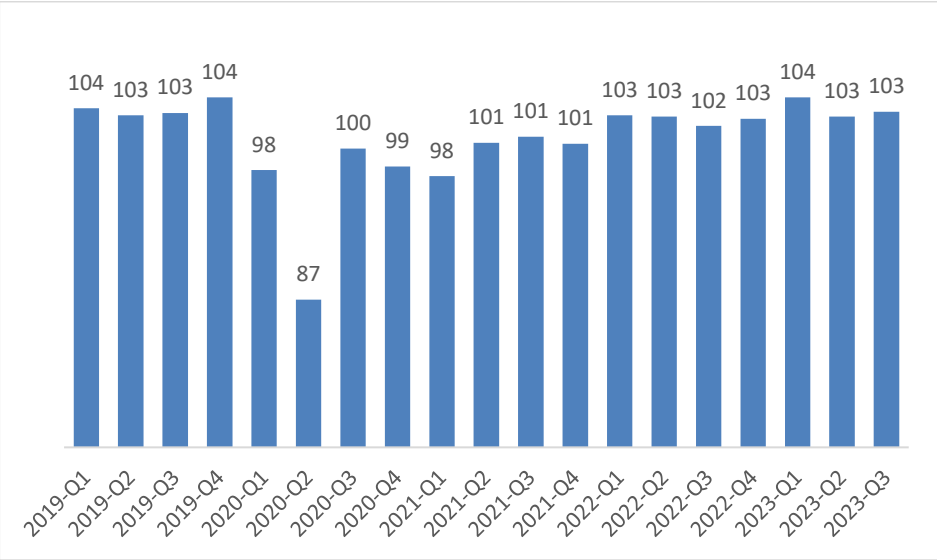
This section presents the rationale for SURE, the broader context in which it was introduced and the developments over the implementation period (e.g. take-up, policy use).

3.1 Rationale and context for SURE

The COVID-19 pandemic entailed a sudden and unprecedented shock on a global scale. The EU saw significant repercussions: economic output collapsed, contracting by almost 12 % in Q2 2020, in stark contrast to the 3 % contraction experienced in Q1 2009 at the peak of the global financial crisis (GFC).

Declining economic activity quickly spread to the labour markets. In Q2 2020, 5.2 million fewer people were employed than at the end of 2019[5]. However, labour markets in the EU (unlike in the United States (US)) adjusted, primarily through a reduction in hours worked rather than employment levels, reflecting the use of STW schemes.

Figure 7. Index of total hours worked, EU 27 (2021=100)

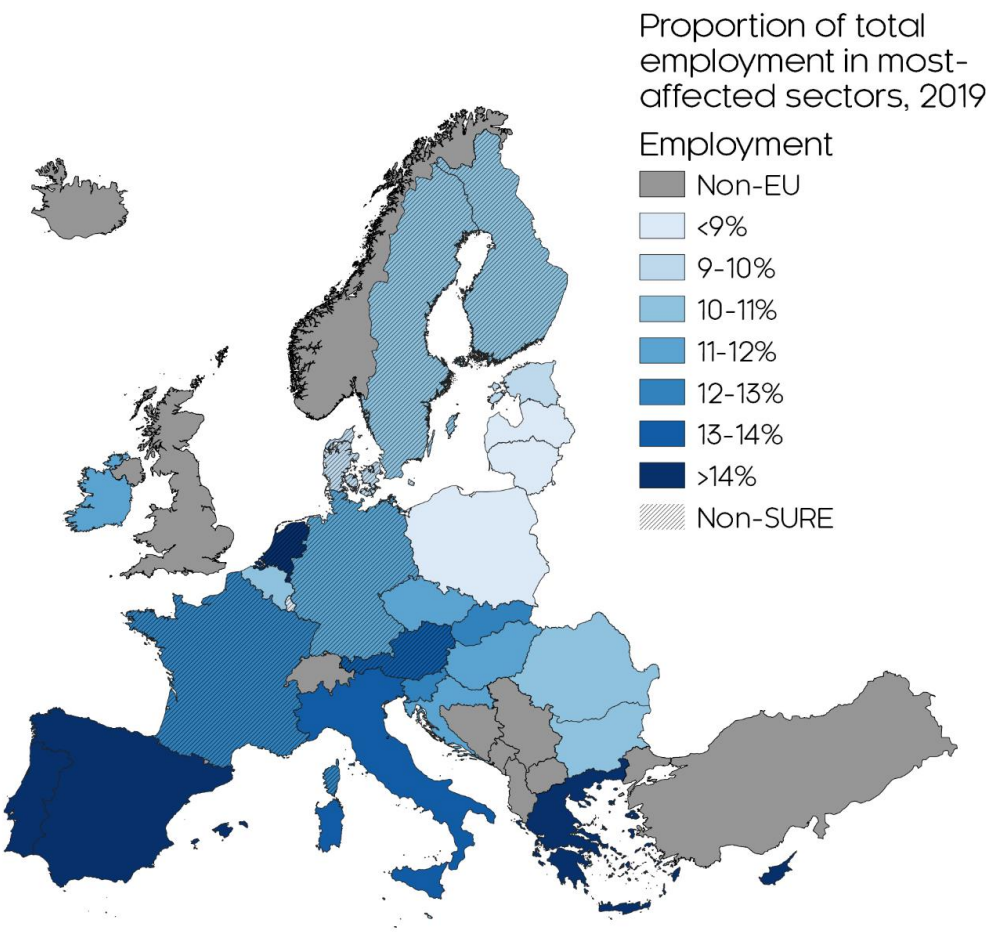


Source: Eurostat [lfsi_ahw_q]

Although all EU Member States were hit hard by the COVID-19 pandemic, the impact was felt asymmetrically. Some sectors, notably tourism, entertainment, and transport industries, along with some manufacturing sectors, were more severely disrupted by lockdown policies and disruption of global value chains. Member States had different levels of exposure, with those in southern Europe relying most on the sectors worst hit by the pandemic, including Greece, Cyprus, Portugal, Spain, and Italy.

[5] ECB, *The impact of the COVID-19 pandemic on the euro area labour market*, 2020, at: https://www.ecb.europa.eu/pub/economic-bulletin/articles/2021/html/ecb.ebart202008_02~bc749d90e7.en.html

Figure 8. Proportion of total employment in most-affected sectors, 2019



Source: Authors' calculations, based on Eurostat [nama_10_a64_e].

The Commission's rationale when proposing SURE was primarily based on learnings from the previous GFC.

- **Evidence of effectiveness of STW:** The feedback from the use of STW in the GFC were positive, with evaluations and literature confirming that, by avoiding dismissals and retaining skilled workers, STW schemes were more effective than unemployment insurance (see box below);
- **Absence of JRS in many Member States:** Only some Member States (e.g. Italy, Germany, France, Belgium) had well established schemes, while 11 Member States (mostly) from Central and Eastern Europe[6] had to launch completely new schemes;
- **Strong case for solidarity and collective action** at EU level to support Member States in the face of a severe, common, **exogeneous shock;**
- **Different fiscal capacities** of Member States and willingness to **avoid the divergence** observed after the GFC and European debt crisis.

[6] Bulgaria, Cyprus, Estonia, Greece, Hungary, Lithuania, Latvia, Poland, Slovenia, Croatia and Malta (ETUI and European Social Policy Network (ESPN) data).

SURE also built on previous (sometimes controversial) ideas and discussions of an EU-wide unemployment reinsurance scheme and an EU wide borrowing system, so-called Euro-Bonds. However, to overcome potential resistance from some Member States, SURE was disconnected from those broader debates and designed as a *temporary emergency response* to COVID-19, supporting Member States to mobilise resources to protect workers (including self-employed people) from unemployment and loss of income.

Box: STW schemes as an effective tool in times of crisis

When the COVID-19 pandemic unfolded, STW schemes were already recognised as effective in protecting jobs and stabilising the labour market in times of crisis. Literature assessing the effectiveness of STW schemes in the aftermath of the GFC provided evidence of the sustaining employment effect, albeit to varying extents, depending on the country (specifically, employment protection legislation) and design features of the scheme. For example, studies on Germany's *Kurzarbeit* found that a 1 % rise in the STW take-up rate correlated with a 0.37 % increase in employment[7], or a 6 % STW take-up rate translated into a 1.3 percentage point (pp) reduction in the unemployment rate[8]. STW schemes were essential in protecting permanent employment.

Studies also identified other effects, such as improving households' disposable income, where only one family member receives STW benefits[9]. Another positive impact was the increased survival probability of firms[10]. STW schemes had proven crucial in preventing widespread business failures.

Finally, research at the time showed that STW schemes were more effective than unemployment insurance or universal transfers. Fiscal savings could be achieved when investing in STW schemes rather than making unemployment payments, albeit with a delay. At a more granular level, STW schemes were seen as more efficient than wage subsidies in a downturn[11]. STW can be seen as complementary, rather than oppositional, to other automatic stabilisers such as unemployment insurance, as each addresses distinct labour market risks (STW schemes more short-term shock vs unemployment insurance cushioning persistent economic shocks). In the absence of a pre-existing scheme, wage subsidies can also be easier to deploy at a time of crisis.

3.2 Take-up of SURE

There was rapid, high take-up of SURE. By the end of 2020, 90 % of the envelope was already granted, with the EUR 100 billion almost fully used by the end of the availability period. In total, EUR 98.4 billion was granted and disbursed to the Member States during 2020-2022.

[7] Boeri, T. and Bruecker, H., 'Short-time work benefits revisited: some lessons from the Great Recession', Economic Policy, Vol. 26, No 68, 2011, pp. 697-765.

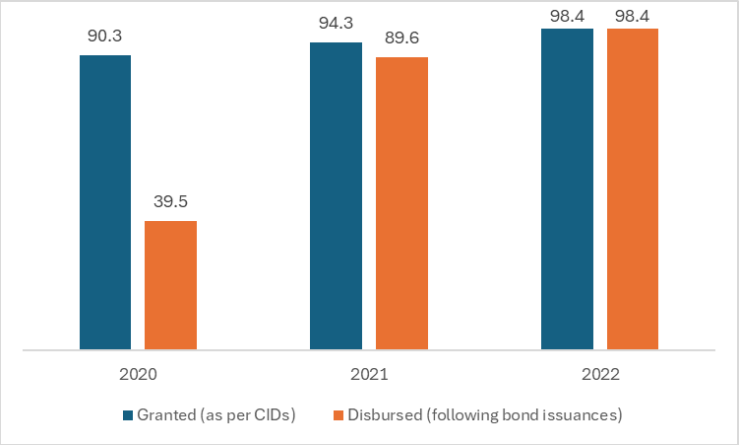
[8] Niedermayer, K. and Tilly, J., *Employment and welfare effects of short-time work in Germany*, 2016.

[9] Cooper, R., Meyer, M. and Schott, I., *The employment and output effects of short-time work in Germany* (No. w23688). National Bureau of Economic Research, 2017.

[10] Cahuc, P., Kramarz, F. and Nevoux, S., *When short-time work works*, 2018.

[11] Giupponi, Giulia, et al. *"Should We Insure Workers or Jobs During Recessions?"* The Journal of Economic Perspectives, vol. 36, no. 2, 2022, pp. 29–54.

Figure 9. Amounts granted and disbursed, EUR billion, by year (cumulative)



Source: Authors' calculations, based on European Commission's implementation reports.

19 Member States used SURE loans: Belgium, Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain. This was more than anticipated ex-ante by the Commission. Member States (e.g. Belgium, Estonia), for whom interest rate differentials (comparing Member States' and EU's borrowing costs) were less obvious, also requested SURE loans.

Eight EU Member States did not request SURE loans: Austria, Denmark, Germany, Finland, France, Luxembourg, the Netherlands and Sweden. All had JRS schemes in place prior to the COVID-19 pandemic, financed through their own means. The list of non-beneficiary Member States largely corresponds to those able to raise resources on more favourable terms than the EU, as judging by their credit ratings (ranging from AA to AAA; vs BBB- to AA- for SURE beneficiaries)[12].

The three top beneficiaries were Italy, Spain and Poland. Taken together, they received approximately 60 % of all SURE loans. This corresponded to the concentration limit set in the SURE Regulation. It also reflected the size of their economies, which together represented 58 % of SURE economies. For Spain and Italy, it also reflected their high exposure to the pandemic and high initial debt-to-GDP ratios.

SURE macro-significance varied depending on the Member State. SURE financing ranged from 1-4 % of 2020 GDP. The highest SURE loan-to-GDP ratios were in the Member States most exposed to the economic shock caused by the pandemic, such as Greece, Cyprus, Portugal and Croatia (see Table 1).

[12] Fitch rating data for 2020.

Table 1. Take-up of SURE financing, by Member State

Member State	SURE loan amount (EUR bn)	Country share of total SURE loan amount	SURE loan amount as a share of 2020 GDP
BE	8.198	8%	2%
BG	0.971	1%	2%
CY	0.633	1%	3%
CZ	4.500	5%	2%
EE	0.230	0%	1%
EL	6.165	6%	4%
ES	21.325	22%	2%
HR	1.571	2%	3%
HU	0.651	1%	0%
IE	2.474	3%	1%
IT	27.438	28%	2%
LT	1.099	1%	2%
LV	0.473	0%	2%
MT	0.421	0%	3%
PL	11.237	11%	2%
PT	6.234	6%	3%
RO	3.000	3%	1%
SI	1.114	1%	2%
SK	0.631	1%	1%
SURE-19	98.364		

Source: Member State SURE reporting.

There were no major absorption issues. Comparing actual spending on SURE eligible measures to approved/disbursed amounts, absorption was high throughout. The main absorption gap was in **Romania**, which saw the loan amount reduced (by approximately EUR 1 billion in July 2022) and 21 additional measures included as eligible under SURE. **Poland**'s economy performed better than planned, resulting in lower-than-expected spending on labour market measures. The moderate absorption gap was resolved with the inclusion of two new health-related eligible measures, in response to longstanding deficiencies in financing personnel and medical services (see Annex 4).

Spending on SURE-financed measures exceeded SURE loan amounts. All SURE financial assistance was absorbed by the end of the availability period, 31 December 2022. Most Member States[13] reported spending in excess of their SURE loans. Total reported public expenditure on SURE eligible measures amounted to EUR 122 billion for 2020-2022[14].

3.3 Policy use of SURE financing

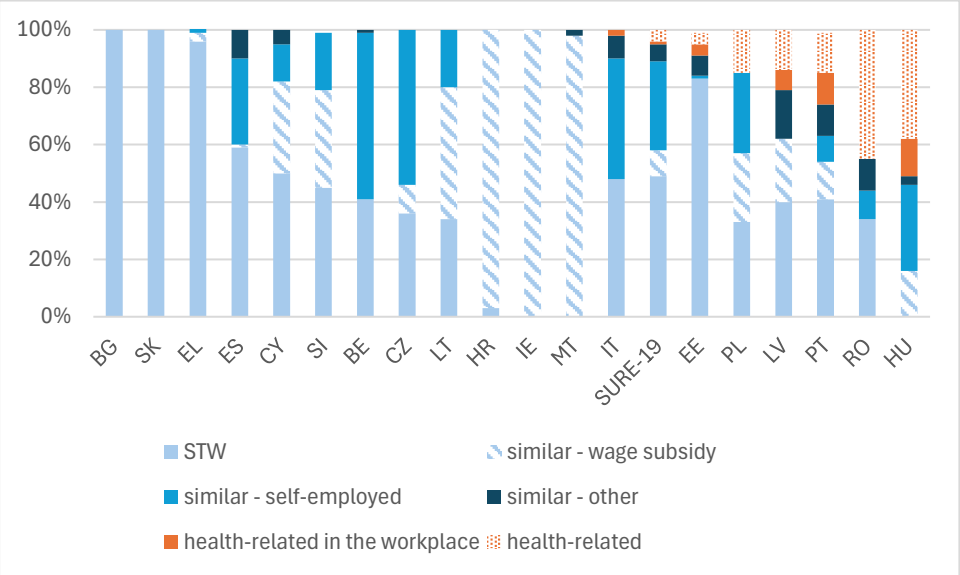
In line with its main purpose, the predominant use of SURE financing (95%) was for employment-related measures (see Figure 10), particularly STW schemes (49 %) and support for self-employed people (31 %). A further 9 % was allocated to wage

[13] Some Member States (Estonia, Slovenia) discontinued reporting on SURE-eligible measures beyond 2020, as they had exceeded the amount granted and were no longer using SURE financial assistance to fund those measures.

[14] Net of European Structural and Investment (ESI) Funds, accounted for separately.

subsidies and 6 % to other employment measures. Only 5 % was allocated to health-related measures, confirming their overall 'ancillary' nature.

Figure 10. Spending profile of SURE-financed measures



Source: Member State SURE reporting.

The **diversity in the types of measures financed under SURE** reflected Member States' varying labour market structures and needs, as well as differences in their economic conditions and policy responses[15]. For example:

- 12 out of 19 Member States used SURE financing to support new schemes. They most likely did not have any pre-existing schemes prior to the COVID-19 pandemic. The remaining seven Member States enhanced their existing schemes;
- Financed schemes could take different forms, predominantly STW (e.g. Bulgaria, Greece, Slovakia) or wage subsidies (Croatia, Ireland, Malta);
- 13 out of 19 Member States had dedicated measures for self-employed people. Several did not finance self-employed people through SURE – Bulgaria, Croatia, Ireland, Latvia, Malta and Slovakia;
- Most measures financed by SURE (new measures or enhancements to existing schemes) were designed as temporary interventions, with only four Member States reporting the financing of permanent support measures. Some measures were one-off (e.g. special allowances for self-employed and seasonal workers).

Health-related measures constituted a sizeable share of expenditure in very few countries, namely Hungary, Latvia, Poland, Portugal and Romania. Of those, some (e.g. Poland, Portugal) had recognisable structural difficulties financing the health sector pre-COVID-19. Although quite heterogenous, health-related measures could be broadly divided into three categories: i) preventive measures against COVID-19, ii) additional labour costs to recruit and support healthcare workers operating in very difficult conditions, and iii) healthcare equipment and medication. During implementation, there was no particular focus on workplace-related health measures, which represented about one-fifth of health-related spending.

[15] The allocation of SURE funds also depended on the existence/absence of other measures (financed without SURE support, e.g. with national means and/or ESIF).

Table 2. Types of measures financed under SURE

Member State	New scheme	Existing or extension of existing scheme	Temporary	Permanent	No of measures co-financed by ESIF
BE	18	5	23	0	0
BG	2	0	1	1	0
CY	9	0	9	0	4
CZ	5	0	5	0	1
EE	6	0	6	0	0
EL	5	0	5	0	0
ES	1	5	6	0	1
HR	2	0	2	0	1
HU	8	8	14	2	0
IE	1	0	1	0	0
IT	10	3	13	0	1
LT	4	0	4	0	1
LV	10	0	10	0	0
MT	4	0	4	0	1
PL	10	4	14	0	1
PT	21	6	19	8	1
RO	31	1	30	2	2
SI	7	0	7	0	1
SK	1	0	1	0	1
SURE	**155**	**32**	**174**	**13**	**16**

Source: Member State SURE reporting.

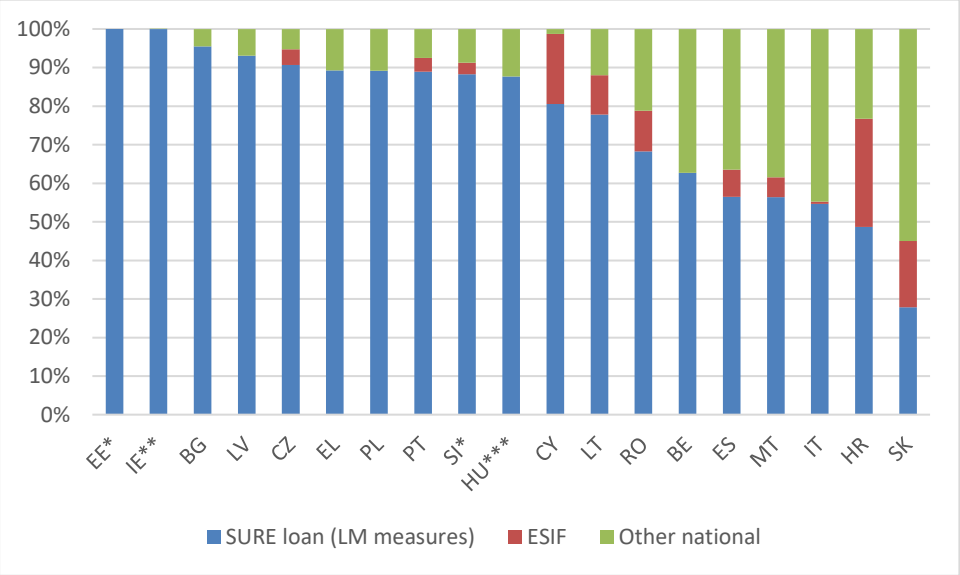
SURE played a significant role in JRS financing, but, overall, JRS spending from 2020 to 2022 exceeded SURE support. Total JRS spending was recalculated by combining i) Member States' reporting on spending on SURE-eligible measures (including in excess of the SURE loan), ii) data on ESIF co-financing of SURE-eligible measures (from Member States' reporting), and iii) for case study countries, cross-checking with data in the LMP database, notably on complementary JRS measures (not financed by SURE). The calculations suggest that SURE loan contributions to total JRS spending during the period (2020-2022) varied between 28 % and 100 %, depending on the country. Overall, at the

aggregate level, SURE loan accounted for 64% of JRS spending over 2020-2022, and 83% in 2020 (when the use of SURE loans was most prevalent). For most countries, SURE loans accounted for 55-90 % of total JRS spending. That contribution was lowest in: Spain and Italy, which had reached the concentration limit; Croatia, which mobilised substantial ESIF resources on labour market measures; Malta, which was granted a top-up in 2021 but whose actual expenditures still ended up exceeding 2021 projections; and Slovakia, which spent considerably more than planned on JRS measures (three times more, with even higher expenditure in 2021), but did not apply for a top up.

The involvement of ESIF in co-financing measures indicates a joined-up and concerted approach to maximising the impact of available funds. This co-financing not only enhanced the financial capacity of Member States to implement broader and more effective JRS measures, but also ensured a more integrated response, tying in EU-level support with national efforts. Eleven SURE beneficiary Member States co-financed their SURE-eligible measures with ESIF. Hungary financed its main JRS exclusively through ESIF.

SURE financed all COVID-19-related flagship JRS measures in most Member States. Italy was the exception, with significant spending on other JRS measures not financed by SURE. There were also the special cases of Hungary and Ireland.

Figure 11. SURE, ESIF and national resources' contributions to overall JRS spending, 2020-2022



Source: Authors' calculations, based on SURE Member States' reporting and LMP database

Notes:

- *For non-case study countries: Total JRS spending = spending on SURE-eligible measures (reported under SURE + ESIF);*
- *For case study countries: Total JRS spending = spending on SURE-eligible measures (reported under SURE + ESIF) + any other JRS-relevant spending reported in the LMP database, cross-checked by country researchers;*
- *Data presented for Estonia, Hungary, Ireland and Slovenia should be interpreted with caution. Actual SURE contribution is or may be lower.*
  - *Estonia and Slovenia stopped reporting on expenditure on SURE-supported measures once they had used up SURE financing. Their total JRS spending is, however, unlikely to be much higher than reported here, as both countries stopped their main JRS scheme by end-2020;*

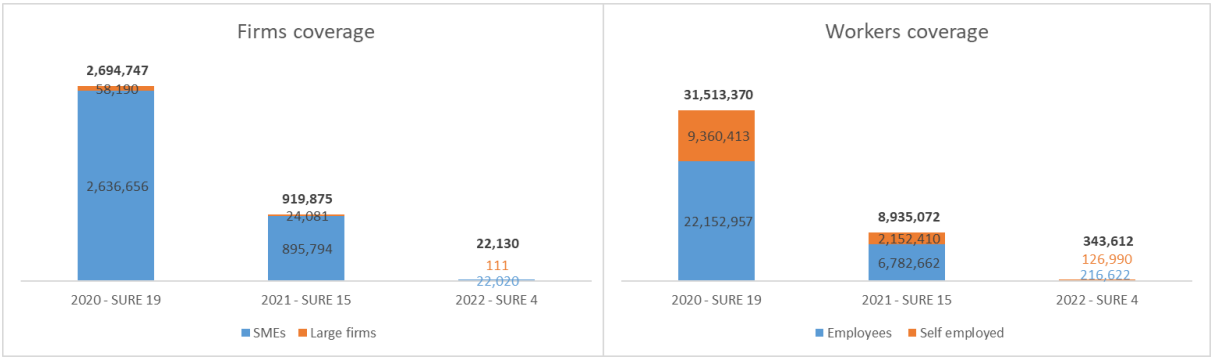
- *Hungary had a small-scale emergency STW financed by ESIF. This is not shown here (only spending on SURE-financed measures is included);*

3.4 *Ireland replaced its Temporary Wage Subsidy Scheme (TWSS), introduced on 26 March 2020, with a similar scheme, the Employment Wage Subsidy Scheme (EWSS) from 1 September 2020 until May 2022. Only spending on the TWSS is captured here, as the EWSS was not financed by SURE.*

3.5 Coverage of SURE-financed measures

The coverage of SURE-financed measures reflected the shifting dynamics of the COVID-19 pandemic (see Figure 12)**.** The high coverage in 2020 aligned with peak intensity of the crisis. During this period, the need for support was at its greatest, as businesses and workers faced unprecedented challenges. As the situation improved epidemiologically and economically across the EU, there was a notable decline in the coverage of support. Higher 2020 figures also reflect the use of the SURE loans**.** Even though most countries still extended their supports well into 2021, SURE coverage figures for 2021 and 2022 are necessarily lower than 2020 figures, as four countries (Estonia, Ireland, Slovenia, Spain) did not use SURE beyond 2020 and hence their reporting (when available) is not included in SURE coverage figures beyond 2020. In 2022, only Bulgaria, Croatia, Greece and Portugal were still using SURE .

Figure 12. Firms and workers coverage, all SURE beneficiary countries, by year



Source: Member State SURE reporting.

In 2020, one out of every three (31%) workers and over a quarter of companies (27%) benefited from SURE financed measures (employment-related). There were, however, national variations in coverage reflecting Member States' economic structures and COVID-19 pandemic responses.

There was high coverage in countries like **Slovenia** (68 % workers, 78 % firms), **Italy** (57 % workers, 50 % firms), **Greece** (41 % workers, 45 % firms), **Cyprus** (42 % workers, 27 % firms)**, Croatia** (39 % workers, 29 % firms), **Spain** (28 % workers, 36 % firms)**.** For all countries except Slovenia, this reflected the severity of the pandemic's impact and strong policy reliance on JRS measures as a key economic support mechanism. For Slovenia, the very high numbers are linked to the design features of a specific measure that ran from 13 March 2020 to 31 May 2020 and targeted firms whose employees *remained* in the workplace[16]. It was not linked to an STW scheme or similar measures but was, rather, an across-the-board reduction in pension and disability insurance contributions and income support for employees. The measure was considered SURE-eligible, given its requirement to maintain employment[17]. The share of employees covered

[16] Council Implementing Decision (EU) 2020/1356.

[17] European Commission, *Non-paper on the scope of the SURE instrument*, DG ECFIN C1, 2021.

by the JRS scheme in Slovenia is otherwise assessed to be aligned with the EU average (~20 %)[18].

There was lower coverage in countries like **Hungary** (8 % workers, 3 % firms), Latvia (8 % workers, 8 % firms) and Bulgaria (9 % workers, 4 % firms). This is consistent with their **comparatively lower exposure to the COVID-19 shock** (see Figure 8). It may also somewhat reflect the existence of parallel measures not financed by SURE. In Hungary, the main (small-scale) JRS scheme was financed through ESIF, while in Bulgaria, self-employed people were covered by separate measures. The lower coverage of SURE-financed measures for these three countries aligns with numbers reported by separate data sources on measures beyond SURE measures[19] (compiled by Eurostat, based on survey and administrative data[20]). This generally confirms that overall JRS take-up was comparatively low in these countries, even taking into account non-SURE financed measures, if any. Some design features of the schemes in these countries may also have played a role: in Bulgaria, the support was not fully covered by the State – with 40 % of the STW allowance to be covered by the employer (the highest employer contribution in the EU, according to the JRS mapping (see Annex 3)).

Table 3. Firms and workers coverage, by Member State, 2020

Member State	Firms covered by SURE (% of all firms)	Share of small and medium-sized enterprises (SMEs) among supported firms	Workers covered by SURE (% of total employment)	*Share of employees among supported workers*	*Share of self-employed people among supported workers*
SI	78 %	100 %	68 %	91 %	9 %
IT	50 %	100 %	57 %	67 %	33 %
EL	45 %	100 %	41 %	89 %	11 %
MT	41 %	99 %	32 %	87 %	13 %
CY	26 %	100 %	42 %	87 %	13 %
HR	29 %	100 %	39 %	93 %	7 %
BE	42 %	68 %	24 %	65 %	35 %
ES	36 %	99 %	28 %	74 %	26 %
SURE-19	**27 %**	**98 %**	**31 %**	**70 %**	**30 %**
IE	37 %	99 %	21 %	100 %	0 %
SK	29 %	99 %	29 %	86 %	14 %
PT	27 %	100 %	24 %	76 %	24 %
LT	27 %	100 %	24 %	71 %	29 %
RO	27 %	93 %	15 %	89 %	11 %

[18] See Eurostat: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_COVID-19_on_employment_income_-_advanced_estimates#cite_note-11

[19] Measures targeting self-employed people do not seem to be included.

[20] See Eurostat: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_COVID-19_on_employment_income_-_advanced_estimates#cite_note-11

Member State	Firms covered by SURE (% of all firms)	Share of small and medium-sized enterprises (SMEs) among supported firms	Workers covered by SURE (% of total employment)	*Share of employees among supported workers*	*Share of self-employed people among supported workers*
CZ	11 %	98 %	30 %	56 %	44 %
PL	14 %	100 %	25 %	48 %	52 %
EE	15 %	100 %	20 %	100 %	0 %
LV	8 %	99 %	8 %	92 %	8 %
BG	4 %	98 %	9 %	100 %	0 %
HU	3 %	100 %	8 %	67 %	33 %

Source: Member State SURE reporting; total firms excludes zero-employee firms; SMEs have <250 employees

Among firms, SMEs were the primary beneficiaries of SURE support (number of firms supported). 98 % or more of firms supported via SURE-financed measures were SMEs, in 17 of the 19 beneficiary Member States. This broadly reflects the structure of EU economies, in which 99.8 % of enterprises are SMEs (according to Eurostat[21]). Belgium and to a lesser extent Romania have a lower share of benefitting SMEs, but this seems to be due to reporting issues and inconsistent application of the SME definition, rather than true bias towards supporting large companies. The reported number of 'large' firms supported under SURE far exceeded the number of large firms reported in Eurostat data (30 times and 8 times, respectively), suggesting inconsistencies in the definition of SMEs in Member State SURE reporting.

The extent to which SMEs benefitted from SURE-financed measures (by amount, in terms of support granted) depended on the country and measure. These data are not readily available for all countries, but more detailed information is available in the country case studies (see Annex 4). In **Greece**, there was widespread take-up of novel JRS schemes by SMEs, which **benefitted more than would be expected, given their contribution to total employment.** More than 80 % of supported 'contract suspensions' referred to smaller firms (up to 50 employees), which account for 70 % of total employment (as per Eurostat data[22]) (see Annex 4). In **Spain**, special provisions were inserted to facilitate take-up by SMEs, which were granted **higher exonerations** from mandatory social security contributions (100 % for small firms with <50 employees vs 75 % for larger firms).

Overall, self-employed people constituted 30 % of the workers supported, although the extent to which they were covered varied by country. Some countries directed substantial support to self-employed people under SURE, reflecting their high proportion of workers, notably Belgium, Czechia, Italy and Poland[23]. Other countries such as Greece and, to some extent, Malta did not direct substantial SURE funding to this group, despite their economies also relying extensively on self-employed workers. For Greece, one

[21] Eurostat [sbs_sc_sca_r2].

[22] Eurostat [sbs_sc_sca_r2].

[23] European Centre for the Development of Vocational Training (Cedefop), Self-employment indicator: https://www.cedefop.europa.eu/en/tools/skills-intelligence/self-employment?year=2022&country=EU#2

learning from SURE evaluation was that self-employed workers should have been better targeted (see Annex 4).

Coverage of non-standard workers

Other than the split between employees and self-employed people, no other granular data was available on the profiles of workers supported under SURE. The general rule with STW schemes tends to be that any employee covered by social security is eligible for support, but historically, eligibility conditions have sometimes restricted access to STW not only for freelancers or the self-employed, but also for employees on fixed-term contracts, temporary workers, or for employees recently hired[24]. To have flexibility at times of crisis, companies can easily lay off or not renew the contracts of fixed-term and temporary workers.

The extent to which non-standard workers were covered by SURE eligible measures depended on the design of specific measures at national level. There is **some evidence** that countries relaxed the eligibility criteria of their STW workers to ensure **better coverage of non-standard workers** (e.g. Spain (see box below), or Cyprus for seasonal workers). Other countries introduced ad hoc income support measures for atypical workers (e.g. gig workers, seasonal workers, temporary workers, part-timers) while the main STW scheme mainly targeted standard employees (e.g. Italy), or complemented their coverage under main STW schemes (e.g. Greece for seasonal workers).

Box: Coverage of non-standard workers in Spain

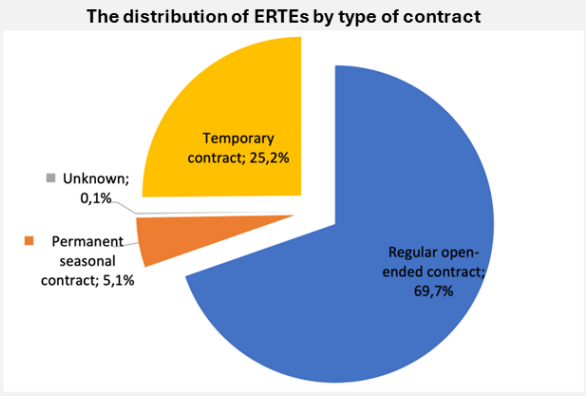
In Spain, employees typically need to have contributed to unemployment insurance for a minimum period of time to qualify for support under the STW scheme (*ERTE*). This requirement was lifted during the COVID-19 pandemic. Other efforts were made to reach out to workers not initially covered, or who had ceased to receive support, without an alternative source of income. Examples included permanent seasonal workers, seasonally self-employed workers, and temporary workers whose contracts ended and who were not entitled to regular unemployment benefits.

In Spain, the only people excluded from support were workers in irregular jobs, including many women employed irregularly as domestic staff, as the main SURE-financed measures were conditional on social security affiliation.

Despite being considered a very positive development, the extension of support to temporary workers was not fully sustained over time.

Looking at data on the profiles of ERTE recipients by contract type, it is evident that temporary contracts made up roughly one-quarter of initial ERTEs. This corresponds to their overall share in the labour market pre-pandemic (Q4 2019).

[24] Eurofound (2021) *Covid-19: Implications for employment and working life*. Covid-19 series. Luxembourg: Publications Office of the European Union.



Source: Authors' calculations, based on Ministry of Inclusion, Social Security and Migration affiliation data.

In October 2020, however, they represented less than 10 % of ongoing ERTEs, and by March 2022, had fallen to less than 6 %. This was because relationships with fixed-term workers could be ended at the scheduled date without any penalty, while the dismissal of workers with an open-ended contract could give rise to very strong sanctions.

Individuals with permanent seasonal contracts were somewhat overrepresented among the workers included in ERTEs, representing 2.5 % of salaried employment and 1.9 % of total employment, but making up 5.1 % of ERTE beneficiaries. This reflected the fact that the most-affected sectors make extensive use of these types of contracts (food and accommodation, tourist accommodation, etc.).

Source: Annex 4.

Sectoral coverage

Limited data are available on sectoral coverage of SURE-financed measures. Member States reported the shares of expenditure on the top three sectors: **(i) accommodation and food services, (ii) wholesale and retail trade, and (iii) manufacturing.**

General information on sectoral take-up of JRS schemes during the COVID-19 pandemic (not SURE specific)[25] tends to show a relatively similar picture, with take-up highest in the following sectors: I: Accommodation and food service; R: Arts; G: Wholesale and retail trade; repair of motor vehicles and motorcycles; F: Construction; B-E: Manufacturing, mining, and other industry; H: Transportation and storage.

Country case studies suggest that the sectoral coverage was broadly adequate. This corresponds to the general stakeholders' perceptions and is confirmed by more detailed national data on sectoral coverage of SURE financed measures where available. This was generally attributed to the broad eligibility criteria of SURE-financed measures, which did not differentiate between sectors (or whose differentiation favoured some sectors with ad hoc measures, e.g. the arts).

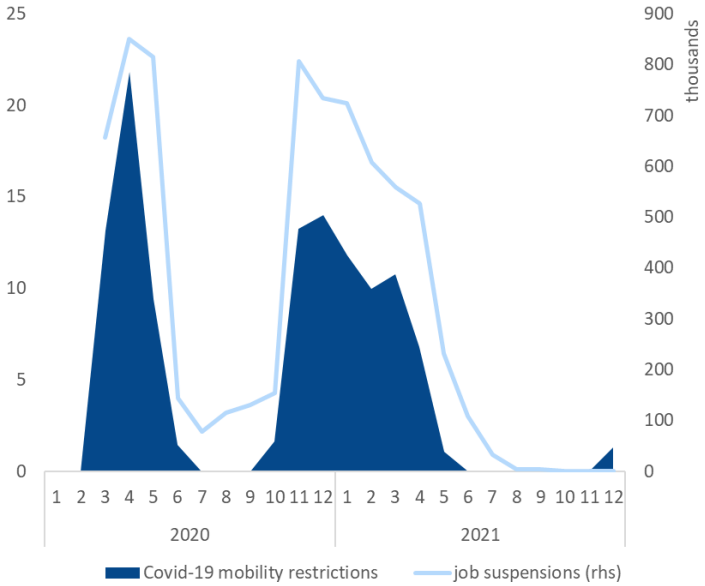
Coverage through time

Detailed data on monthly evolution of coverage are not readily available for all countries. In Greece, overall and across sectors, **take-up closely followed the intensity of COVID-19 mobility restrictions.** Take up was much lower in summer 2020 (in line with the relaxing of mobility restrictions at that time). Support for tourism-related

[25] See Eurostat: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_COVID-19_on_employment_income_-_advanced_estimates#cite_note-11

sectors (accommodation, entertainment, food and beverage) was deployed at larger scale in off-season months (November 2020 to March 2021) during tighter mobility restrictions.

Figure 13. JRS implementation vs intensity of COVID-19 mobility restrictions



Source: Hellenic Ministry of Labour, ERGANI micro database; authors' calculations using Google Mobility Trends database as a proxy for intensity of COVID-19 mobility restrictions.

4 Additionality and effectiveness of SURE

This section assesses the effectiveness of the SURE instrument in relation to the impact pathways (see Section 2). It goes beyond examining the observed outcomes and impacts to investigate the additionality provided by SURE.

4.1 Supporting Member States in protecting jobs and incomes (Impact Pathway 1)

The primary objective of SURE was to provide financial assistance to Member States experiencing a sharp and sudden increase in public spending in the face of an unforeseen shock and amid high levels of uncertainty. By ensuring that the financing was primarily used for employment-related measures (notably JRS), SURE's ultimate aim was to preserve employment and protect workers' incomes. This objective aligns with Impact Pathway 1 (and related sub-pathway) developed for this evaluation. To ensure conceptual clarity, the evaluation distinguishes between the effectiveness of SURE financing on one hand, and the effectiveness of the measures supported by SURE on the other. Under Impact Pathway 1, the evaluation also assesses the output[26] and impact additionality[27] of SURE. (Input additionality[28] is addressed under Impact Pathway 3.)

Given the ancillary role and diverse nature of health interventions, the evaluation's analysis in this area is naturally limited, relying predominantly on qualitative insights from interviews and expert opinions.

4.1.1 How effective and additional was the financing provided by SURE?

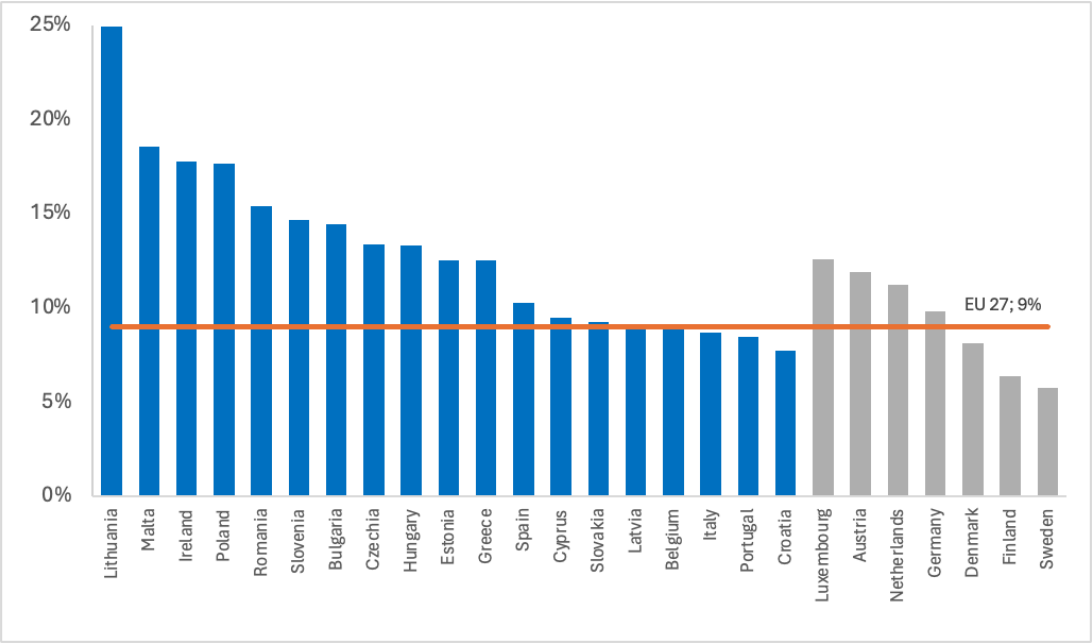
SURE provided critical fiscal space to Member States during a period of acute uncertainty. Confronted by an unprecedented exogenous shock, Member States encountered a sharp increase in public spending to address the economic and social fallout of the COVID-19 pandemic, as well as the accompanying containment measures. According to Eurostat data, public spending in 2020 increased by approximately 13 % in SURE beneficiary countries, compared to a 9 % increase across the 27 Member States of the EU (EU-27). This highlights the extent to which the pandemic affected public budgets, particularly in SURE beneficiary countries. Feedback from a targeted survey of SURE beneficiaries further underscores the role of SURE financing in providing room for fiscal manoeuvre. Of the 15 representatives of Ministries of Finance from beneficiary Member States that participated in the survey, 13 confirmed that SURE provided them with the financial flexibility to amplify their anti-crisis response. This financial flexibility was instrumental in allowing Member States to tailor their responses to the needs of their economies and labour markets, without the immediate concern of depleting national budgets. The same 13 Member States acknowledged SURE's contribution to bolstering their capacity to protect employment and income levels during a period of significant economic and social disruption. CRAs interviewed for this evaluation affirmed SURE's role in providing a fiscal backstop during a period of exceptional uncertainty, validating its effectiveness. According to one of the interviewees, 'SURE financing would have given [Member States] a liquidity buffer in the face of the unknown'.

[26] The extent to which SURE enabled Member States to do something they would otherwise not be able to do, e.g. enhance the scope of their JRS (duration, coverage, generosity) or create fiscal space (thus avoiding expenditure cuts in other areas).

[27] The extent to which the observed impacts would not have materialised in the absence of SURE financing.

[28] The unique advantages offered by SURE, which were unavailable to Member States from alternative financial sources (e.g. lower interest rates, longer tenors).

Figure 14. Public spending in all Member States, % change in 2020 vs 2019



Source: Eurostat [gov_10q_ggnfa].

By providing fiscal space, SURE financing may also have prevented negative spillovers across the EU. Some interviewees suggested that by providing Member States with the fiscal leeway to mount a more substantial response to the pandemic, SURE potentially staved off adverse spillover effects within the euro area (e.g. Greece, Italy, Spain) and the wider EU. According to a senior official from the Ministry of Finance of a SURE beneficiary Member State, '…SURE reinforced the automatic stabilisers' capacity within a country in response to an economic shock, thereby diminishing the risk of contagion to neighbouring states.' It was not feasible to conduct any model-based quantitative analysis of spillovers for this evaluation.

The availability of SURE financing enabled Member States to support more expansive employment-related measures. The financial backing provided by SURE gave beneficiary Member States the confidence to implement or expand comprehensive JRS, such as STW arrangements and similar measures to preserve employment and income. More specifically, the availability of SURE financing likely influenced the coverage, generosity and duration of JRS in 18 of the 19 Member States[29]. This assessment is based on a triangulation of information (the process of complementing, corroborating and cross-checking) collected from a variety of sources (surveys, interviews, desk research, country case studies, macroeconomic data). Although the SURE Regulation entered into force after Member States (most if not all) had made their choices on the design and features of such measures, interviews with a wide range of stakeholders indicate that the announcement of SURE in March 2020 gave countries the confidence to commit to measures with substantial fiscal implications and provided them with the flexibility to adapt the scope of their measures in response to the evolving dynamics of the COVID-19 pandemic. This finding is consistent with the results of a survey carried out by the Commission in 2021[30], according to which a majority of Member States surveyed introduced new schemes similar to STW in response to the potential availability of financing from SURE[31].

[29] Expansion in scope (increased coverage, generosity and/or duration) of JRS is confidently attributed to SURE in 10 Member States, with a strong likelihood in an additional eight, despite some inherent uncertainties

[30] The Commission survey targeted members of the Employment Committee (EMCO). Out of the 19 Member States that used SURE support, 15 responded to the survey

[31] COM(2021) 148 final - SURE: Taking Stock After Six Months

In the absence of SURE financing, many Member States would have had to curtail the scope of their employment-related measures, leading to less favourable macroeconomic outcomes. In determining the economic additionality of SURE financing, the evaluation team developed a series of counterfactual scenarios to understand how Member States might have navigated the economic challenges of the COVID-19 pandemic without this support. This involved determining which aspects of JRS measures (e.g., duration, coverage, generosity) would have been affected and to what extent in absence of SURE financing. This assessment was based on survey results (ICF surveys as well as the surveys carried out by Commission services), country case studies, interviews, desk research (mapping the timeline of introduction of JRS measures as well as timing and scope of subsequent changes) and macroeconomic data. The box below outlines the three counterfactual scenarios that emerged from this analysis. The scenarios presented below take into account the varying levels of uncertainty in the analysis, reflecting the diversity and depth of the evidence collected.

Box: Counterfactual scenarios: what would have happened in absence of SURE financing?

Full methodological detail and underpinning evidence and arguments can be found in Annexes 8 and 8.1. Counterfactuals cannot be observed, thus counterfactual assessment is an inherently speculative and subjective exercise.

Scenario 1: about the same to lower spending on JRS

In this scenario, spending on SURE-eligible JRS measures ranges from 60% to 100% of the levels achieved with SURE support, indicating significant variability and uncertainty. The lower end of this range, 60%, suggests that without SURE financing, JRS measures would likely have been implemented only partially (i.e. not all measures would have been implemented) or with reduced scope, affecting their generosity, coverage, or duration. On the other end, 100% represents scenarios where JRS measures could be nearly or fully implemented even without SURE financing, possibly through increased sovereign borrowing or reallocating public expenditures. Such fiscal adjustment would involve shifting resources from other budget areas to finance the JRS measures, potentially resulting in cuts to other public spending.

Scenario 2: lower spending on JRS

In this scenario, it is certain that spending on SURE-eligible JRS measures would be lower than the levels achieved with SURE support. However, the exact extent of the reduction varies, indicating some uncertainty about the precise level of funding that could be maintained. The counterfactual JRS spending thus ranges from 50% to 90%. This definitive decrease reflects tighter fiscal conditions and a constrained ability to finance JRS measures. As a result, JRS measures would likely be implemented only partially or with a diminished scope, characterized by reduced generosity, coverage, or duration.

Scenario 3: considerably lower spending on JRS

This scenario depicts the most severe reduction in JRS spending in absence of SURE financing. Member States would have faced significant fiscal and borrowing constraints, requiring them to significantly curtail the implementation of JRS measures in absence of SURE financing. Counterfactual JRS spending under this scenario ranges from 40% to 50%.

Table 4 presents the results of the analysis:

At least ten Member States would likely have had to reduce (or considerably reduce) their JRS spending and hence, the scope of measures implemented in terms of coverage, generosity and/ or duration. In eight others, JRS spending would have ranged from about the same to lower. Latvia stands out as the only Member State that might have managed

to maintain its JRS spending without SURE support. The implications of reduced JRS support in the absence of SURE financing extend to the broader economy, possibly leading to less favourable macroeconomic outcomes. Section 4.1.2 provides a detailed assessment of the actual (observed) macroeconomic outcomes, as well as SURE's contribution to these outcomes.

Table 4. Counterfactual scenarios: likely scenarios and estimated scale of JRS spending in absence of SURE support

Scenario	% spending on SURE eligible JRS measures in counterfactual scenario (ranges)	% spending on SURE eligible JRS measures in counterfactual scenario (mid-point)	Member States	Comments
Scenario 1: About the same or somewhat lower spending on JRS **(9MS)**	100%	100%	LV	The scenario reflects LV's comfortable fiscal situation at the onset of the pandemic and the capacity to respond to the crisis, with the general escape clause of the SGP and ability to comfortably secure financing from international markets through sovereign debt issuance playing a key role in facilitating the financing of crisis response measures.
	90-100%	95%	Not applicable	
	80-100%	90%	PL, BE, CZ, EE, IE, MT	In case of these countries, inconsistencies between different data sources (such as survey responses, JRS mapping and/or macroeconomic data) led to the emergence of two possible counterfactual scenarios: Full or near full implementation of JRS measures with potential cuts in other areas of public spending The availability of SURE financing augmented Member States' fiscal capacities, and provided them with the flexibility to implement a more expansive crisis response than would otherwise be possible. The absence of SURE financing thus implies a more restrained approach in these cases
	70-100%	85%	SI	
	60-100%	80%	LT	
	70-90%	80%	ES, PT	

Scenario	% spending on SURE eligible JRS measures in counterfactual scenario (ranges)	% spending on SURE eligible JRS measures in counterfactual scenario (mid-point)	Member States	Comments
Scenario 2: Lower spending on JRS (7 MS)	70-80%	75%	HU	Evidence consistently and strongly suggests that in absence of SURE financing, JRS measures would have been implemented with reduced scope (reduced coverage, generosity and/ or shorter duration).
	60-80%	70%	RO	
	50-80%	65%	EL, IT, SK	
Scenario 3: Considerably lower spending on JRS **(3 MS)**	40-50%	45%	BG, HR, CY	Evidence consistently supports that JRS measures would have been implemented with reduced scope in absence of SURE financing. Moreover, survey responses suggest that allocated budget for employment-related measures would have been much lower in absence of SURE and that SURE financing was vital in bolstering the country's ability to protect jobs and incomes during the pandemic .

Source: Authors' analysis.

SURE had little additionality in respect of health-related measures. There is no evidence to suggest that the availability of SURE financing influenced Member States' decisions to implement health-related measures. While 14 of 15 survey respondents from the Ministries of Finance disagreed that the availability of SURE financing influenced their decision to introduce health-related measures, Member States that used SURE to finance these measures nevertheless emphasised its importance in paying for medical equipment, wage support for healthcare workers, and workplace safety measures.

The evidence on health-related measures is sparse, patchy and mainly anecdotal, but tends to affirm the effectiveness of these measures. Stakeholder interviews in case study countries suggested that there is an overall positive view that health-related measures financed under SURE contributed to strengthening the health response and ensuring workplace safety. In Poland, additional financial compensations for a substantial cohort of healthcare professionals likely mitigated what could have been a more acute shortfall in medical personnel (although high levels of irregularities were observed; see Section 5). In Portugal, health-related measures supported by SURE protected workers, reduced contagion, and enhanced the health response to the crisis. This facilitated the return of workers to their jobs and enabled children to resume their schooling.

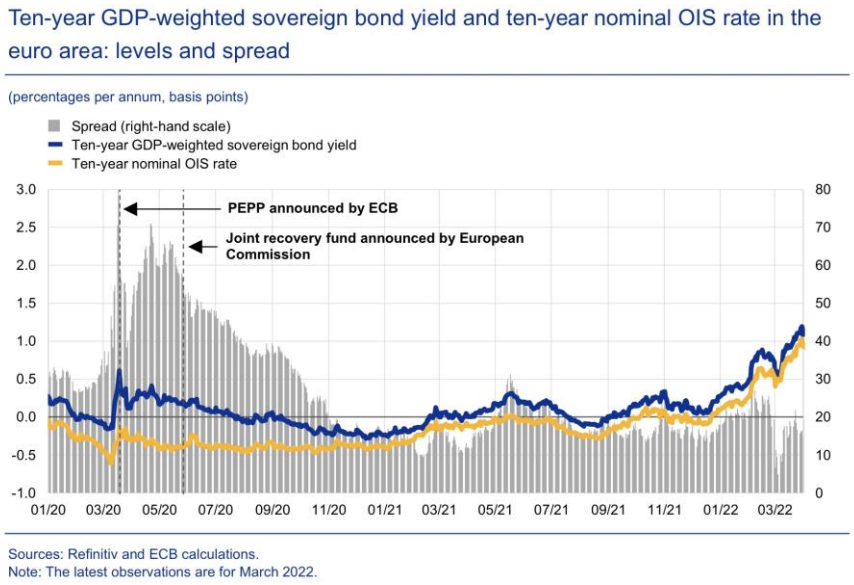
Finally, the evaluation tested whether or not SURE financing had a signalling effect on markets, while acknowledging that this was not the main purpose of the instrument. Given the scope of the evaluation, this assessment is based on interviews and surveys, rather than a scientific study.

ECB intervention played a critical role in curbing initial market turbulence. Interviews with CRAs reveal that the early stages of the pandemic were marked by significant market turbulence, with countries like Greece, Italy, Portugal and Spain experiencing spikes in bond yields. The introduction of the ECB's COVID-19 Pandemic Emergency Purchase Programme (PEPP) in March 2020 immediately calmed the markets, reducing volatility and lowering yields (see Figure 15). According to one CRA, three aspects of ECB's intervention were notable:

- By shoring up investor confidence and lowering borrowing costs, PEPP underscored the vital role of monetary policy during crises;
- It allowed sovereign issuers to rely on the ECB as a stable investor, providing a buffer against market fluctuations;
- National treasuries benefitted from the profits accrued through bonds held by national central banks, further easing fiscal pressures.

Figure 15. European government bond (EGB) markets developments

Source: Bloomberg, ESM. The above chart shows yield spreads between bonds issued by select Member States and German (DE) bonds



Source: ECB Economic Bulletin, Issue 8/2022, p. 95.

SURE was deemed to have had no immediate impact on sovereign borrowing costs. Nevertheless, CRAs noted that SURE symbolised a commitment to EU solidarity and support, which resonated positively with the markets, a message echoed by other stakeholders. According to market players, SURE alone was not big enough (in terms of size) to move the dial in this respect. The data suggest that the fiscal signal of the three social safety nets seems to have made a positive contribution to stabilising the spread when the spreads were rising temporarily again, after the successful, larger and more visible monetary signal of the ECB. Feedback on this issue was also collected from Ministries of Finance from SURE beneficiary Member States. Their views were divided: about half (7/15) concurred that SURE played a role in deterring negative market speculation, particularly for Member States burdened with high levels of debt. The remaining eight maintained a neutral position, reflecting a spectrum of views on SURE's market impact.

> *"The very quick action at the EU level was viewed very positively [by the markets]. EU level policy makers showed flexibility and very quickly provided support to Member States to avoid job losses. The EU came up with a financing mechanism to support government intervention in the face of enormous uncertainty. A key factor explaining the success of the action: the action was taken at the supranational level (rather than national level), it helped alleviate any constraints linked to public finances and allowed all EU Member States to take appropriate action. Had it been at a national level, some Member States might have been restricted by their fiscal capacity to take adequate action"*

Views expressed by a Rating Agency

4.1.2 How effective were the employment-related measures financed by SURE?

The evaluation looks first at the observed macroeconomic outcomes and impacts, then assesses the contribution of SURE-financed employment-related measures to those outcomes and impacts.

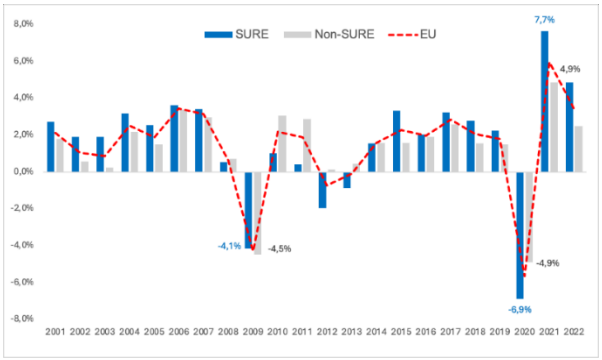
4.1.2.1 Macroeconomic outcomes and impacts

SURE beneficiary countries experienced a sharper contraction in output compared to the GFC **and non-beneficiary countries, as well as a quicker and stronger recovery**. Member States that benefitted from SURE financing faced a more severe economic downturn at the onset of the COVID-19 pandemic compared to both the

GFC and non-beneficiary Member States. Figure 16 shows the annual changes in GDP, highlighting that the pandemic-induced drop in GDP (2019-2020) outstripped the decline seen in the GFC (2008-2009) across all Member States. Yet, the impact of the pandemic was significantly more pronounced in SURE beneficiary Member States, with a -6.9 % drop, compared to a -4.9 % fall in non-beneficiary Member States. However, SURE beneficiary Member States posted higher growth rates in 2021 and 2022 than non-beneficiary Member States, highlighting a quicker and more robust economic recovery.

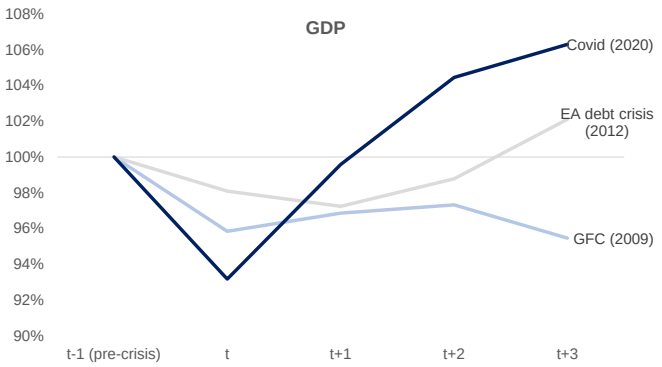
Figure 16. Sharper contraction but stronger and quicker recovery in SURE beneficiary Member States

a) Annual change in real GDP (%)



Source: Eurostat [GDP at market prices, Chain linked volumes (2010), million euro] [nama_10_gdp].

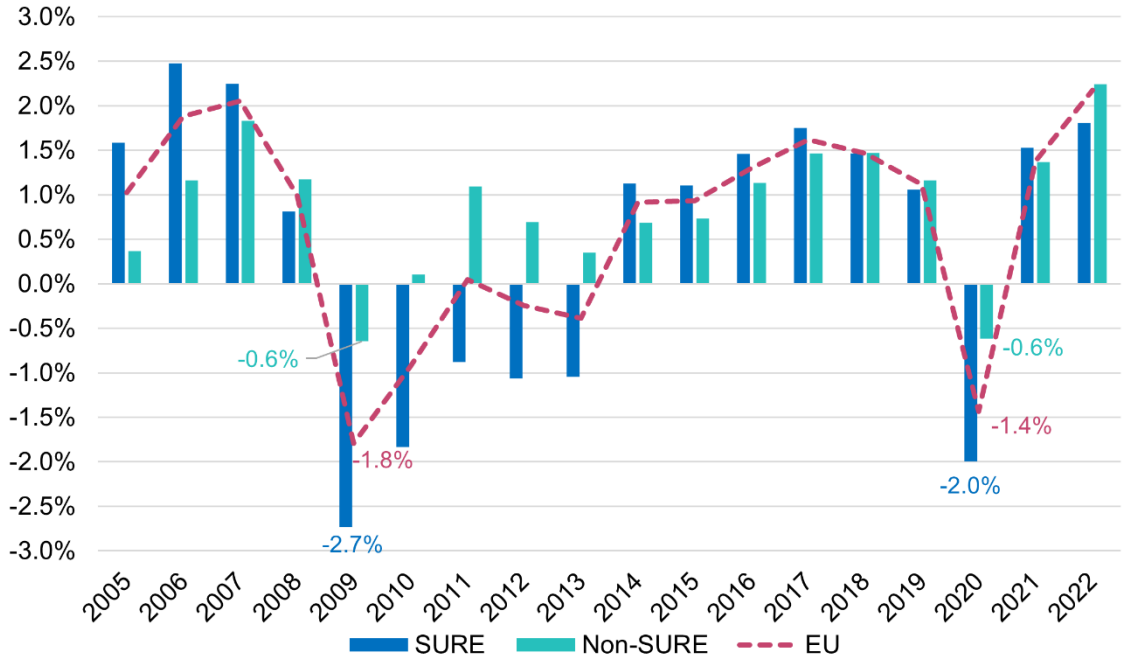
b) Historical comparison of the recovery in GDP after a crisis: SURE beneficiary Member States



Source: European Commission, SURE implementation: final bi-annual report, 2023.

SURE beneficiary Member States also experienced quicker stabilisation of employment rates following the initial shock of the COVID-19 pandemic compared to the GFC. In stark contrast with output, the decrease in employment during the pandemic (2019-2020) was notably milder among SURE beneficiary Member States compared to the downturn experienced during the GFC (2008-2009). However, the employment contraction was somewhat more significant for SURE beneficiary Member States (-2.0 %) than for non-beneficiary Member States (-0.6 %), indicating a differential impact on labour markets.

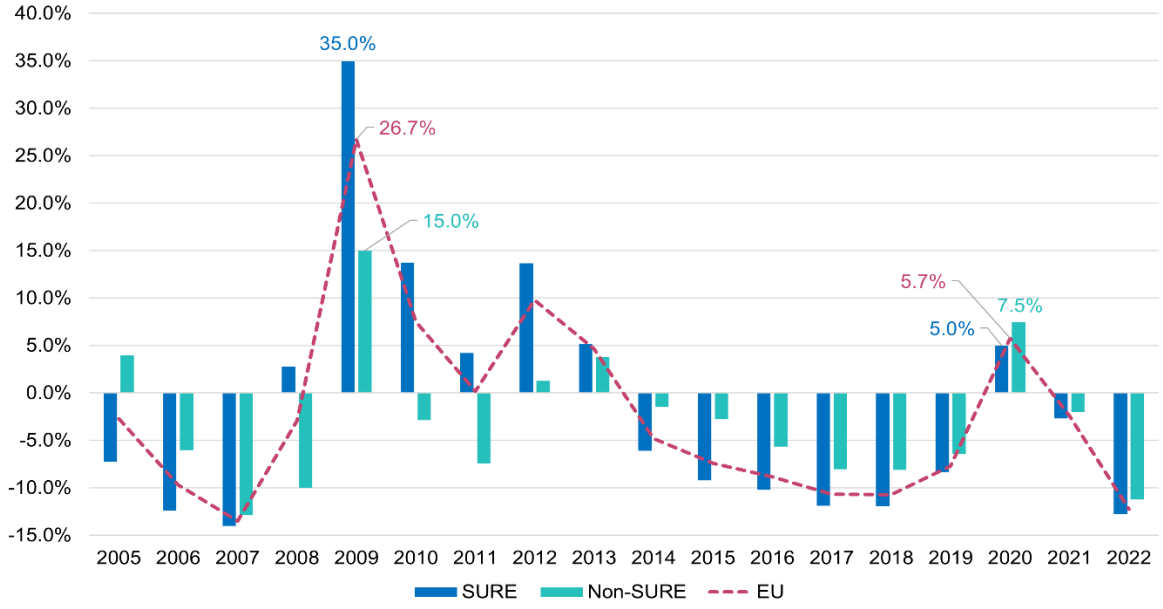
Figure 17. Change in employment in SURE beneficiary Member States, 2005 - 2022 (%)



Source(s): Eurostat [nama_10_a64_e]; authors' calculations.

The unemployment rate rose less in SURE beneficiary Member States in 2020 (5.0 %) compared to non-beneficiaries (7.5 %) (see Figure 18). These results suggest that effective interventions and policy measures were implemented in these Member States to curb the rise in unemployment, despite facing a significant drop in output due to the COVID-19 pandemic's economic shock.

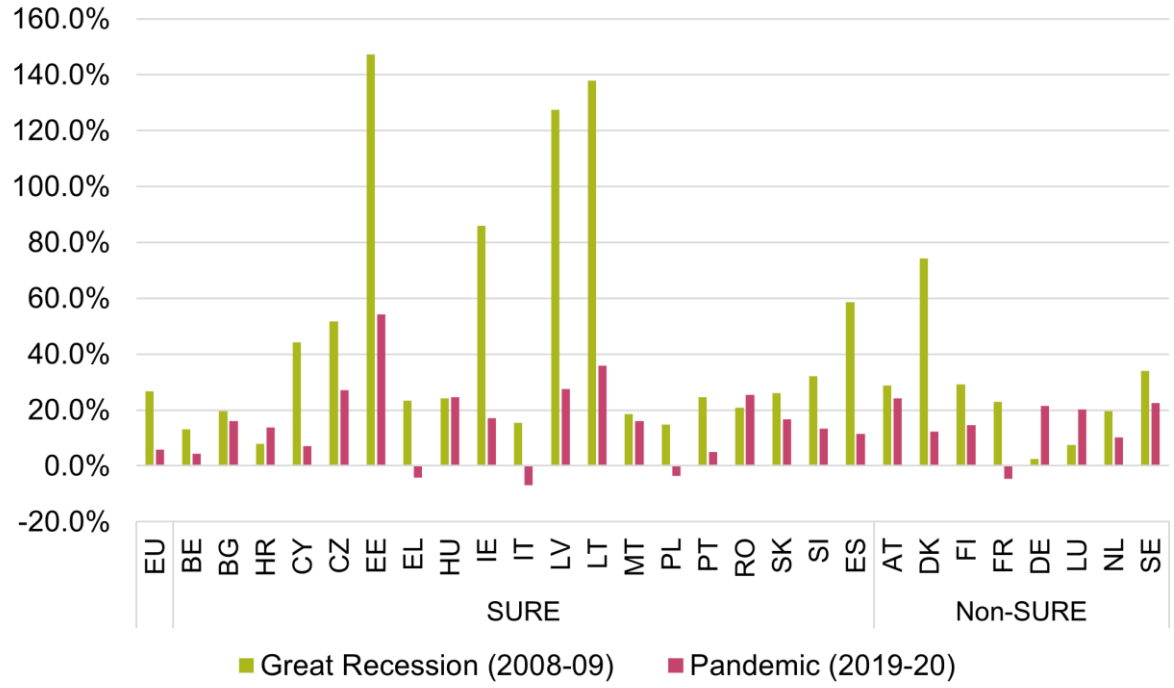
Figure 18. Annual change in unemployment rate in SURE beneficiary Member States and non-beneficiaries, 2005 – 2022 (%)



Notes: Data include people above age 15.
Sources: AMECO November 2023 (NUTN and NLTN); authors' calculations.

Compared to the GFC **(2008-2009), SURE beneficiary Member States had a much smaller increase in unemployment rates during the COVID-19 pandemic (35 % and 5 %, respectively), despite a sharper economic contraction**. Figure 19 shows the annual change in unemployment rate for each Member State during the GFC and the initial COVID-19 pandemic (2019-2020). On average, the rise in unemployment rates was more subdued during the pandemic than in the period of the GFC. Notably, during 2009, some economies, particularly the Baltic States like Estonia (+145.5 %), Lithuania (+137.9 %), and Latvia (+126.9 %), saw very steep rises in unemployment rates. Such dramatic increases were not observed during the pandemic. Estonia recorded the highest yearly rise in unemployment during the pandemic (-53.3 %), whereas some Member States, including Italy (-7.0 %), France (-4.5 %), Greece (-4.2 %), and Poland (-3.5 %), experienced decreases in their annual unemployment rates in 2020.

Figure 19. Annual change in unemployment rate in SURE beneficiary countries, COVID-19 pandemic vs GFC (%)



Notes: Data include people above age 15; Member States listed alphabetically by name.

Sources: AMECO November 2023 (NUTN and NLTN); authors' calculations.

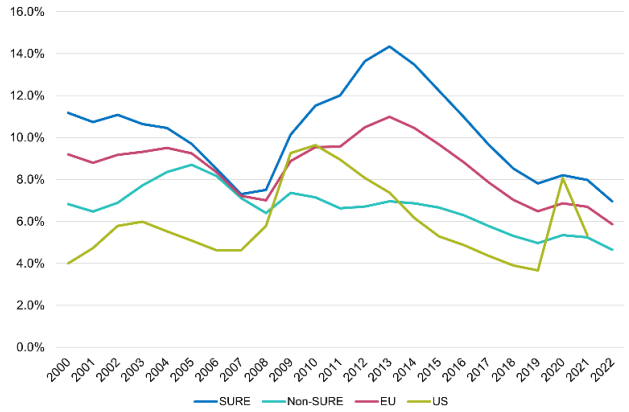
The EU was better able to shield its labour market from the severe impacts of the COVID-19 pandemic than the US, while SURE beneficiary countries were able to tackle unemployment more effectively during the COVID-19 pandemic than the GFC (see Figure 20). Between 2019 and 2020, the unemployment rate in the US more than doubled, from 3.7 % in 2019 to 8.1 % in 2020 (+4.4 pp), comparable to the GFC. In contrast, job shedding in the EU was much lower than in the GFC, despite a much sharper decline in economic activity[32]. The EU witnessed a modest rise of 0.4 pp in unemployment rate for both SURE recipients and the EU overall, and an even smaller increase, 0.3 pp, for non-SURE recipients. This disparity underscores the effectiveness of the EU's pandemic response strategies in mitigating unemployment, compared to the US approach. The trends indicate that SURE beneficiary countries were more successful in curbing unemployment during the COVID-19 pandemic than during the GFC, narrowing the unemployment gap

[32] The unemployment rate in the EU went from 7.0 % in 2008 to 8.9 % in 2009 (+1.9 pp) and from 6.5 % in 2019 to 6.9 % in 2020 (+0.4 pp).

between SURE beneficiary Member States and non-beneficiary Member States in the 2020 downturn. The unemployment rate has steadily declined subsequently in both groups of Member States (and the EU as a whole), albeit with a high degree of heterogeneity across countries.

Figure 20. Unemployment rates during COVID-19 compared to the US and the GFC

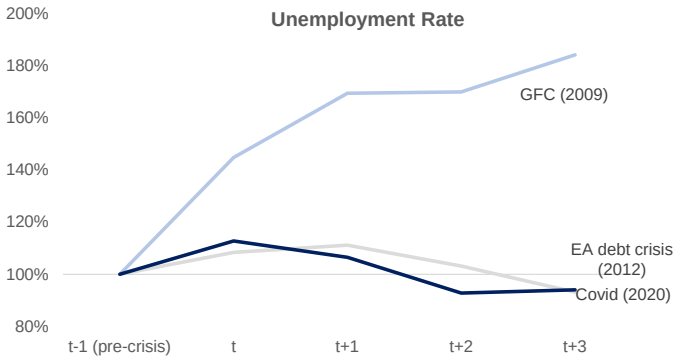
a) Unemployment rate, by geography (%)



Source: AMECO November 2023 (NUTN and NLTN); Organisation for Economic Co-operation and Development (OECD) labour force statistics; authors' calculations.

Note: US data from OECD are missing for 2022.

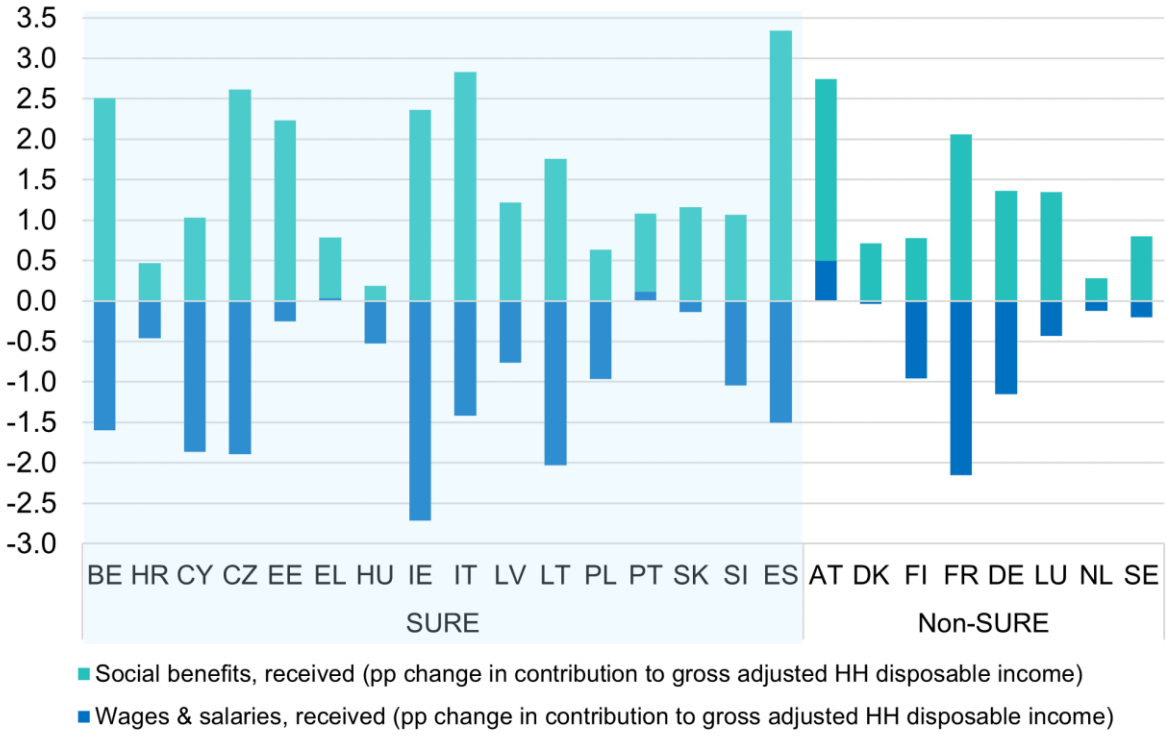
b) Historical comparison of the recovery in unemployment after a crisis: SURE beneficiary Member States



Source: European Commission, SURE implementation: final bi-annual report, 2023.

Social benefits played a crucial role in buffering household incomes against the fallout from reduced wage earnings in SURE beneficiary Member States. The average decline in wage contributions to household income in 2020 was more pronounced among SURE beneficiary Member States than their non-beneficiary counterparts, underscoring the COVID-19 pandemic's differential economic impacts across the EU. The contribution of wages to disposable household income declined in almost all Member States. The exceptions were Portugal, Greece, and Austria, where the wage contributions even (slightly) increased. Conversely, Ireland, France, and Lithuania registered the most substantial drops. On the other hand, there was a more significant rise in the contribution of social benefits to disposable household income among SURE beneficiary Member States compared to non-beneficiary Member States. Notably, in countries like Belgium, Czechia, Italy, and Spain, the augmentation in social benefits not only compensated but exceeded the decline in wage contributions to household income during this period.

Figure 21. Change in contribution of wages and other benefits to disposable household income, 2019-2020 (pp)



Notes: Data for RO, MT, BG either unavailable or incomplete; HH=household; Member States listed alphabetically by name.
Sources: Eurostat [nasa_10_nf_tr].

4.1.2.2 Contribution of SURE-financed JRS to macroeconomic outcomes and impacts

Protecting jobs

The use of JRS during the COVID-19 pandemic has been widely hailed not just for mitigating the impact on employment and incomes, but also for facilitating a swifter recovery compared to past downturns. The OECD's Employment Outlook 2021 report[33] confirmed the role of JRS in preserving jobs. The report calculated the correlation between the change in average number of hours worked and use of JRS to estimate the number of jobs saved. Using Okun's law estimates, the IMF[34] suggested that the widespread use of JRS in EU Member States played a key role in explaining the dynamics of hours worked and employment across Europe during the pandemic. A more recent IMF study[35] used a microsimulation model to understand the effect of JRS in stabilising household incomes in the EU during the COVID-19 pandemic. It showed that the addition of JRS to existing tax and benefit system helped to double the rate of absorption of market income shocks to nearly 80 % of pre-pandemic level. In addition to other fiscal support measures, such schemes reduced the unemployment rate by 3 % compared to the counterfactual, with important implications for mitigating the rise of income inequality in the EU. A study on the effect on STW schemes on households' disposable income in the

[33] OECD, *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, OECD Publishing, Paris, 2021, https://doi.org/10.1787/5a700c4b-en

[34] IMF, *European Labour Markets and the COVID-19 Pandemic Fallout and the Path Ahead*, 2022, https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2022/03/02/European-Labor-Markets-and-the-COVID-19-Pandemic-Fallout-and-the-Path-Ahead-512327

[35] IMF, *How Effective were Job-Retention Schemes during the COVID-19 Pandemic? A Microsimulation Approach for European Countries*, 2023, https://www.imf.org/-/media/Files/Publications/WP/2023/English/wpiea2023003-print-pdf.ashx

EU during the COVID-19 pandemic found that in the absence of such benefits, household labour income in the euro area could have experienced a drop of 22 % as a result of reduced hours worked during the lockdowns[36]. With STW benefits, this decline was no more than 7 %.

Further analysis by the European Commission, based on Okun's law (i.e. the pre-pandemic relationship between GDP growth and unemployment rate) shows that, in 2020, approximately 1.5 million people were prevented from being unemployed in the SURE beneficiary Member States (18 countries, excluding Croatia). Additional simulations using an in-house global multi-country model suggest that STW schemes and similar measures directly funded by SURE could have saved up to 1 million jobs in 2020 in the euro area alone. Additionally, employment protection in the initial period of the crisis aided rapid economic recovery in 2021[37].

A growing body of literature uses micro-level approaches to assess the effectiveness of policy support measures in safeguarding employment throughout the COVID-19 pandemic. However, these studies are predominantly focused on individual country contexts (see box below).

Box: Micro-level insights: assessing policy measures' role in employment preservation during the COVID-19 pandemic

Albertini et al. (2022) studied the impact of STW policies on the French labour market . Their simulations supported the conclusion that STW schemes were effective in preserving jobs and limiting earning losses during the pandemic. The authors however, flagged that it was too early to assess the full impact of these measures e.g. welfare effects and potential side effects such as excessive labour market hoarding and delayed reallocations.

In Estonia, Meriküll and Paulus (2023) estimated that around one in five jobs supported by the JRS were saved. In its absence, the unemployment rate in the country would have been 2-4 pp higher.

Aiyar and Dao (2021) found that the *kurzarbeit* scheme in Germany was instrumental in preventing a rise of at least 3 pp in the unemployment rate. Without *kurzarbeit*, the contraction in consumption would have been two to three times larger than observed.

In Australia, Bishop and Day (2020) used worker-level data to evaluate the impact of wage subsidies in mitigating employment losses. Between April and July 2020, the Australian JobKeeper wage subsidy programme reduced total job losses by at least 700 000.

In the US, the Pay check Protection Programme (PPP) was part of the fiscal stimulus enacted by Congress to help small businesses to maintain employment and wages during the COVID-19 pandemic. Autor et al. (2022) found that the PPP helped to retain five million jobs.

The evaluation replicates the Commission's analysis using Okun's law across all EU Member States to facilitate a comparison between SURE beneficiary and non-beneficiary countries and to lay the groundwork for further counterfactual analysis. Despite its known limitations (see box below), the Okun's law approach was chosen to determine the contribution of SURE financing to labour market outcomes (specifically, unemployment rates). Its use ensured consistency and continuity with previous studies and met conceptual and practical constraints (time and budget).

[36] Da Silva et al. 2020. Short-time work schemes and their effects on wages and disposable income. Economic Bulletin Boxes, 4.

[37] The estimate of 1.5 million jobs saved is based on Okun's law analysis (see Section 5.1).

Box: Critique of Okun's law and challenges in determining COVID-19 pandemic impacts using alternative approaches

During an evaluation workshop, economists argued that inferring causality from Okun's law is inherently problematic, as it primarily establishes a correlation rather than a direct cause-and-effect relationship. This critique was compounded by the complexity of attributing changes in unemployment directly to JRS, given the concurrent implementation of a myriad of economic measures during the COVID-19 pandemic. For example, JRSs were often complemented by other policy measures that affect employment and increase the survival rates of firms, such as massive loan guarantee schemes and suspension of insolvency proceedings. According to the economists, more refined measures are needed to establish causality using microdata at country level.

However, such microstudies presents their own challenges, including the scarcity of detailed data on specific schemes and the difficulty in establishing a proper counterfactual. This task is particularly daunting in the COVID-19 context: firstly, the widespread targeting of support complicates the identification of a control group due to the lack of clear variation; secondly, the extensive adoption of these schemes suggests potential widespread economic spillovers, affecting not only those directly participating in the schemes but possibly the broader economy as well. These obstacles underscore the complexity of isolating the impact of JRS on unemployment rates amid a crisis characterised by broad-based policy interventions.

Alternative macro-level approaches comparing SURE beneficiaries (treatment group) to non-beneficiaries (control group), drawing on quasi-experimental methodologies (e.g. difference-in-differences method) were considered and disregarded. The internal validity of this comparison hinges on the assumption that the treatment and control groups are comparable, a premise challenged by (a) the self-selection of Member States into SURE and (b) differences in economic, structural, and political factors between the two groups (beneficiary Member States and non-beneficiaries). Unlike the 2008-2009 financial crisis, all Member States implemented some form of JRS during the COVID-19 pandemic, thus the control group actually comprises Member States who financed their JRS policies through alternative means. As a result, it becomes difficult to isolate the impact of SURE, risking underestimating its impact on labour market outcomes. Finally, all units of observation in the study are Member States of the EU. Given the timing of the implementation of JRS, there are valid concerns about potential spillovers from treatments of other Member States that may affect outcomes.

Using Okun's law analysis, an estimated 1.21 to 2.04 million people avoided unemployment in 2020 across the EU. Due to the extraordinary scope and scale of responses by Member States to protect employment in 2020, it is likely these workers were mainly protected by labour market measures, such as JRS. Between 1.03 million and 1.62 million people avoided unemployment in SURE beneficiary Member States. These estimates are based on econometric models and updated data from the November 2023 AMECO release and are of a similar order of magnitude to European Commission estimates (i.e. 1.5 million people prevented from being unemployed in SURE beneficiary Member States).

Table 5. Unemployment in 2020: observed, predicted, avoided

	Observed		Predicted		Avoided
Unit	*Rate (%)*	*000s*	*Rate (%)*	*000s*	*000s*
LOWER BOUND (Aggregate estimates for each country grouping)					

	Observed		Predicted		Avoided
SURE total	8.2	9 645	9.1	10 675	1 030
Non-SURE total	5.4	5 541	5.5	5 716	175
EU total	6.9	15 186	7.4	16 392	1 206

UPPER BOUND (Country-by-country estimates)

SURE total	8.2	9 645	9.5	11 175	1 624
Non-SURE total	5.4	5 541	5.5	5 669	413
EU total	6.9	15 186	7.6	16 844	2 037

Sources: authors' calculations; AMECO November 2023. Lower bound reflects estimates based on aggregate data and three models were specified as follows: 18 SURE beneficiary Member States (Model 1), Croatia (Model 2) and eight non-SURE Member States (Model 3) . SURE total is calculated with coefficients from Model 1 and Model 2. The upper bound method calculates unemployment avoided by predicting rates for each Member State individually, using country dummies. When developing country-by-country estimates, if predicted values were lower than observed values, the unemployment avoided was assumed to be zero..

Notes: See Annex 8 for detailed presentation of methodology and results.

A counterfactual analysis is used to assess the contribution of SURE financing to these estimates of unemployment avoided. Drawing on the counterfactual scenarios outlined in Table 4, it explores how the absence of SURE financing would have affected Member States' responses to the COVID-19 pandemic. Without access to SURE financing, several Member States would likely have scaled back their JRS due to fiscal constraints, leading to narrower support for employment. By comparing estimated unemployment levels in counterfactual scenarios with actual (observed) outcomes, the evaluation has estimated the contribution of SURE financing.

The results of this exercise show that SURE prevented unemployment of between 135 300 and 502 900 people in 2020 (see Table 6). These figures represent a range of estimates, acknowledging the inherent uncertainties in counterfactual analysis and serving as lower and upper bounds of SURE's potential impact, based on the data available. These estimates are likely conservative, meaning that the true impact of SURE was larger (see box below). in SURE beneficiary Member States. The Member States with the largest avoided unemployment attributable to SURE are Italy (between 55,100 and 222,400), Spain (between 37,200 and 90,100), and Greece (between 19,900 and 80,500) – see Annex 8 for results by Member State. The analysis assumes that the reduction in unemployment was directly proportional to the reduction in expenditure on JRS[38] in the hypothesised counterfactual scenarios (see Table 4) without considering the possibility of diminishing returns on additional JRS spending. Assuming small amounts of inefficient

[38] Not all JRS measures implemented by SURE-beneficiary Member States were funded entirely with SURE loans. According to Member State reporting and other data sources, in 2020, all SURE-recipient Member States collectively spent EUR 92.7bn, while EUR 76.6bn (83% of the total) in SURE loans were disbursed to fund JRS measures that year. So, 83% of the total unemployment avoided can be attributed to SURE, as the remaining 17% of the JRS measures were funded from other sources.

spending (e.g. ineffective/poorly targeted JRS measures), an average effect on unemployment avoided is assumed for each euro of JRS spending by country.

Table 6. SURE-attributable unemployment avoided in 2020

Estimate of unemployment avoided in SURE beneficiary Member States due to JRS (based on Okun's law analysis)		1.03 million (low)	1.66[39] million (high)
Estimated reduction in unemployment attributable to SURE (total (000s) based on counterfactual scenarios and JRS spending ranges presented in Table 4)	Low	135	312
	High	218	503

See Annex 8 for detailed presentation of methodology and results. Source: authors' calculations.

Box: Likely underestimation of the true impact of JRS (and SURE financing)

The Okun's law analysis estimates a predicted level of unemployment in 2020 based on trends between 1999 and 2019. The Okun's coefficient resulting from the analysis is consistent with the broader literature using Okun's law. While studies that assess Okun's law vary in scope and econometric method, the estimates of Okun's coefficient derived from this analysis (between -0.144 and -0.289) fall within the range of values commonly found across other studies. However, the COVID-19 pandemic represents an unprecedented economic shock, differing significantly from previous downturns like the GFC or other recessions considered in the historical data. The unique nature of the pandemic, characterised by widespread and protracted lockdowns, and massive government interventions, may have altered typical economic relationships, including those described by Okun's law.

Overall, it is likely that the estimates provided above are on the lower side. The reasons are as follows:

For Member States with some form of JRS measures already in place during 1999 and 2019 (e.g. Belgium, Italy, Spain), the relationship between change in GDP and the unemployment rate could have been affected by these policies. Thus the results should be interpreted with caution and are likely reflective of unemployment avoided due to JRS measures above and beyond what was introduced during the 1999-2019 period. These schemes likely modified the relationship between GDP changes and unemployment rates, potentially leading to an underestimation of unemployment prevention during the pandemic. Thus, the actual unemployment avoided, could have been greater than suggested by this model in SURE beneficiary member States with pre-existing JRS.

Policy responses to the economic shock resulting from COVID-19 pandemic lockdowns might have had a protective or preventive effect that is not captured here. After the 2008-2009 financial crisis, unemployment remained high across many Member States for a period of years. The implication is that without

interventions like JRS, the unemployment situation during the COVID-19 pandemic could have mirrored earlier crises, with prolonged high unemployment. Additionally, JRS measures helped workers maintain their income levels, which might have prevented a more severe reduction in consumer spending and/or spillovers into sectors not as affected by national lockdowns.

Unemployment avoided is estimated only for 2020, as this was the only year of the pandemic crisis in which most Member State experienced a sharp fall in GDP. However, JRS spending (including on measures funded with SURE loans) continued in 2021 and, to a lesser degree, in 2022. This analysis cannot quantify the benefits of SURE over 2021 and 2022, although it almost certainly helped to facilitate the continuity of JRS benefits for workers and firms at that time.

Reducing labour market inequalities across the EU

SURE is estimated to have made a positive contribution to reducing labour market inequalities across the EU. Despite mixed feedback from Ministries of Finance on the extent to which SURE-financed measures curtailed labour market inequality among Member States, empirical data underscores its positive impact. Dispersion of unemployment rates across SURE beneficiary Member States decreased and converged with non-beneficiaries during the COVID-19 pandemic (see Figure 20A). The prevention of approximately 135 300 to 502 900 job losses in 2020 through SURE would have made a small (quantitative) contribution to the observed levelling effect. Although this represents only a small fraction of the EU's workforce, the significance of preserving these jobs cannot be understated. By preventing a potential increase in unemployment disparities, SURE played a crucial role in fostering a more equitable labour market environment across the EU in the face of extraordinary economic challenges.

Protecting incomes

SURE-financed measures appear to have played a varying but generally positive role in cushioning the impact of the COVID-19 pandemic (and economic closures) on household incomes. In Lithuania, there was no significant drop in household disposable incomes during 2020-2021, with incomes actually increasing, partly due to rapid minimum wage increases. Both Poland and Portugal experienced decreases in real disposable incomes in 2020 compared to the pre-pandemic period, and this reduction was more pronounced than the EU-27 average. In Poland, stakeholders believe that SURE-financed measured helped to reduce this decline. In Portugal, measures cushioned financially constrained households from a greater reduction compared to wealthier households. Italy saw social benefits that absorbed a substantial part of the income loss and somewhat offset potential rises in income inequality, especially among lower-income and lesser-skilled workers. SURE-financed measures significantly mitigated income inequality and financial hardship in Spain (see box below), while in Greece, SURE-financed measures, although not fully recorded under social transfers, helped to prevent a more significant fall in household incomes.

Box: SURE-financed measures in Spain protected workers' incomes and prevented a rise in inequality

Using real-time bank account data for a representative sample of over three million individuals, Aspachas et al. (2021) documented a rise in the pre-benefit GINI coefficient of wages of close to 0.11 points (approx. 25 %) between March and April 2020. In contrast, in May 2020, the post-benefit GINI coefficient had returned to its pre-COVID-19 value, while the pre-benefit GINI coefficient remained close to its peak.

The same study reports a considerable degree of heterogeneity. The rise in inequality is concentrated among low-wage earners, young people, and immigrants from relatively poor countries. This reflects the disproportionate effect of the COVID-19 pandemic on low-wage sectors, as well as differences in the

strength of Spain's safety net. Relevant aspects are the relatively high share of informal employment and the then-lack of a coherent income guarantee system for people with no source of income. The Spanish authorities addressed the latter problem through the creation of a national income guarantee scheme (*Ingreso Minimo Vital*) in 2021, but coverage was low during the pandemic.

Crespo et. al. (2023) uses data from the 2017 and 2020 waves of the Spanish Survey of Household Finances (EFF) to estimate the effect of the COVID-19 pandemic on income on the financial situation of Spanish households which suffered a persistent drop of income and/or employment losses during the pandemic. They document a mean drop in pre-benefit income levels of 55 % for those who suffered a drop in income for at least six months. The benefits during the pandemic reduced this median loss to 22 % (60 % due to the benefits introduced during the pandemic; 40 % due to regular benefits).

This group suffered a more pronounced increase in debt levels and a less pronounced increase in net financial wealth. By contrast, the drop in durable consumption was uniform across affected and non-affected households and the levels of life satisfaction remained stable for all groups, except those who lost their employment. This provides further evidence of the mitigating role of the ERTEs[40].

4.1.2.3 Unintended positive and negative consequences of JRS supported by SURE

SURE-financed measures may have had some unintended negative consequences across beneficiary Member States. Although official responses from the majority of ministries suggested a lack of negative outcomes from SURE-financed measures, the country case studies provide a more complex picture.

- Lithuania: Support measures may have delayed the restructuring or bankruptcy of financially weak firms, potentially fuelling inflation;
- Poland: Measures may have maintained existing business structures within the micro and small enterprise sector, preventing necessary restructuring of business activity and sectoral labour reallocation, and increasing dependency on State aid for low-productivity firms;
- Portugal: No significant adverse outcomes, but some experts flagged the potential for inefficiencies and a rigid labour market;
- Italy: Support measures may have inadvertently propped up unproductive firms, impeding economic renewal; and widened the pandemic's impact on different groups of people (permanent vs atypical workers vs unemployed people
- Spain: Support measures potentially slowed firm restructuring and labour market adjustments, exacerbated by a moratorium on bankruptcy procedures and insufficient incentives for active job searching among ERTE beneficiaries.

These negative effects likely varied significantly across sectors and countries, depending on the specific design of the measures and their generosity and duration relative to the actual risks faced by firms and workers.

Experts suggest that concerns about the negative impact of COVID-19 pandemic support measures may be overstated. Support measures implemented during the pandemic most likely had a limited effect on job mobility due to three reasons: (i) support was available to all firms and workers affected by the policy-mandated containment measures (it was not specifically targeted to firms with pre-existing structural difficulties), (ii) there were fewer job vacancies during the pandemic, limiting the scope for worker transitions, and (iii) a swift economic recovery that facilitated a rapid phasing-out of

[40] The STW scheme ERTEs was the main employment retention scheme implemented during the COVID-19 pandemic in Spain.

support schemes (which mitigated the risk that the schemes would be exploited by firms with structural challenges).. Another conclusion from the workshop - supported by some pieces of literature (Annex 6) and the Italian case study (Annex 4) - is that JRS may contribute to labour market duality by protecting formal workers over those in informal or temporary positions. However, this should not be used as an argument against JRS. Rather, it highlights the need for additional supports for workers who cannot be protected by such schemes.

Across the Member States, employment-related measures during the COVID-19 pandemic had a range of unintended positive outcomes. Country case studies provide evidence of several effects, although their significance and scale cannot be determined:

- Avoidance of hysteresis effect (Lithuania, Spain);
- Transformation of temporary JRS measures into permanent measures (Czech Republic, Croatia and Lithuania), while other Member States would have acquired valuable knowledge and lessons from implementing these schemes on a large scale in a crisis context;
- Shift from informal to formal sector activities (Lithuania, Portugal, Spain) and, related to this, strong growth in tax proceeds (Spain);
- Maintenance of entrepreneurial activity and prevention of disruption in business-to-business (B2B) connections (Poland);
- Mitigation of unfavourable social mood due to economic uncertainty (Poland);
- Extension of social protection to self-employed workers (Italy);
- Maintenance of high labour market participation rates, with a rise in participation of older workers, in contrast to the US (Spain);
- Acceleration of digital transformation (Greece);
- Development of synergies and collaborations between national agencies (Greece, Portugal).

4.2 Contribution to policy innovation and governance (Impact Pathway 2)

Many aspects of Impact Pathway 2, such as the benefits of swift coordinated EU action, demonstration of EU solidarity, strengthened EU unity and improved public perception reflect elements of EU added value and are presented in Section 7. This section focuses on assessing whether policy innovation under SURE contributed to greater political acceptance of instruments based on national guarantees and common borrowing and lending. Notably, SURE's framework has inspired subsequent EU initiatives, including financial assistance to Ukraine and the NextGenerationEU (NGEU) fund.

Although SURE is widely acknowledged as a success, views on the way forward are divided. For some, SURE is a first step towards building a genuine social and employment pillar as part of an Economic and Monetary Union (EMU) or implementing the European Pillar of Social Rights. This idea is not unanimously accepted, however, and remains controversial. The box below presents the historical context of the debates about a joint EU-wide unemployment reinsurance scheme.

Box: Historical policy context

In the years leading up to the establishment of SURE, talks were already underway on a joint EU-wide unemployment reinsurance scheme (also referred to in the debates as European Unemployment Benefit Scheme, EUBS). Such a scheme would act as a central instrument to support national unemployment benefit schemes at EU level, notably in

periods of severe economic or financial shocks. The European Commission proposed a reinsurance scheme in a paper published in May 2017 as part of a series of reflections on the future of Europe[41]. When the COVID-19 pandemic overtook the policy agenda, the Commission remained committed to accelerating the preparation of its legislative proposal for an EU unemployment reinsurance scheme (e.g. in the Communication setting out its coordinated economic response to COVID-19[42]). SURE did not, however, constitute unemployment reinsurance per se. Rather, it served as a safety net for jobs and was not designed to support or offer protection to the unemployed.

More recently, the EUBS lost momentum, failing to feature in the Commission's European Pillar of Social Rights Action Plan (published in March 2021). The revised Plan proposed a new instrument instead, the Effective Active Support to Employment (EASE), aiming to further the work already accomplished under emergency measures such as SURE. EASE would specifically promote job creation and job-to-job transitions, including towards the digital and green sectors[43], using support from the Resilience Recovery Fund (RRF) and the ESF. The Commission's proposal is currently pending, as such a scheme is considered controversial. Views are split between those perceiving it as a centrally important instrument to cushion external shocks, especially among the southern Member States, and those that do not consider it feasible, given the diverging national labour market realities, especially among the northern Member States.

The evaluation suggests considerable political support from Member States such as Italy, Spain, and Greece, advocating for the establishment of a permanent anti-crisis mechanism at EU level. Ministry officials as well as broader stakeholders in these Member States see value in having a standing instrument designed to mitigate future crises , underscoring a division in perspectives among EU countries on the role and permanence of financial support mechanisms like SURE.

Critiques and cautious stances emerge from interviews with non-beneficiary Member States. Several Member States are concerned about potential overreach of EU policy in areas of national competence (based on 'creative' EU Treaty on the Functioning of the European Union (TFEU) interpretations), the potential for moral hazard, or misaligned incentives that could undermine fiscal prudence and reform efforts. While not opposed to Member States implementing JRS during crises, some non-beneficiary Member States stressed the importance for national governments to be fiscally prudent and maintain sufficient fiscal leeway to have the necessary means to respond to crises. They were concerned about the possible encouragement of fiscal indiscipline by mechanisms like SURE. Some Member States voiced their apprehension about the transformation of SURE into a permanent fixture, as this would involve the EU taking on a new role. According to one Member State, its stance towards similar EU actions in future would be contingent on concerted efforts by Member States to bolster their fiscal resilience and would be evaluated against the backdrop of both factual and political contexts at the time. In some Member States, parliamentary reluctance towards another SURE-like mechanism has intensified, reflecting a growing scepticism about the conditions and precedents set by such instruments, which are deemed acceptable solely in crisis contexts and to be judged on an individual basis.

[41] European Commission, Reflection paper on the deepening of the economic and monetary union, Publications Office of the European Union, Luxembourg, 2017, https://commission.europa.eu/publications/reflection-paper-deepening-economic-and-monetary-union_en

[42] European Commission, *Questions and answers: Commission proposes SURE, a new temporary instrument worth up to €100 billion to help protect jobs and people in work*, Press release, 2020, https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_572

[43] European Commission, *Questions and Answers: Effective Active Support to Employment following the COVID-19 crisis (EASE)*, 2021, Press release, https://ec.europa.eu/commission/presscorner/detail/el/qanda_21_971

4.3 Benefits of SURE's financial architecture (Impact Pathway 3)

SURE's financial architecture had three notable features: (i) generating resources from the market (common borrowing) by issuing social bonds; (ii) a system of bilateral guarantees from all Member States to underpin common borrowing; and (iii) provision of EU support in the form of back-to-back loans to finance Member States' social expenditure. This section of the report focuses on the impacts of EU borrowing and lending, as set out in Impact Pathway 3. The system of national guarantees is assessed in Section 5 on efficiency.

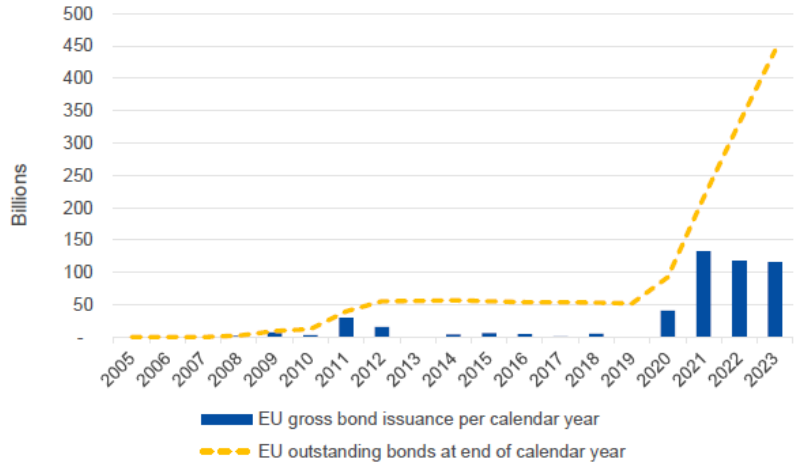
4.3.1 Impact of the EU's borrowing activities

Under SURE, the EU issued social bonds amounting to EUR 98.4 billion between October 2020 and December 2022. These issuances were significant for two reasons: (i) the scaling-up of EU borrowing; and (ii) the strategic choice of issuing labelled bonds over conventional 'plain vanilla' bonds. The analysis here takes a closer look at the contribution of these issuances to establishing the EU as a credible borrower on the markets and to the growth and development of the social bonds market.

4.3.2 Establishing the EU as a borrower

SURE was a step-change for the EU as an issuer in terms of volume. Prior to 2020, the EU had engaged in small volumes of debt issuance on a somewhat sporadic basis, primarily to facilitate on-lending to Member States via the Balance of Payments (BoP) and the European Financial Stabilisation Mechanism (EFSM) programmes, or to support neighbouring countries through the Macro-Financial Assistance (MFA) instrument. Figure 4.9 shows that since 2020, the EU has transitioned into a consistent and large-scale issuer of bonds, a shift from its previous issuance patterns. This upsurge in activity positioned the EU as one of the most notable entities in terms of bond issuance during the 2020-2021 period and the largest supranational issuer globally. In Q3 2020, the EU issued EUR 31 billion of SURE social bonds, followed by EUR 58.6 billion of SURE issuances in 2021 and another EUR 20 billion in 2022. SURE issuances were considered to have paved the way for the even larger issuances under the NGEU programme and, taken together, now constitute 82 % of EU outstanding bonds (Figure 23).

Figure 22. EU bond issuance and outstanding bonds per year, 2005-2023

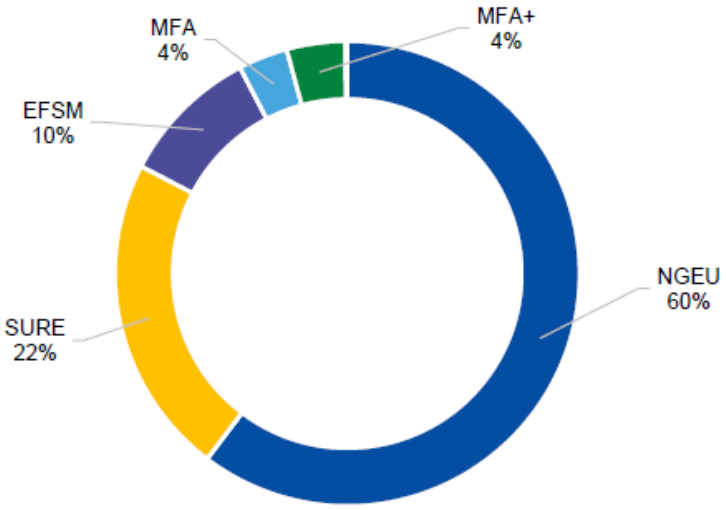


27

"SURE took the EU to another level as an issuer and prepared the ground for the larger NGEU issuance."

- **Another social bonds issuer**

Figure 23. Disbursements funded by EU outstanding bonds, February 2024



Source: EU investor presentation, February 2024.

Overall, this increase in issuance levels has changed the EU's behaviour and perceptions as an issuer. The SURE programme was considered a learning curve internally. Prior to the inaugural issuance of the SURE bond, and even before unveiling the EU Social Bond Framework, there were focused efforts to showcase the EU as a reliable issuer, chiefly by reaching out to a broad spectrum of investors beyond the conventional buy-and-hold segment(which might not have had the capacity to absorb such high volumes of issuance). The EU engages more frequently and proactively with investors, as illustrated by the publication of EU investor presentations, announcement of funding plans and implementation of investor surveys[44], demonstrating a proactive approach in cultivating and maintaining investor relationships. As a result, there is a greater understanding and interest among investors in the EU as an issuer.

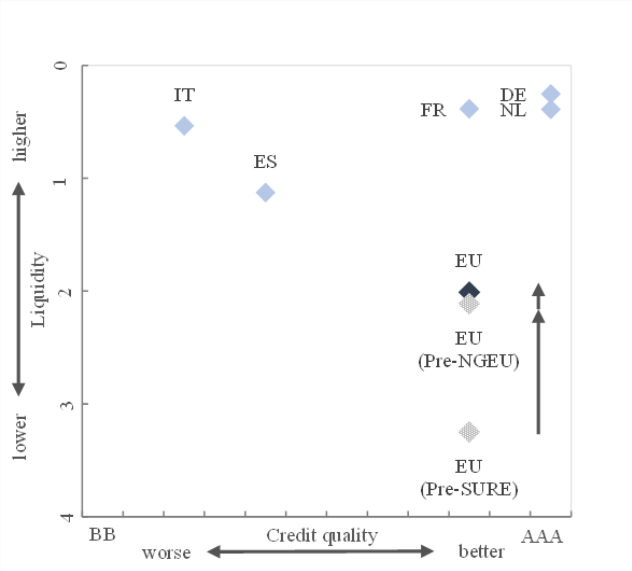
In terms of liquidity, with its large-scale issuances, the EU is becoming more 'sovereign like'. Existing research illustrates the increase in the EU bonds' market liquidity after SURE and NGEU first issuances (see box below).

Box: EU bond market liquidity is improving

Figure 24 shows that despite being rated close to German Bunds, for example, EU bonds were subject to considerably lower market liquidity (i.e. a wider bid-ask spread). Market liquidity increased dramatically with SURE first issuance. It increased again, at the margin, after the NGEU first issuance.

[44] European Commission, *The EU as a borrower: investor relations',* n.d., https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations_en

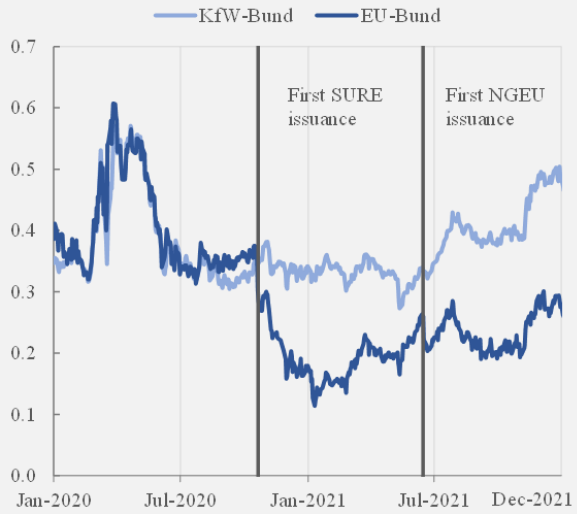
Figure 24. Credit risk and liquidity indicators for EU bonds



Notes: Shows a scatterplot of market liquidity (average bid-ask spreads in basis points) vs credit quality (minimum credit rating). The arrow origin points refer to September 2020 (pre-SURE) and May 2021 (pre-NGEU). The arrow endpoints and all other diamonds refer to October 2021 (following the NGEU's first auction). Higher liquidity corresponds to tighter bid-ask spreads; rating score on the horizontal axis calculated from the minimum issuer ratings from Standard & Poor's, Moody's, Fitch, and DBRS Morningstar.

Figure 25 compares the 10-year EU bond-Bund spread with that of a reference bond, the 10-year KfW bond-Bund spread. Before the first issuance of EU SURE bonds, the two series were evolving almost identically. They diverge dramatically after the first SURE issuance, illustrating that the increase in trading volumes would improve liquidity conditions.

Figure 25. EU bond-Bund spread vs KfW bond-Bund spread



Notes: Shows the KfW bond-Bund yield spread and the EU bond-Bund yield spread (in pp); sample period is from January 2020 to December 2021; vertical lines refer to the first issuances of SURE and NGEU bonds.

Source: Bletzinger, Tilman & Greif, William & Schwaab, Bernd, 'The safe asset potential of EU-issued bonds', Research Bulletin, European Central Bank, Vol. 103, 2023.

Despite these improvements, some challenges persist for the EU as an issuer. These issues lead to a situation where, despite its high credit rating, the EU incurs higher borrowing costs from the markets compared to sovereign issuers like France and Germany. Market participants pinpoint several challenges and issues:

- The EU is still a relatively young issuer, with issuances neither as big nor as regular as large sovereigns like Germany or France;
- Even with initiatives like SURE and NGEU, the EU's presence in the bond markets is perceived as non-permanent, a view reinforced by the temporary nature of these instruments. The perceived non-permanent presence of the EU reduces the liquidity of its bonds and this is priced into the yields expected by investors;
- EU bonds lack domestic preference – some investors and banks prefer buying debt issued by their own governments;
- While investors take note of the EU's high creditworthiness, they also factor in the economic situations of weaker member countries such as Italy and Spain when pricing EU bonds;
- EU bonds are not currently part of the most widely used sovereign bond indices, which could attract passive investors/safe asset funds;
- The EU relies more on syndication for bond issuance, compared to sovereigns.

Market players note that the unified approach to borrowing should help in future. The Commission has also begun to address some of the limitations within the remit of the institution (e.g. setting up a repo facility).

Finally, SURE raised the environmental, social and governance (ESG) profile of the EU as an issuer. Market participants observe that investors are increasingly adopting a holistic perspective - moving beyond specific bond issuances and labels – and undertaking an issuer-level assessment. In this context, the issuance of SURE social bonds is perceived as having enhanced the EU's ESG profile. This improvement is believed to have a 'halo' effect, positively influencing the perception and reception of subsequent bond issuances by the EU.

4.3.3 Contributing to the development of social bond markets

A key novelty under SURE was to raise money from the markets by issuing social bonds. A Social Bond Framework[45] was designed and underpinned the nine rounds of bond issuance (see Table 7). Interviews with Commission officials suggest that the EU rationale for issuing social bonds (instead of 'plain vanilla' bonds) was threefold: (i) to reinforce the SURE instrument's clear social purpose (protecting workers' jobs and incomes); (ii) to provide high levels of transparency (required for labelled bonds); and (iii) to contribute to the development of sustainable bond markets. The social bond market was (and remains) small and underdeveloped compared to the green bonds market, creating an opportunity for the EU to develop the market.

[45] European Commission, EU SURE Social Bond Framework, 2020, https://commission.europa.eu/system/files/2020-10/eu_sure_social_bond_framework.pdf

Table 7. Characteristics of EU borrowing under SURE

Transaction	Date	Tranche	Size of bond EUR bn	Yield	Spread	Spread to Bund (bps)	Spread to OAT (bps)	New Issue Concession	Total investor demand EUR bn	Bid-to-cover ratio
SURE #1	20 Oct 2020	10 year	10.00	-0.238%	MS+3 bps	n.a.	n.a.	+1 bps	145	15
		20 year	7.00	0.131%	MS +14 bps	n.a.	n.a.	+2 bps	88	13
SURE #2	10 Nov 2020	5 year	8.00	-0.509%	MS-9 bps	n.a.	n.a.	+1.5 bps	105	13
		30 year	6.00	0.317%	MS+21 bps	n.a.	n.a.	+2.5 bps	70	12
SURE #3	24 Nov 2020	15 year	8.50	-0.102%	MS-5bps	n.a.	n.a.	+1 bps	114	13
SURE #4	26 Jan 2021	7 year	10.00	-0.497%	MS-16 bps	n.a.	n.a.	+1 bps	83	8
		30 year (tap)	4.00	0.134%	MS+5 bps	n.a.	n.a.	+1 bps	49	12
SURE #5	09 Mar 2021	15 year	9.00	0.228%	MS-4 bps	33.4	-2.6	2 bps	86	10
SURE #6	23 Mar 2021	5 year	8.00	-0.488%	MS-14 bps	20	3.1	1.5 bps	47	6
		25 year	5.00	0.476%	MS+1 bps	34.4	-11	1.5 bps	40	10
SURE #7	18 May 2021	8 year	8.14	0.019%	MS-2 bps	31.5	-1.2	2 bps	51	6
		25 year	6.00	0.757%	MS+17 bps	40.6	-21	2.5 bps	38	6
SURE #8	22 Mar 2022	15 year	2.17	1.199%	MS-8bps	55.9	4.9	1 bps	35	16
SURE #9	07 Dec 2022	15 year	6.46	2.767%	MS+21 bps	86.8	24	4 bps	25	4

Source: Data extracted from the European Commission's reporting on SURE. Notes: bps = basis points

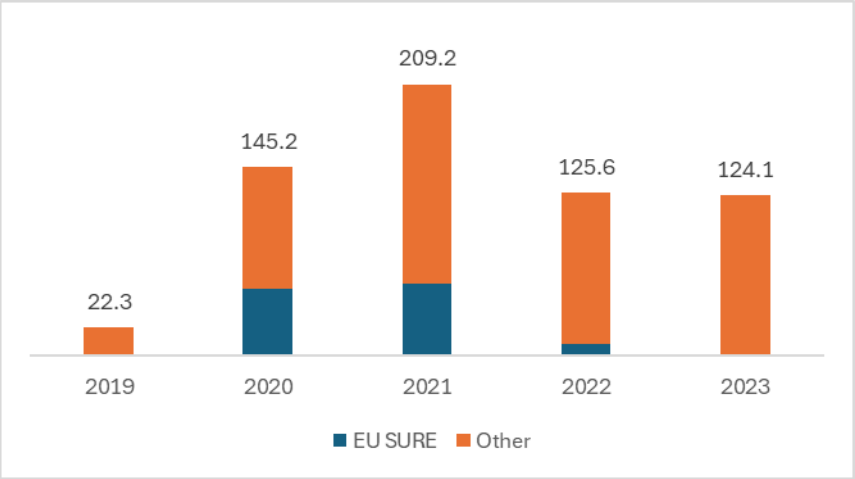
The substantial volume of SURE bond issuances has contributed to expanding the social bond market. By the end of 2020, the EU was already the largest issuer of social bonds. SURE bond issuances constituted the largest individual social deals in both 2020 and 2021[46], representing 32 % of 2020-2022 global issuances. According to other social bond issuers, the development of the social bond market had trailed that of the green bond market, and the Commission's issuance of EUR 98.4 billion in social bonds gave the market an important boost, enhancing its visibility, perception, and investor confidence.

The SURE issuances, and COVID-19 pandemic-related issuances more generally played a role in establishing social bonds as an asset class. Other issuers also ramped up their social bond issuances during the pandemic period, with the increased supply proving instrumental in establishing social bonds as an asset class. While the volume of social bond issuances has dropped from the peaks observed during COVID-19 (when pandemic policy responses created most opportunities for social bond issuance), the issuances are still above pre-pandemic levels (see Figure 26), suggesting that social bonds have become more established. When adjusting for the extraordinary circumstances of the pandemic years (2020 and 2021), an upward trajectory in social bond issuances is still evident. This trend suggests that social bonds have not only sustained their relevance but have become more entrenched as a fixture in the investment landscape. There is a wider pool of issuers and investors present on the market, although the social bond remains quite niche and concentrated compared to the green bond market[47].

[46] International Capital Market Association (ICMA), *Sustainable Debt Global State of the Market*, 2020; 2021.

[47] The top three issuers (EU, Cades, Unedic) represent 65 % of the total volume issued in euro currency in the social bond market. EU with the SURE programme represents 33 %. In the green bond market, the 72 largest issuers account for 65 % of total volumes issued (Natixis Green & Sustainable Hub's Internal Market Data, https://gsh.cib.natixis.com/our-center-of-expertise/articles/social-bonds-easy-come-and-easy-go).

Figure 26. Evolution of global social bond issuance (USD billion)



'The sheer size of the SURE issuance was positive for the social bond market which had been lagging behind the green bond market. The size of the EU issuance gave the market more visibility'

A social bond issuer

Source: authors' calculations, based on ICMA data.

Further social bond issuances and actions from the Commission would foster market development and standardisation. Other issuers highlight the advantages of the EU maintaining a longer-term and consistent engagement in the social bond market, alongside broadening the range of eligible social categories for financing and having a presence at the ICMA. These actions are seen as important for encouraging the development and standardisation of the social bond market, whose maturity and depth lags behind the green bond market.

SURE issuances may have contributed to attracting new investors to the social bond markets. Anecdotal evidence suggests that the availability of large, liquid instruments – from a highly rated issuer, across a broad maturity spectrum (5-30 years) – is considered as having encouraged more investors to consider dedicated social mandates or diversified their portfolio towards social bonds.

There is mixed feedback on whether the EU Social Bond Framework itself has set any benchmarks or templates for other issuers. While the Framework aligns with the social bond principles, it does not go significantly beyond established market standards. Prior to the EU's publication, several peer institutions had developed their own social bond frameworks[48], which influenced the development of the EU's Framework.

Some stakeholders suggest that the specifics and mechanisms of the SURE instrument, which the EU Social Bond Framework is designed to reflect, may limit its applicability as a broader reference point. However, according to one issuer, the Commission's efforts in 2020 to structure the use of proceeds are recognised as beneficial for issuers with their own social bond frameworks or those looking to enter the social bond market, serving as a valuable reference for benchmarking analysis. They explained that the yield curve provided by the Commission offers an additional reference point for pricing similar bonds (although it was pointed out that the Commission credit profile is quite unique).

Opinions diverge on the Commission's reporting practices under the Social Bond Framework. According to one issuer, the Commission's reports on the allocation and impact of SURE are a useful benchmark that positively influences market standards and practices. Another, however, highlights a lack of specificity and transparency in the EU's reporting, particularly on target populations and the intended use of proceeds. In this context, the World Bank's reporting practices were cited as exemplary[49].

[48] For example, the ESM framework, https://www.esm.europa.eu/sites/default/files/esm_social_bond_framework_june2020.pdf

[49] World Bank, *Sustainable Development Bonds and Green Bonds Report*, 2022, https://thedocs.worldbank.org/en/doc/33420eed17c2a23660b46dc208b01815-0340022023/original/World-Bank-IBRD-Impact-Report-FY22.pdf

4.3.4 Impact of EU lending on Member States' finances

Taking advantage of its flatter yield curve, the EU was able to provide SURE loans at relatively long maturities (15 years, on average) and lower rates compared to sovereign borrowing from the markets. According to the Commission's calculations, the 19 Member States using SURE loans benefitted from EUR 9.3 billion in interest rate savings[50]. This calculation compares savings bond by bond, summed across issue dates and maturities[51]. SURE financing was financially attractive not only for highly indebted countries such as Italy and Greece (for whom raising additional sovereign debt would have been more expensive), but also for those with a small local debt market which, despite their low debt-to-GDP ratio (e.g. Bulgaria, Estonia) struggled to achieve long maturity on debt issuances. Stakeholders in Spain and Portugal highlight the long maturity of SURE loans as an element of its input additionality. The long maturities proved especially advantageous in a climate of high interest rates. Shorter maturities would have required refinancing amid the trend of rising yields. In Spain, the predictability and ease of debt service obligations due to the back-to-back nature of SURE loans is also viewed positively.

Studies at national level support the Commission's analysis. For example, analysis by Banco de España[52] (using state-of-the art debt sustainability assessment tool) found that (i) by replacing riskier, shorter-term national debt with safer, longer-term common debt, SURE generated substantial interest savings (between 3 % and 12 % of the total amount disbursed over 10 years) for the four countries studied (Belgium, Italy, Portugal, Spain); and (ii) under stressed market conditions, savings for these countries would have been significantly larger. In the case of Spain, the 45 base point risk premium on sovereign bonds translates into cost savings of EUR 1.13 billion (Commission estimate: EUR 1.58 billion).

[50] European Commission, *SURE implementation: final bi-annual report,* 2023.

[51] European Commission, 'Quarterly Report on the Euro Area', Vol. 20, No 2, 2021, Box IV.1: Calculating the savings on interest payments.

[52] Banco de España, *Computing the EU's SURE interest savings using an extended debt sustainability assessment tool*, Document No. 2210, 2022.

5 Efficiency

As an instrument based on borrowing and lending, SURE did not require an allocation of EU budgetary resources, making it extremely efficient (except where a Member State defaults). This section looks at efficiency in relation to: SURE design and implementation; costs at EU and national level (mainly human resources); efficiency of the financial architecture of SURE; cost of implementation of SURE-financed measures as well as their audit and control by Member States. It then assesses the proportionality of these costs in relation to the benefits realised which have been detailed under section 4 on effectiveness.

5.1 Costs of design and implementation of SURE

Implementation and management of SURE demanded significant collaborative effort across various DGs within the Commission. Table 8 presents an overview of the human resources involved in the design and implementation of SURE (including monitoring and reporting), detailing the tasks undertaken, and the responsible DG or unit(s). It provides insight into the coordinated efforts across Commission services to draft the regulation, assess eligibility of measures, and manage borrowing operations, among other critical activities, underscoring the instrument's complexity and the collective commitment to its success.

Table 8. Human resources in the design and management of SURE at the European Commission

Task	Number of Full Time Equivalents (FTEs)	DG/UNIT	Notes
Coordination & Implementation	4 FTE (full-time until Autumn 2022, part-time November 2022-March 2023)	DG ECFIN C1	Coordinated design and implementation, including monitoring of reported data Drafted internal guidance and guidance on Member States bi-annual reports on SURE Liaised with DG EMPL Support from others on specific topics
Legal framework design	2 FTE	DG ECFIN A2	Largely in the design phase, drafted the SURE Regulation and the templates for Commission proposals for Council Implementing Decisions, providing legal advice
Assessment of measures	1-2 FTE (quasi-full-time in 2020)	19 DG ECFIN geo desks	Assessed Member States' measures for eligibility and costing and summarised assessments into two-pagers Completed template Commission proposals for Council Implementing Decisions

Task	Number of Full Time Equivalents (FTEs)	DG/UNIT	Notes
			Checked reported data on measures
Fiscal measures analysis	Variable	19 DG ECFIN geo desks	Notably, fiscal measures and projections Used checklists for specific issues
DG EMPL coordination	~2.5 FTE at 80 % (mostly 2020)	DG EMPL F2 horizontal team	Coordination on the DG EMPL side
DG EMPL geo desk analysis	Variable	DG EMPL geo desks	Ensured no double funding More marginal involvement
Borrowing activities	4-5 FTEs (full-time in early 2021)	DG BUDG	Director and head of unit supervised issuances Team worked full-time on SURE and NGEU
Legal support for loans	1-2 FTE (increased to 4 by end-2020)	DG BUDG	Handled loan agreements, requests for funding, and legal opinions in-house Stretched during debt issuance programme management

Source: Interviews with Commission services.

While experiences varied, Member States generally believe that costs and reporting demands associated with SURE were balanced against the value of the outcomes achieved. At Member State level, similar data could not be collected due to practical constraints (staff turnover, elapsed time), with evidence instead collected via surveys and country research. The survey results indicate that national ministries generally believe that reporting requirements for SURE were proportionate. However, country case studies offer insights into each Member State's perspectives and experiences of SURE's administrative and reporting requirements:

- **Greece** indicated no costs incurred during the negotiation or reporting phases and did not face challenges with reporting requirements. The efficiency of reporting costs was seen as aligned with the benefits. There was a call to enhance efficiency through interoperable information technology (IT) systems and the exchange of data and know-how among Member States.
- **Italy** highlighted the swift and cost-effective negotiation process for SURE, which it attributed to a flexible administrative structure that facilitated easy implementation and reporting without necessitating additional staffing or routines. The low cost and efficient reporting system were deemed proportional to the benefits of the measures;
- **Lithuania** faced challenges with reporting, citing short deadlines and frequent changes to reporting templates that often required additional data, as well as being

necessary even after the end of its implementation of SURE in 2021. Nevertheless, the perceived cost and reporting burden was viewed as commensurate with the benefits realised;

- **Poland** reported minimal costs associated with the administrative aspects of the SURE loan, describing the process as integral to the standard operations within various ministry departments. Public authority representatives noted no significant challenges in meeting the SURE reporting requirements, suggesting a straightforward system;
- **Portugal** experienced negligible costs in the negotiation and reporting processes, echoing that the reporting requirements were not burdensome, but proportionate to the benefits and in line with other similar interventions.

5.2 Financial architecture of SURE

Several aspects of the financial architecture were examined: the robustness of the system of national guarantees[53]; the suitability of prudential regulations governing the transactions; the EU's capacity to secure loans under favourable conditions; and Member States' assessments of the terms and conditions associated with their SURE loans.

5.2.1 System of national guarantees

The financial architecture of SURE was underpinned by an innovative and efficient guarantee system, whereby all EU Member States collectively guaranteed 25 % of the EU's borrowing. This was in stark contrast to the European Financial Stability Facility's (EFSF) over-guarantee structure and made SURE more efficient and scalable. At the time of the onset of the COVID-19 pandemic in March 2020, the EU's budgetary capacity was limited, as it was near the end of the Multiannual Financial Framework (MFF) period and the headroom (the buffer between the own resources ceiling and the payment ceiling) was at that time too small to provide space for borrowing at a significant scale. The 25 % additional guarantee coverage was deemed adequate for this purpose (given the prudential provisions included in the SURE Regulation), theoretically covering 2.5 years of defaults (albeit an unlikely scenario). This was because the EU benefits from preferred treatment – Member States have a contractual obligation and a quasi-constitutional relationship with the EU which *de facto* results in the preferred treatment of the EU as a creditor. The EU can also offset against ESIF and other EU transfers to Member States to recover any monies due, offering an additional layer of protection to the EU as a creditor. However, in order to protect the 'AAA' status (and benefit from favourable borrowing conditions), the Commission needed to demonstrate to CRAs that the EU could cope with contingent liabilities should they arise. The system of national guarantees was useful in this respect. The adoption of the new Own Resources decision[54] in 2020 further reinforced the guarantee system, by increasing the own resources ceiling to 1.40% of EU GNI (plus 0.6% EU GNI for NextGenerationEU) from the previous 1.23%, thus increasing the 'headroom'.

From the perspective of CRAs, guarantees were not strictly necessary, but provided additional comfort. Interviews suggest that guarantees were not required by CRAs, but were added by the EU as a 'sweetener' because of concerns that, depending on the year and maturity profile of the bonds, the budgetary headroom might not always have been enough to cover all contingent liabilities. Generally speaking, CRAs considered guarantees beneficial but not strictly necessary due to the EU's strong liquidity position. In their analyses, the preferred creditor status of the EU is the most critical factor, with guarantees providing an extra layer of protection. While the conservative approach by the Commission was appreciated, the negotiation of national guarantees took considerable

[53] These guarantees are irrevocable, unconditional, and callable.

[54] Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom.

time. This underlines the importance of balancing the pursuit of financial prudence with operational efficiency. Future instruments may benefit from streamlining negotiation processes, while ensuring that safeguards such as prudential rules and guarantees are aligned with the actual risk profile and allow for rapid EU response during a period of intense uncertainty and urgency.

5.2.2 Appropriateness of prudential rules

To limit the risks to the EU budget[55], several safeguards were included in the SURE Regulation. These included limiting concentration risk (maximum 60 % for top three borrowing Member States) and limiting annual exposure to maximum 10 % (i.e. the amount of borrowing that could mature in a given year).

CRAs have provided a variety of perspectives on the role of prudential rules in assessing the EU's financial health. One rating agency does not explicitly factor in prudential rules, instead focusing on debt coverage ratios, liquidity buffers, the backing of highly rated sovereigns, and well-developed institutional controls. Another finds the concentration limit a valuable but not essential measure: a 60 % threshold aids in preventing excessive loan concentration to any single Member State, contributing to asset quality but not vital to a high-quality assessment. Another rating agency places considerable importance on the EU's status as a preferred creditor, with geographical diversification seen as an additional advantage. Prudential measures such as limits on annual exposure and maturity provisions are acknowledged as enhancing confidence, particularly under the NGEU to ensure that contingent liabilities remain within the limits of the budgetary headroom.

5.2.3 Cost of EU borrowing from the markets

Interviews with CRAs provided insights into the factors underpinning the EU's credit strength[56] and its ability to borrow on favourable terms from the market. The EU's high credit rating – a crucial factor in determining borrowing costs – is bolstered by the strong commitment and political cohesion of its core Member States, as well as from AAA-rated non-core members, such as Austria and the Netherlands. However, a key constraint for the EU is its limited revenue generation capacity and, notably, that it cannot raise taxes. Increasing the stock of market debt with limited revenue generation capacity poses risks. There are lines of defence but these do not fully make up for the disadvantage.

Social bond issuances did not yield a 'socium' (or lower yields compared to conventional bonds). Despite high levels of over-subscription and investor interest, SURE social bonds provided no financial advantage; rather, the segmentation of the market due to the issuance of social bonds led to reduced liquidity. According to one of the CRAs interviewed, the more fungible the bonds, the better from a market perspective. There is a 'cost' to market fragmentation and ESG bonds have lower liquidity. However, social bonds have attracted demand from ESG investors, thereby widening and diversifying the investor base. SURE bonds have been placed with ESG-driven investors and other investors[57], beyond the buy-and-hold investors traditionally investing in EU bonds.

5.2.4 Member States' satisfaction with lending terms and conditions

Member States expressed overall satisfaction with the conditions of the SURE loans. Loans terms were deemed favourable by beneficiary Member States, as confirmed

[55] While 25 % of SURE borrowing was guaranteed by Member States, the remaining 75 % created a contingent liability for the EU.

[56] At the time of writing (February 2024), the EU was rated AAA/Aaa/AAA/AAA (outlook stable) by Fitch, Moody's, Scope and DBRS and AA+ (outlook stable) by Standard & Poor's.

[57] There are no consolidated data across issuances but, for the third issuance, an estimated 70 % of the deal was placed with ESG-driven investors, https://commission.europa.eu/document/download/7ca2f4e8-a27a-4615-b236-95494ab8d5d4_en?filename=sure_3_15year_press_release_final.pdf

by the calculation on interest savings. Maturities of 5-30 years were seen as appropriate, including from the market perspective to facilitate issuances. As per the loan agreements, the Commission had full discretion on when/how much finance to raise (to facilitate clustering and ensure that the needs of several Member States could be covered with one issuance). Despite this limited flexibility, the schedule of payments was deemed appropriate by Member States. Fifteen Ministry of Finance respondents gave additional feedback in the targeted survey, as summarised below:

- 10 Member States reported that the SURE loans met their expectations for interest rates, two noted that the rates exceeded expectations, one reported rates below expectations, suggesting that longer maturities could have offered more advantageous interest rates, and the remaining respondents were unsure;
- 10 respondents felt that the maturity of the SURE loans met their expectations, one felt it exceeded expectations, and two reported maturities below expectations;
- Nine respondents reported that the timeliness of disbursements met their expectations, three indicated that they exceeded expectations, and the remaining respondents gave no opinion;
- Eight respondents believed that the standardisation of loan agreements met their expectations, one felt it exceeded them, one found it below expectations, criticising the limited flexibility for Member States to modify the loan agreement template or influence tranche parameters, and the rest were unsure;
- 10 respondents reported that the management of payments and the bullet repayment structure at a future date met their expectations, with the remainder uncertain.

5.3 Efficiency of SURE-financed measures

5.3.1 Cost of implementing measures supported by SURE

The main costs stem from the implementation of SURE eligible employment and health related measures. While data on overall expenditure on SURE eligible measures is provided in the table below, it was beyond the scope of this evaluation to determine the cost of administrating these measures versus the share of expenditure that went to firms and workers.

Table 9. Total Member State spending on SURE eligible employment and health related measures

	SURE loan amount	Total eligible expenditure
Belgium	8,198	13,080
Bulgaria	0,971	1,017
Cyprus	0,633	0,643
Czechia	4,500	4,763
Greece	6,165	6,275
Spain	21,325	35,093
Croatia	1,571	1,606

	SURE loan amount	Total eligible expenditure
Hungary	0,651	0,743
Ireland	2,474	2,474
Italy	27,438	28,575
Lithuania	1,099	1,121
Latvia	0,473	0,508
Malta	0,421	0,708
Poland	11,237	11,459
Portugal	6,234	6,726
Romania	3,000	3,932
Slovenia	1,114	1,224
Slovakia	0,631	1,877
Estonia	0,230	0,230
TOTAL	98,364	122,053

Source: European Commission

For the case study countries, evidence was collected on the cost of administering and implementing these measures, including any inefficiencies identified. The findings are as follows:

- **Greece** reported high administrative costs for implementing SURE measures and conducting audits. There were capacity constraints in the public sector, lack of database and IT system interoperability, and understaffing of public structures.
- **Italy** faced implementation difficulties due to the unexpected crisis, which required a substantial increase in beneficiaries, all managed remotely. There were complexities in legislation and support access, especially for the self-employed, leading to low uptake of certain measures.
- In **Lithuania**, during the pandemic, about 40% of the Public Employment Service's (PES) workload was dedicated to administering wage subsidies. It is estimated that €18.2 million from the PES wage fund was allocated for this purpose between 2020-2021, with an additional €771,700 for increased workload supplements.
- In the case of **Poland**, there is a lack of data on additional costs and overall administration of SURE eligible measures as well as other support measures implemented to mitigate the impacts of the pandemic.
- Similarly for **Portugal**, there is no available information on the administrative costs incurred in expanding and enhancing existing SURE-eligible schemes.

- In **Spain**, rapid scaling up of ERTEs (temporary layoff schemes) was challenging due to inexperience with large-scale programs and staffing shortages, resulting in payment delays. Designing new regulations for self-employed benefits also posed challenges. Database inter-connectivity issues caused delays and errors in benefit implementation and reporting.

5.3.2 Audit and control of SURE-financed measures

Article 13 of the SURE Regulation requires the Commission's loan agreements with Member States to include provisions on checks and audits. The ECA notes that the Commission has systems in place to prevent fraud and irregularities between the EU and Member States, but Member States are responsible for the proper use of funds at national level. To ensure that Member States have the necessary systems in place to respect this obligation, the Commission requested all beneficiary Member States to provide information on national control and audit systems relevant for SURE via two ad hoc surveys[58]. The results of the surveys are presented in the Commission's third and fifth bi-annual reports, respectively[59, 60].

Member States used a mix of ex-ante and ex-post control measures, to ensure proper use of SURE-financed support. In response to the Commission's second survey on national audit and control measures, all beneficiary Member States reported having controlled SURE-supported measures either ex-ante, ex-post, or both. Measures that were not controlled ex-ante, were controlled ex-post to ensure the proper use of SURE-supported measures. Furthermore, all Member States reported taking remedial measures in response to irregularities or fraud. In most cases, the amounts to be recovered remained below 2%, which is considered 'material' by the ECA. Additionally, the majority of Member States had recovered over 75% of the total amount to be recovered at the time of reporting. Therefore, audit and control systems were in place to both detect fraud and irregularities, and to take the necessary action to recover the amounts.

The ICF survey targeting ministries however, provided a somewhat patchy picture. Of the 10 Ministries of Labour respondents and 15 Ministries of Finance respondents:

- Ex-ante controls and verification were mentioned by seven Ministry of Labour respondents and 11 Ministry of Finance respondents;
- Ex-post audits of fund use were mentioned by seven Ministry of Labour respondents and 12 Ministry of Finance respondents;
- Ex-post compliance checks were mentioned by four Ministry of Labour respondents and 11 Ministry of Finance respondents;
- Fraud recoveries were mentioned by eight Ministry of Labour respondents and 10 Ministry of Finance respondents.

These responses are not fully consistent with the findings of the Commission's second survey on national audit and control systems. There could be various reasons for discrepancies between the various surveys (the two ICF surveys and the Commission survey) such as differences in timing of the surveys and the different respondents involved, who may have had varying levels of insight on the topic. Discrepancies in survey responses may also stem from differences in question formulation. The ICF survey focuses on the main measures for preventing or addressing fraud and irregularities, while the Commission survey takes a broader approach, inquiring about all types of controls and audits implemented for measures supported by SURE. Finally, the Commission's survey, which reported more comprehensive audit and control measures, likely reflects a more formalised

[58] Survey carried out on 18 January 2022 and 9 February 2023. All beneficiary Member States responded to both surveys.

[59] European Commission, COM(2022) 128 final, 24.3.2022.

[60] European Commission, Report on the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak pursuant to Article 14 of Council Regulation (EU) 2020/672 SURE after its sunset: final bi-annual report, COM(2023) 291 final, 2023

and coordinated response from Member States, given its official nature. This is also reflected in the 100% response rate to the Commission survey. Therefore, the evaluation leans more towards the Commission's survey results, considering them as a more accurate reflection of the systematic controls across Member States. This perspective is reinforced by the case study findings outlined below.

The country case studies highlight the diverse nature of control measures applied by Member States to prevent, detect, and address irregularities and fraud. Lithuania implemented ex-ante controls for eligibility, with some post-payment inspections. Instances of non-compliance and illegal work during STW schemes were identified, resulting in repayments from enterprises. In Poland, audit and control systems were consistent with other state-financed programmes. Thorough checks of expenditure will continue, and specialised software at the Social Insurance Institution (ZUS) aids in identifying irregularities. However, additional compensation for medical personnel has shown quite a high level of irregularities (likely reflecting insufficiently clear and detailed regulations). Portugal initially reduced ex-ante controls to expedite response deployment, with subsequent verification deferred to ex-post inspections. A dedicated team was established to manage the risks associated with simplified initial controls. Italy established a system based on existing national routines, including ex-ante and ex-post checks and fraud recovery processes. Audits were systematically conducted by various agencies, with identified fraud then addressed. In Spain, provisional approval was granted for ERTE applications through a *silencio positivo* approach, with later ex-post controls leading to significant recovery of incorrectly paid benefits. Fraud prevention and inspections were carried out despite regulatory challenges and legal ambiguities. Greece conducted primary ex-post audits at regional level, with secondary audits by the Greek Fiscal Audit Committee, with rapid identification and correction of double funding and other discrepancies related to eligibility and compliance.

The available evidence from SURE beneficiary Member States was enhanced with additional research covering selected non-beneficiary Member States. The main findings are presented in the box below.

Box: Audit and control of JRS in select non-beneficiary Member States: Germany, France, Sweden and the Netherlands

As part of the evaluation, the study team conducted a review of court of auditor reports and articles produced by public research institutes on the use, implementation and outcomes of JRS during the COVID-19 pandemic. This review covered four Member States: France , Germany , the Netherlands and Sweden . The detailed findings of the review are provided in Annex 6.2; the focus here is on the ex-ante and ex-post controls implemented in these countries.

Initially, the primary objective across all four Member States was the rapid disbursement of funds to ensure immediate liquidity for companies and workers at the onset of the crisis. In Sweden, Germany, and the Netherlands, comprehensive ex-post checks were conducted to verify the actual amounts allocated to companies and to control potential fraud. In France, however, these measures were implemented to a lesser extent.

A notable anti-fraud measure across all countries was enabling staff and the public to report suspected fraud to control bodies. The Netherlands employed a unique approach by making the benefit amounts received by each supported company publicly available. In Germany, the Court of Auditors found that relying on workers to report fraud was largely ineffective, as workers might benefit from the schemes or fear retaliation from employers. Reports of fraud by workers typically occurred only after leaving the company or upon redundancy, often too late for effective action and challenging to verify.

The need to develop new IT systems for the application process also introduced challenges, including vulnerabilities to criminal activities such as identity theft and mass fraudulent applications. This was notably problematic in France during the first month of implementation. Although the extent of the damage was unclear at the time of the Court of Auditors' report, the transferred amounts were generally considered irrecoverable due to being sent to jurisdictions unlikely to cooperate in funds recovery.

Post-June 2020, agencies aimed to integrate automated risk assessments into the application processes to better detect fraud. However, the reports from all four countries indicated these systems were not meeting expectations. The main issues cited were a lack of clear risk profiles, insufficient understanding of fraud techniques, and inadequate training for staff in fraud detection. Despite these concerns, Ministries and implementing agencies often reported a perceived low risk of fraud, a view not fully supported by the auditors who argued that a lack of detailed information made such assessments premature.

In all four Member States, auditors reported an absence of good control mechanisms. Absence of risk scenarios (ahead of a crisis) and absence of good databases (interconnecting of databases for social security, employment registries etc) which increases the risk of absence of a priori control being implemented, were highlighted.

Comprehensive performance audits or evaluations of JRS have however, not been conducted in most Member States, despite their extensive use and the expenditure involved. There are some Member States where such evidence is available such as Lithuania and Spain among case study countries; and Belgium, Czech Republic among others. In Lithuania, the National Audit Office published a report on "Management of the COVID-19 Crisis and Emergency Situation" in late 2020 and on "Public Employment Services Activities to Increase Employment" in late 2021. The Bank of Lithuania also conducted a brief review of wage subsidy evaluations. In Spain, the Court of Auditors conducted two notable actions. The first, a report published in July 2022, analysed the economic impact of COVID-19 measures, validating the introduction of SURE-funded initiatives and recognising their effectiveness in mitigating the pandemic's impact on employment. In a second action, the Court is auditing the management and control of COVID-19 benefits. Additionally, the OECD is studying the effectiveness of JRS in Spain. In Belgium, several economic studies have been or are being conducted to assess the impact of JRS[61]. In the Czech Republic, the Supreme Court of Audit conducted a detailed examination of how the Ministry of Labour and Social Affairs (MLSA) and the Czech Labour Office (CLO) managed state budget and EU funds for employment support in 2020 and 2021.[62]

5.4 Overall balance of costs and benefits

Overall, the benefits of SURE far exceeded the costs incurred. SURE was highly effective in providing fiscal flexibility at a time of unprecedented crisis and immense uncertainty (see Section 4). This allowed Member States to amplify their response to the COVID-19 pandemic (in ways that would otherwise not have been possible) and put necessary employment and health-related measures in place without being constrained by their national fiscal capacities. The availability of SURE financing contributed to protecting workers' jobs and incomes and reducing labour market inequalities across the EU. Additionally, Member States benefitted from EUR 9.03 billion in interest rate savings.

[61] Analysis conducted by Ministry of Labour on replacement rate etc. published in the 'Revue Belge de sécurité sociale'. Available here. Further follow-up analysis was conducted by the Ministry in the context of the 'Working group social impact crises'. These notes can be found here. Another source is the work done in the context of the COVIVAT project.

[62] Available here

Overall, these benefits are of a significantly higher order than the limited costs and inefficiencies described above. No unusual levels of fraud or errors were found in SURE-financed measures. Where some fraud and non-compliance were identified, efforts to rectify and recover funds have been largely proactive and continuous. The table overleaf (Table 10) provides an overview of the costs and benefits of SURE for different stakeholders.

Despite the overall success of the instrument, there are valuable lessons to be learned from the experience. Firstly, desk research suggests that national performance audits or evaluations of JRS were not carried out in most Member States, despite their extensive use and the expenditure involved. The EU could introduce specific requirements on national performance audits or evaluations of measures financed with its support. Secondly, ensuring that prudential rules and national guarantees are well-calibrated to the actual risk profile could protect the EU's financial interests without compromising its ability to respond swiftly in times of crisis. Thirdly, at national level, enhanced IT systems would support better business intelligence, risk analysis, and interoperability, leading to more effective and efficient programme management, minimising the risk of abuse while facilitating rapid responses. Finally, establishing robust national systems to evaluate the short- and long-term effects of interventions can help to understand their effectiveness.

Table 10. Overview of key categories of costs and benefits of SURE

	EU level	Member States – non-beneficiaries	Member States - beneficiaries	Firms - beneficiaries	Workers - beneficiaries
Costs	Budgetary implications: In theory should be zero cost to EU budget if all Member States repay (the Member States are expected to cover any fees, costs and expenses resulting from the funding of SURE loans) Administrative costs: Commission staff time involved in designing and managing the instrument	No cost implications[63]	Public expenditure on JRS and health related measures: EUR 122 billion Administrative costs associated with SURE: judged to be reasonable and proportionate by Member States	No special costs associated with SURE Firms would incur administrative and organisational costs in applying for and utilising national JRS and other measures – *these fall outside the scope of the study*	No special costs associated with SURE Some types of workers (e.g. self employed) would incur administrative costs in applying for and utilising national JRS schemes – *these fall outside the scope of the study*
Benefits	Preventing a rise in labour market inequality across Member States Development of social bond markets	Positive spillovers of rapid recovery among beneficiary Member States Negative spillovers of high unemployment rates in EU Member States are avoided	Interest rate savings on SURE loans: EUR 9,3 bn Improved debt profile Reduced levels of unemployment Cushioning the impact of the pandemic (and	Benefits include: Retention of workforce Reduction in hiring and compensation/ redundancy/ layoff costs	Protection of jobs Protection of incomes Maintained well-being and prevention of stigma and loss of human capital

[63] Providing guarantees are unlikely to have a budgetary impact on Member States considering the size of the guarantees (€25 billion across 27 Member States with each Member State being liable for a maximum amount defined in the guarantee contribution key, as a percentage of total GNI of the Union. The maximum contingent liability ranges from 23 million for Malta to 6,4 billion for Germany)

	EU level	Member States – non-beneficiaries	Member States - beneficiaries	Firms - beneficiaries	Workers - beneficiaries
			economic closures) on household incomes More rapid recovery as compared to previous crises	*These fall outside the scope of the study*	associated with unemployment *These fall outside the scope of the study*

6 Coherence

The section assesses SURE's alignment with SDGs and its interaction with other EU instruments. It presents insights into Member States' experiences of leveraging both SURE and the ESF to determine the extent to which these instruments were used in a complementary manner. It also examines if there were any complementarities or overlaps with the ESM.

6.1 SURE's contribution to United Nations Sustainable Development Goals (SDGs)

SURE exclusively financed public expenditure that can be classified as social expenditure, largely feeding SDG 8 (Decent work and economic growth). The use of SURE social bond proceeds is well aligned with the UN SDGs as described under the Social Bond Framework and in the European Commission's implementation reports, based on Member States' reporting. The most relevant SDGs are SDG 8 (decent work and economic growth) for 97 % of the expenses and SDG 3 (good health and well-being) for the remaining 3 %.

Table 11. Mapping expenditure vs SDG targets

Use of proceeds category	SDG target	
Employment generation and programmes to prevent and/or alleviate unemployment stemming from socioeconomic crises (~95 % of eligible social expenditure)	SDG 8 Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-enterprises and SMEs, including through access to financial services 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value
Access to essential services - health (~5 % of eligible social expenditure)	SDG 3 Good health and well being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Source: Sustainalytics, EU Social Bond Framework: Second-Party Opinion, 2020; fifth implementation report.

There is no evidence that SURE would have done 'significant harm' to other SDGs while helping to achieve SDGs 8 and 3. In its second-party opinion on the EU SURE Social Bond Framework in September 2020, Sustainalytics raised some concerns about the absence of sectoral eligibility criteria or restrictions for certain sectors[64]. It noted that, given SURE's set up, and depending on the design of the national measures, support could be granted to firms/sectors considered to have negative environmental

[64] Sustainalytics, *EU SURE Social Bond Framework: Second-Party Opinion,* 2020.

and social impacts, as the Framework did not have an exclusion list for certain activities. The evaluation suggests that this set-up reflected the SURE design itself (notably its low prescriptiveness and absence of detailed specifications or conditionality on eligible national measures). In an emergency, this set-up was appropriate in enabling quick deployment of the SURE loans (see Section 7.3). Ex-post, there is no evidence that firms/sectors having substantial negative environmental and social impacts disproportionately benefitted from SURE-financed measures. Sectors benefitting from SURE were primarily accommodation and food services, wholesale and retail trade, and manufacturing, while 98 % of SURE support went to SMEs.

SURE-financed measures are expected to have contributed to other SDGs, such as gender equality (SDG 5) or reduced inequalities (SDG 10). Descriptive labour market statistics (see Annex 7) tend to show that both genders were equally protected by STWs (women's unemployment did not disproportionally increase). Some family support type measures financed under SURE (e.g. parental leave, babysitting vouchers) may have helped parents, including women, to maintain work/life balance throughout the COVID-19 pandemic and lockdowns. Country-specific research suggests that women were disproportionately affected in some cases, notwithstanding the positive contribution of STW schemes.

Box: Contribution of SURE-financed measures to gender equality in Spain

Evidence from Spain confirms the differential impact of the COVID-19 pandemic by gender (e.g. Gomez García et al., 2021; Farré et al., 2022). Overall, the drop in employment and hours, as well as the rise in unemployment during the first quarters of the pandemic, were more pronounced for women than for men. In that sense, the pandemic increased the gender gap in employment and unemployment rates (although not activity rates).

The stronger impact of the pandemic on women was found to be driven by the overrepresentation of (low-educated) women in the most-affected sectors. Women were also more impacted by the unequal division of household tasks and childcare during the pandemic.

Existing research does not suggest that the disproportionate negative effect of the pandemic on women will be long lasting (with key indicators returning to pre-pandemic levels, or improving).

STW schemes contributed to mitigating the disproportionate impacts of the COVID-19 pandemic on women: the share of women benefit recipients was close to 50 %, reflecting a somewhat higher incidence of ERTEs among women (women have lower employment rates).

Source: Annex 4.

On reduced inequalities within countries, the evidence is more mixed.

From the descriptive statistical analysis (see Annex 7), it does not appear that STWs adequately supported all groups vulnerable to labour market volatility. Self-employed people seem to have been adequately protected from unemployment in some countries only, while temporary workers' employment fell dramatically in all Member States.

The literature review suggests that, in general, STW schemes specifically protect permanent workers and, to a lesser extent, atypical, temporary and seasonal workers (see Annex 6). SURE-financed measures, by definition, did not address increased support for those already unemployed at the time of the COVID-19 pandemic and with no opportunity to return to the labour market, due to the economic situation and

recruitment stops. The EU Action Plan on the Pillar of Social Rights[65] highlights that the COVID-19 pandemic (including the support measures implemented in response) may have increased inequalities, echoing the findings from Italy (see box below).

Box: Contribution of SURE-financed measures to reducing inequality in Italy

The extraordinary support to firms, together with the adoption of a special wage supplementation scheme and a layoff ban, was instrumental in avoiding some 600 000 layoffs in 2020 (Viviano, 2020). It also contributed to the quick recovery of the labour market in Italy, especially compared to previous crisis. Measures supporting the preservation of employment contributed to the recovery, with workers continuously employed during the first wave of the COVID-19 pandemic facing better outcomes in terms of job retention than those who were unemployed or lost their job.

Nevertheless, these policies may have disproportionally favoured job holders, increasing the discrepancy of outcomes in the post-pandemic recovery with those workers who were not employed or who lost their job (two categories that experienced more difficulty in accessing the market). Despite the labour market recovery, job mobility, both cross-firm and cross-sector, remains low in Italy and some sectors have not regained their pre-pandemic levels of employment.

Source: Annex 4.

Analysis of SURE coverage shows some broadening of workers' coverage (see Table 3. Even if, as a funding mechanism, SURE had limited potential to specifically address labour market segregation, stakeholders believe that the specific mention of self-employed workers in the **SURE Regulation facilitated wider coverage of workers** (see box below).

Box: Extent to which the SURE Regulation facilitated wider coverage of workers

According to interviews with social partners and social and labour market experts, by explicitly referring to self-employment, SURE avoided excessive fragmentation of JRS and fostered universal access types of STW schemes. Supporting workers without an employment contract through STW schemes or similar measures was considered rather innovative, and aligned with the principles of the European Pillar of Social Rights, which advocates workers' access to social security, irrespective of their employment relationship and duration[66].

Other atypical workers were not explicitly referenced in the SURE Regulation, but, rather, their cover was decided at national level. The SURE Regulation was *a priori* all-encompassing, referring to STWs, wage subsidies and similar measures, as well as to workers and self-employed people. However, many non-permanent workers might have been laid off at the start of the COVID-19 crisis, or their contract might not have been renewed, as statistics seem to indicate (see Annex 7). Sector-specific needs (e.g. as per Cedefop's 2020 forecast) and workers more at risk (low-skilled and lower incomes) were not explicitly targeted to ensure that measures would cushion social consequences and ensure better distribution of STW schemes and other JRS measures.

[65] European Pillar of Social Rights Action Plan, n.d., https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/#A86

[66] Elia, P. and Bekker, S., 'SURE: EU support to national short-term working schemes and its openness to non-standard workers', *European Journal of Social Security*, Vol. 25, No 1, 2023, pp. 41-59, https://doi.org/10.1177/13882627231170856

6.2 SURE coherence with EU cohesion policy response

SURE complemented ESIF resources by facilitating Member States' rapid access to new resources. While two sequential initiatives, the Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII+) allowed Member States to use the EU Structural Funds flexibly to rapidly respond to emerging needs soon after the onset of the COVID-19 pandemic, they did not constitute new resources. SURE, by contrast, provided extra resources in the form of loans to Member States. As the pandemic unfolded at the end of the 2014-2020 programming period, a very high share of ESIF resources were already allocated (89 % on average across the EU), which might have hampered reallocations although the spending rate was lower (at 41 %)[67]. Overall, the net increase of ESF under CRII and CRII+ did not exceed EUR 0.7 billion[68]. Later, the REcovery Assistance for Cohesion and the Territories of EUrope (REACT-EU), whose Regulation was adopted in December 2020, brought new resources, topping up the 2014-2020 allocations with approximately EUR 50 billion, financed under the NGEU.

SURE and ESIF resources (notably from the ESF and including REACT-EU top ups) were effectively combined to finance JRS schemes (Figure 11). A total of 16 SURE-financed measures were co-financed by ESF, including 14 labour market measures and two health-related measures in 12 beneficiary Member States. In SURE beneficiary countries, ESF's role in the co-financing of SURE-eligible measures remained ancillary in absolute terms, with EUR 5.1 billion of ESF mobilised for SURE-eligible measures[69], except in Spain where EUR 2.7 billion of REACT-EU resources were directed to ERTEs. Hungary also financed its main JRS scheme exclusively through ESF and used the SURE loan to finance other measures.

Operationally, using SURE in conjunction with the ESF did not create any challenges or synergies, but, rather, constituted two complementary sources of finance. There were processes in place to avoid double-funding: Member States were asked to report expenditure on SURE-eligible measures and financing provided by the ESIF. DG ECFIN verified that expenditure on SURE-eligible measures net of ESIF funding would exceed the loan amount, while DG EMPL verified the correctness of ESIF funding reported by Member States. Only expenditure net of ESIF funding was SURE-eligible. No issues were raised by the EU or in the country case studies in relation to the experience of leveraging both instruments. At operational level, proceeds from SURE loans were typically transferred to implementing agencies in charge of eligible measures without any indication of the origin of the funds. As a loan, SURE constituted national resources, while the ESF, as EU funds, could be traced to the precise end use.

Many COVID-19 anti-crisis operations financed through the ESF fell within the scope of SURE-eligible measures, whether labour market or health-related measures. However, in addition to co-financing SURE-eligible measures, ESF resources were used to finance **complementary measures**. These fell under three main thematic objectives: Thematic Objective 8 Employment and labour mobility; Thematic Objective 9 Social inclusion; and Thematic Objective 10 Education and training. Examples of measures include: support for employers and companies to set up telework arrangements; training and professional development courses (notably, distance learning); guaranteeing quarantine or post-hospital recovery for people without suitable accommodation; professional and

[67] Cohesion data, https://cohesiondata.ec.europa.eu/stories/s/ESIF-investment-progress-reading-the-flying-flags/ckvj-tgra/

[68] European Commission, *Study supporting the preliminary evaluation of the support provided by ESF and FEAD under the Coronavirus Response Investment Initiatives (CRII and CRII+)*, 2020.

[69] SURE Member State reporting.

social reintegration activities; provision of health-related information to the population[70]. The box below provides an example from Italy.

Box: Examples of ESF+-financed complementary measures in training

In Italy, the ESF+, under CRII/CRII+, contributed about 10 % of the budget for the New Skills Fund (*Fondo Nuove Competenze*), introduced during the COVID-19 pandemic to support companies to invest in training and retraining their employees during periods of national or regional interruption. Launched mid-2020, this national initiative aimed to enhance people's skills and facilitate a gradual return to work or the re-employment of workers in more productive roles after the reduction of restrictions. Workers benefitted from training activities within their normal working hours.

The New Skills Fund complemented support provided under STW schemes, which typically did not include training components (in Italy or indeed in other countries). Measures to ensure that the workforce continues to invest in their capabilities and skills were not explicitly referenced in the SURE Regulation. Training components that were part of STW or similar schemes were eligible under SURE, however, and there were a few examples of actual use. For example, SURE financed vocational training for employees under STW in Portugal. From a needs-based perspective, an increased focus on measures to foster sectoral mobility could have been helpful, taking into account the mega-trends already on the agenda, such as digitalisation, green transition and demographic change. Nevertheless, given the emergency nature of the pandemic and the unpredictability of the duration of lockdowns, training was seen as less relevant at the start of the crisis and not within the primary objective of SURE or SURE-financed measures. The same approach was taken under the ESF: while, typically, ESF is only used to fund JRS if there is a training component and it can be considered an active labour market policy, these requirements were relaxed in the context of the pandemic. This ensured that training requirements did not unduly prevent access to STW during the pandemic. Italy chose to launch the New Skills Fund separately.

These findings confirm **complementarities** between the SURE and ESI Funds' resources, given the **high level of demand for support** for jobs, employees, self-employed workers and businesses in the pandemic, as noted in the preliminary evaluation of CRII and CRII+[71].

Box: EU cohesion policy response to the COVID-19 pandemic

The EU cohesion policy response to the COVID-19 pandemic included two strands of measures.

CRII and CRII+ were swiftly adopted by the European Parliament and the Council of the EU in March and April 2020. The CRII package did not offer new EU financial resources, but, rather, provided for flexible use of existing, unspent resources to redirect them where they were most needed.

Flexibilities included making COVID-19-related expenditure eligible under cohesion policy rules, retroactive eligibility, 100 % co-financing, reallocation between funds and between categories of regions, a waiver of thematic concentration requirements, not issuing recovery orders for 2020, the postponement of the deadline for submission of the annual implementation report scheduled for 2019, and providing working capital

[70] European Commission, *Study supporting the preliminary evaluation of the support provided by ESF and FEAD under the Coronavirus Response Investment Initiatives (CRII and CRII+)*, 2020; Cohesion data, https://cohesiondata.ec.europa.eu/stories/s/c63b-b6in

[71] European Commission, *Study supporting the preliminary evaluation of the support provided by ESF and FEAD under the Coronavirus Response Investment Initiatives (CRII and CRII+)*, 2020.

to SMEs through financial instruments. Some STW requirements (e.g. mandatory training) were relaxed.

REACT-EU supplemented CRII/ CRII+ initiatives with new resources (EUR 50.62 billion financed under the NGEU). REACT-EU topped-up 2014-2020 European Regional Development Fund (ERDF) and ESF allocations. Expenditure incurred from 1 February 2020 was eligible and top-ups could be used until the end of 2023, constituting a bridge to the long-term recovery plan.

From the ESF, additional resources (EUR 12.8 billion) were primarily used to support job maintenance, notably through STW schemes and support for self-employed workers. Support was also directed to job creation, notably for people in vulnerable situations, youth employment measures, skills development, in particular to support the green and digital transitions, and enhanced access to social services of general interest, including for children.

Source: EU cohesion policy dashboard.

6.3 Complementarity of SURE-financed measures with other measures

Beyond SURE-financed measures and measures co-financed by the ESF, Member States used several other types of spending measures to preserve employment and/or income levels.

In some cases, these were measures that would have been SURE-eligible, but financed with national resources, such as the self-employed workers support scheme in Bulgaria.

This could also include other types of measures, such as measures protecting firms, and, indirectly, jobs (e.g. general grants to firms, liquidity support, reductions in social security contributions, tax deferrals). The box below presents an example in Poland.

Box: Support to SMEs and big enterprises in Poland

Polish Development Fund S.A. (Inc.) (PDF) is a state-owned company established in 2016 as a support vehicle developing and offering support instruments for investment and economic potential in Poland.

During the COVID-19 pandemic, PDF distributed anti-crisis support to enterprises in Poland, including SMEs and big firms (non-SMEs). The two main programmes delivered under the government's **Anti-Crisis Shield programme** (worth approximately PLN 100 billion (approx. EUR 22.7 billion), were:

- PFR Financial Shield 1.0 (implemented in 2020);
- PFR Financial Shield 2.0 (launched in January 2021).

Support under both financial shields was allocated to three groups of enterprises:

- Micro enterprises (excluding self-employment);
- SMEs;
- Large enterprises.

Both instruments provided support in the form of repayable grants (generally up to 75 % of the funding was a grant). The value of support provided under PFR Shield 1.0 was approximately PLN 61 billion (EUR 13.9 billion), and under PFR Shield 2.0, around PLN 35 billion (EUR 8 billion). The objectives of the support were to improve financial liquidity of enterprises, compensate for losses incurred during the pandemic, preserve jobs (especially in the SME sector), and support sectors most severely affected by the pandemic (PFR Shield 2.0 was limited to 54 economy branches identified through the Polish Classification of Activity).

Source: Annex 4.

Other measures protected income without preventing job losses (unemployment benefits, support to inactive people, income tax exemptions).

Overall spending on labour market measures (including unemployment benefits and JRS-related spending) can be approximated using the LMP database, as illustrated in the box below.

Box: Spending on LMP interventions

The EU LMP database collects information on 'government actions to help people with a disadvantage in the labour market, primarily by facilitating and supporting transitions from unemployment or inactivity into employment'.

- LMP supports are financial assistance, primarily in the form of unemployment-related benefits, but also refer to partial unemployment benefits and early retirement benefits granted for labour market reasons;
- LMP measures relate to 'active' measures to improve employability (e.g. training, work experience) or encourage employers to recruit disadvantaged groups. It also covers employment maintenance incentives;
- LMP services are job-search assistance, guidance and counselling and similar support.

Historically, changes in LMP expenditure have broadly followed changes in the underlying numbers of unemployed people, LMP expenditure increased by 66.3 % for a 4.5 % rise in numbers of unemployed people. This sudden disconnect reflects the shift in focus towards actions supporting the preservation of jobs and prevention of unemployment in response to the employment risks created by the COVID-19 pandemic. At the country level, increases in LMP expenditures were more marked in some Member States than others, independently of changes in numbers of unemployed (absence of correlation).

Figure 27. LMP expenditure in constant prices compared to the number of unemployed people, 2006-2020 (index 2006=100)

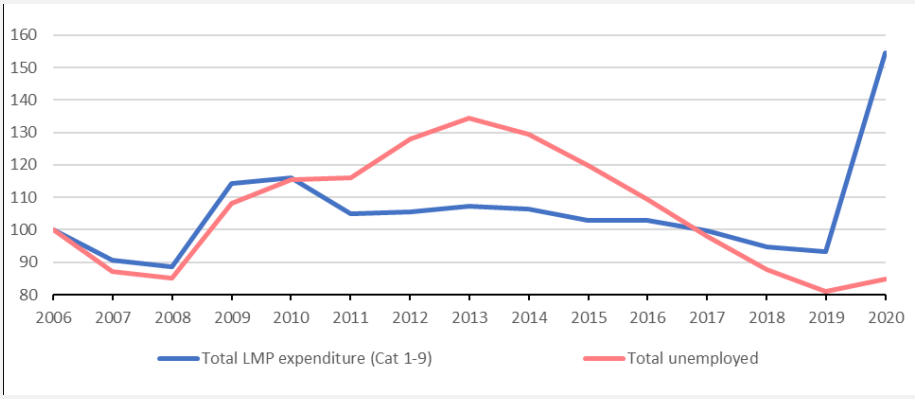
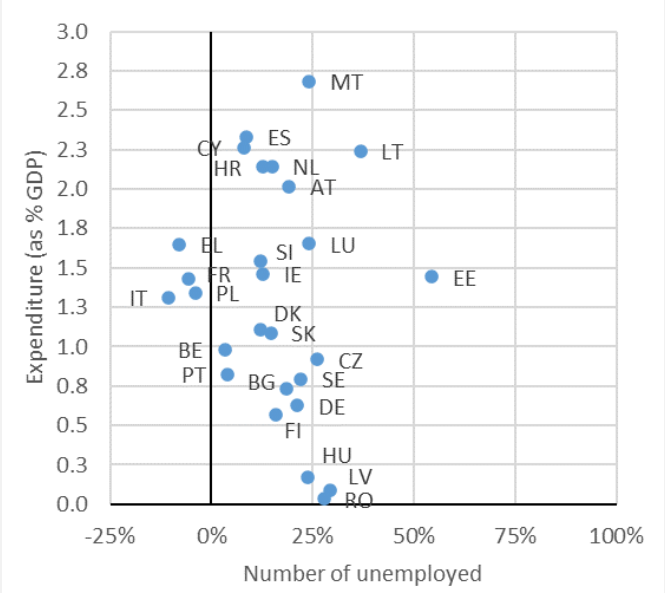


Figure 28. Changes in LMP expenditure as % of GDP compared to changes in the numbers of LFS unemployed, 2019-2020



Source: LMP in the EU in 2020.

Beyond spending measures, regulatory measures were potentially relevant in lowering unemployment. In Italy, **a ban on individual and collective dismissals** was introduced from 17 March 2020, for an initial period of five months. The law decree was extended through various subsequent amendments until 30 June 2021.

Many of these measures have been described as important contextual elements contributing to preventing unemployment and/or loss of income (See Annex 4). However, there are **few insights on how these different measures interacted** with SURE-financed measures **and/or their respective contributions** to observed results.

6.4 SURE within the broader EU policy landscape

SURE was part of a package of wider EU support. It was one of three European 'safety nets' worth EUR 540 billion, agreed in April 2020 together with the Pan-European Guarantee Fund to strengthen the activities of the EIB and the European Stability Mechanism (ESM)'s Pandemic Crisis Support instrument[72]. Additional fiscal and monetary policy actions were initiated at EU level to support Member States.

The two actions with the most far-reaching implications were the activation of the general escape clause of the Stability and Growth Pact and the ECB's PEPP.

- Activation of the general escape clause of the Stability and Growth Pact in March 2020 *de facto* removed limits on the increase in EU governments' fiscal spending. This was possible given that the COVID-19 pandemic was an exogeneous shock affecting all Member States' economies and public finances.
- The ECB launched the PEPP, in part to ensure that the increase in net issuance of both public (and private) securities would not put significant upward pressure on funding costs. The favourable market financing conditions maintained through the PEPP facilitated the governments' large-scale fiscal borrowing across the EU (for both SURE and non-SURE beneficiaries). The PEPP is widely credited with

[72] ECB, 'The COVID-19 crisis and its implications for fiscal policies', *Economic Bulletin*, Issue 4, 2020.

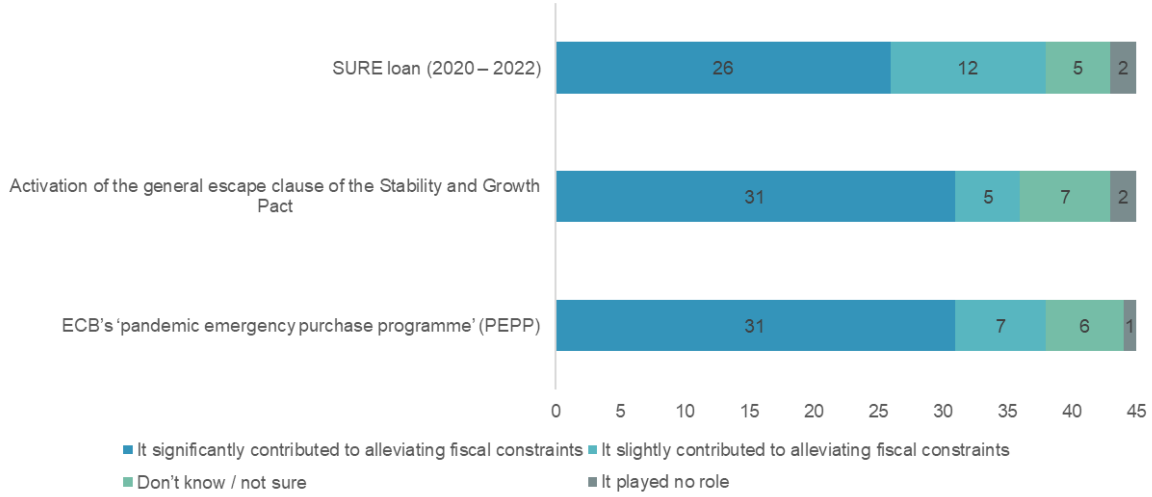
stabilising the markets and reducing borrowing costs for Member States (see Section 4).

Box: ECB's Pandemic Emergency Purchase Programme (PEPP)

On 18 March 2020, the ECB announced its cornerstone activity against COVID-19 – the PEPP. It aimed to stabilise financial markets, protect credit supply and counter the adverse impact of the pandemic on the projected inflation path. During the implementation phase (until March 2022), the ECB bought EUR 1 700 million bonds (high-rated bonds, mainly public bonds, and sovereign bonds, as well as sub-sovereigns, agencies and supranationals). Purchases of sovereign bonds and bonds from supranational institutions were restricted to the secondary market.

SURE fitted into this broader landscape as a second line of defence, providing loans below market rates to help Member States unable to access the same conditions as the EU directly on the market and helping them to finance their labour market and health-related measures. Delphi survey respondents generally assessed the role of the PEPP very positively, similar to the activation of the escape clause and SURE in alleviating EU Member States' fiscal constraints.

Figure 29. Perceived contribution of EU actions to alleviating fiscal constraints



Source: Delphi survey.

Compared to loans under the ESM's Pandemic Crisis Support (PCS), SURE loans proved more attractive, without any fear of stigma effect. SURE beneficiary countries might have been expected to apply as well or instead to the ESM PCS. On paper, the ESM PCS shared many common points with SURE, e.g. pricing and low level of prescriptiveness, albeit focusing exclusively on health.

Financial considerations or ESM design features played little or no role in SURE beneficiaries' decisions not to draw on the ESM PCS. The interest rate offer under the ESM PCS was broadly similar to SURE, or slightly more favourable, but somewhat lower maturities (10 years, compared to SURE's 15). Looking at a SURE programme with shorter tenors against the interest-rate offer of ESM, the interest rate savings per year were lower for SURE. For Italy, as the largest SURE recipient, this difference in interest rate saving reflects the yield curve (*Zinsstrukturkurve*)[73]. But even potential interest

[73] Italy would have been the largest recipient of the PCS. According to the tables published in the Briefing to the Parliament in August 2020, the figures for Italy showed 2 % of GDP at EUR 35 750 million and a sovereign bond yield of 1.2 %. The

rate savings in utilising the PCS did not prompt Italy to apply for the product. The same was true of other SURE beneficiaries[74].

Factors behind the absence of take-up of the ESM PCS include:

- **Fear of stigma effect/reputational cost.** The historical development of the European Financial Stability Facility (EFSF) and its successor, ESM, underpins Member States' reluctance to apply for an ESM loan. The tools were developed to support countries where access to borrowing markets was lost or almost lost. Member States feared that applying for an ESM PCS would create a negative signalling effect for sovereign lending. By contrast, there was no stigma associated with SURE on the contrary. For market participants, the ESM is often seen as a lender of last resort, intervening only after debt sustainability analysis. According to CRAs, the rating implications of external financial support from the ESM would need to be assessed on a case-by-case basis to check whether lower debt service burden and reduced probability of default would offset the negative credit implications of subordination (the ESM benefits from explicit seniority over private creditors, second only to the IMF);
- **Issues of conditionality.** Light conditionality was attached to the ESM PCS. However not all Member States were aware of that, with some still noting the conditionality of ESM programmes as a limiting factor. The ESM's light touch approach to conditionality under PCS raised legal issues and uncertainties, with several court decisions emphasising strong conditionalities as a requirement for ESM activities (BVerfG, the Constitutional Court of Germany and Court of Justice of the European Union (CJEU))[75].

Overall, the absence of dire needs and their ability to finance themselves on the market at affordable rates meant that no Member State needed to draw on the ESM PCS. Nevertheless, the ESM PCS might have been useful in that its existence itself meant that a last resort option was available if necessary, a fact that market participants acknowledged as having a positive signalling effect.

Box: ESM Pandemic Crisis Support (PCS)

The ESM's PCS was announced at the same time as SURE and the EIB's European Guarantee Fund (EGF), on 9 April 2020, at the euro area finance ministers (Eurogroup) meeting. It became operational on 15 May 2020.

The PCS was a EUR 240 billion credit line designed to support ESM members to finance healthcare costs related to the COVID-19 crisis. Compared to SURE, PCS had a different focus, exclusively health (direct and indirect healthcare, cure and prevention of COVID-19). In terms of geographical coverage, PCS was based on the existing Enhanced Conditions Credit Line (ECCL) of the ESM, and open for non-euro area Member States based on the Precautionary Conditioned Credit Line (PCCL).

ESM loan has a uniform interest rate for the whole volume and is disbursed in amounts of 15 % per month. A fully disbursed loan with an advantage of 1.46 % over seven years results in EUR 472 million potential savings of interest rate payments, adding to EUR 3 303 million in seven years. This can be compared to the actual interest rate savings from SURE for Italy over 14.8 years, with EUR 3 760 million for disbursed EUR 27 400 million (COM(2023) 291). Shorter tenors of ESM are expected generate a higher interest rate saving. Weighted with the different volumes, SURE reports for Italy a lower saving of interest rates per year of EUR 331 million compared to EUR 472 million for the PCS model. Thus the relative advantage in interest rates is around 0.44 % higher in the ESM modelling, with a tenor of seven years. In August 2023, the yield curve for Italy showed a yield difference of 0.48 % between 7 and 15 years (Investing.com, 22 August 2023). This shows that, in financial terms, the approaches of ESM and SURE are at the same or similar levels for Italy.

[74] In July 2020, the ESM estimated that the total ESM lending rate for PCS would be -0.12 %, thus more attractive than borrowing on financial markets for 10 euro area Member States – Cyrpus, Estonia, Greece, Ireland, Italy, Lithuania, Malta, Portugal, Slovenia and Spain (European Parliament Briefing, IPOL_BRI(2020)651350, 2020).

[75] Megliani, M. A., *The ESM Pandemic Crisis Support Facility: Fallen into Oblivion?*, 2022.

The ESM could provide loans amounting to up to 2 % of a country's GDP, on favourable terms.

Light conditionality was attached to the PCS. The only general condition was that a Member State requiring access to the PCS would remain committed, after the COVID-19 crisis was over, 'to strengthen economic and financial fundamentals, consistent with the EU economic and fiscal coordination and surveillance frameworks, including any flexibility applied by the competent EU institutions'.

No Member State applied for the facility, which was available until the end of 2022.

Source: ESM website, https://www.esm.europa.eu/content/europe-response-corona-crisis

7 Relevance and EU added value

The section assesses the relevance and EU added value of SURE. Focus areas include the extent to which SURE was a relevant and appropriate response to the pandemic, its temporal relevance over 2020-2022, alignment with broader EU objectives such as the European Pillar of Social Rights, its visibility and public awareness among EU citizens. The analysis of EU added value considers whether SURE showcased solidarity, promoted cohesion and stability, enabled a coordinated economic response to COVID-19, improved crisis management capabilities, supported the stability of the euro area, and encouraged knowledge sharing among Member States.

7.1 Relevance to needs

The COVID-19 pandemic was an unprecedented common shock. When the COVID-19 pandemic started to spread across Europe in early 2020, it was unexpected and the associated public health risk hit countries that were unprepared. On 11 March 2020, the World Health Organization (WHO)[76] declared COVID-19 a pandemic affecting countries globally. No therapeutics or vaccines against the disease were available and the disease spread rapidly. Just one month later, in early April 2020, the European Centre for Disease Prevention and Control (ECDC) reported 608 500 cases in the EU/EEA countries and the United Kingdom (UK), over 50 000 of whom had died (mainly tested cases in hospitals). Stringent physical distancing measures (lockdowns or 'stay-at-home' policies – closure of non-essential businesses, educational institutions, limitation of gatherings) were taken to limit the spread of the disease and avoid the demand for healthcare exceeding its availability.

Strict physical distancing measures had an important disruptive impact on the economy and labour markets. Economic output collapsed, contracting by almost 12 % in Q2 2020, in stark contrast to the 3 % contraction experienced in Q1 2009 at the peak of the GFC. Declining economic activity quickly cascaded to the labour markets: in Q2 2020, 5.2 million fewer people were employed than at the end of 2019[77]. In May 2020, Cedefop estimated that 'about 45 million jobs in the EU-27 labour market (23 % of total EU-27 employment) are faced with a very high risk of COVID-19 disruption and another 22 % of the EU workforce – mostly medium- to lower-skilled service provision – is exposed to some significant risk'[78]. Evidence demonstrates the important economic disruption and impact on employment, particularly in sectors related to tourism, entertainment, and transport, which were most affected by the lockdown measures across Europe.

In the above context, there was a strong rationale for implementing JRS. The Member States' and European Commission's *ex-ante* a focus on JRS was relevant and appropriate, and built upon the experience of the GFC as well as a compelling body of empirical evidence demonstrating that, in a downturn, JRS, particularly STW schemes can be much more effective and efficient than unemployment insurance or universal transfers (see Annex 6 for the findings from literature review). The discussion at the high level workshop with economists and experts organised within the framework of this evaluation further reinforced the suitability of JRS in the European context in contrast with the US where labour markets are less rigid. The emphasis on JRS was deemed even more critical in some Eastern European countries, where social safety nets are generally less developed.

[76] WHO, *Coronavirus disease (COVID-19) pandemic,* https://www.who.int/europe/emergencies/situations/covid-19

[77] ECB, *The impact of the COVID-19 pandemic on the euro area labour market*, 2020, at: https://www.ecb.europa.eu/pub/economic-bulletin/articles/2021/html/ecb.ebart202008_02~bc749d90e7.en.html

[78] Pouliakas, K. and Branka, J., *EU jobs at highest risk of Covid-19 social distancing: Is the pandemic exacerbating the labour market divide?,* Cedefop working paper No 1, Publications Office of the European Union, Luxembourg, 2020, p. 6, http://data.europa.eu/doi/10.2801/968483

There was a strong case for solidarity and collective action at EU level. In the early days of the pandemic, some market turbulence was observed. Figure 30 shows a spike in the spread of Greece of more than 250 bps in March 2020, after COVID-19 hit Europe. In this context, the common objective (for the Member States, the ECB, the EU, and the ESM) was to avoid a situation where Member States lost access to borrowing from the markets and brought the whole Eurozone into financial danger.

Figure 30. Spreads of 10-year government bonds over German federal bonds

Source: Deutsche Bundesbank Monatsbericht, based on Bloomberg data.

Beyond avoiding negative financial repercussions, the **strong case for solidarity and collective action at EU level was linked to the need to avoid uneven impacts** on employment and social consequences across Member States[79]. In May 2020, EU-level trade unions[80] emphasised that more than 40 million workers were already in temporary or permanent unemployment across the EU, and, without EU intervention, more could be at risk.

Officials from ministries in beneficiary Member States generally agreed that there was a critical need for government spending on employment-related measures. The necessary **increase in public spending affected Member States asymmetrically**, given their different fiscal positions and, consequently, the different fiscal leeway for intervention. Even though a majority of the ministries in SURE beneficiary countries did not assess their countries as overly fiscally constrained at the time, a number of indicators in March 2020 suggested that **southern Member States** in particular faced difficulties borrowing on financial markets to finance their fiscal response in the absence of EU intervention. These included initial spikes in spreads in the early days of the pandemic (see Figure 30), high public debt in some countries (exceeding 100 % of GDP pre-pandemic in Q4 2019 in Greece, Italy and Portugal), absence of investment grade

[79] European Economic and Social Committee (EESC) position, https://www.eesc.europa.eu/en/news-media/presentations/eus-response-covid-19-outbreak-and-need-unprecedented-solidarity-amongst-member-states

[80] European Trade Union Confederation (ETUC), 'ETUC on EU response to economic impact of Coronavirus', Press release, March 2020, https://www.etuc.org/en/pressrelease/etuc-eu-response-economic-impact-coronavirus; ETUC, 'Long talks cost lives and jobs – EU leaders must fast-track help for over 40 million new unemployed', Press release, May 2020, https://www.etuc.org/en/pressrelease/long-talks-cost-lives-and-jobs-eu-leaders-must-fast-track-help-over-40-million-new; ETUC, 'EU unemployment would double without job support schemes', Press release, May 2020, https://www.etuc.org/en/pressrelease/eu-unemployment-would-double-without-job-support-schemes

credit rating (Greece) and an overall lower estimated ability to deal with the crisis (unemployment rate exceeding 10 % in Greece and Spain). Given the **high uncertainty** at the time, the fiscal backstop was also useful for less fiscally constrained Member States, such as the Eastern European Member States, should the more pessimistic scenarios materialise.

For citizens, it was essential that the EU contribute to assisting Member States to deal with the impact of the COVID-19 pandemic on employment. In the face of a severe, common, external shock, followed by the administrative closure of the economy, relying on STW seemed most appropriate. However, **not all EU Member States had well-established schemes** at the onset of the COVID-19 pandemic. In total, 11 EU Member States, mostly from Central and Eastern Europe[81], had to launch entirely new schemes.

The strong take up of SURE was also a sign of high relevance to Member States' needs. There was rapid, high uptake of SURE financing by EU Member States, with 19 Member States using SURE loans, above the 15 anticipated in the Commission's scenario analysis. By the end of 2020, more than 90 % of EUR 100 billion envelope was already granted, and the financial envelope was almost fully used up by end-2022. Most of the financial assistance granted was disbursed in just seven months, between October 2020 and May 2021[82] (see Figure 9).

7.2 Relevance to policy objectives

SURE fits into the overall social policy agenda of the EU as a tool to protect EU citizens during external shocks. It is aligned with the European Pillar of Social Rights, the EU social strategy[83] launched in 2017 to ensure that the transitions to climate neutrality, digitalisation and demographic change are socially fair and just. The strategy is built around 20 principles and notes the need to improve equal opportunities and jobs for all, ensure fair working conditions, and foster social protection and inclusion.

The adoption of SURE was an immediate response to the pandemic, building on previously announced policy priorities but focusing on temporarily safeguarding jobs rather than unemployed people. Before COVID-19 overtook the policy agenda, debates typically centred on a European unemployment benefit reinsurance scheme that would act as a 'reinsurance fund' for national unemployment benefits in cases where a Member State struggled to finance external shocks from national funds. The 2020-2024 Strategic Plan on Employment identifies key areas for action, including supporting Member States in their capacity to support employment and income through a permanent instrument for the reinsurance of unemployment benefits[84].

The issuance of SURE social bonds aligned with EU policies on sustainable finance. With SURE, the EU issued the first-ever EU social bonds. It ensured that the EU could lead by example, acting not only as a policy maker but also as an issuer, in line with the priorities set out in its 2018 action plan on sustainable finance[85].

7.3 Speed of adoption and implementation

SURE was designed and set-up with extraordinary speed by the EU. Initial work by the Commission started in March, the proposal was published in April, and the SURE

[81] Bulgaria, Cyprus, Estonia, Greece, Hungary, Lithuania, Latvia, Poland, Slovenia, Croatia and Malta (ETUI and ESPN data).

[82] 2021 issuances and disbursements all took place by May 2021.

[83] European Pillar of Social Rights, n.d., https://ec.europa.eu/commission/sites/beta-political/files/social-summiteuropean-pillar-social-rights-booklet_en.pdf

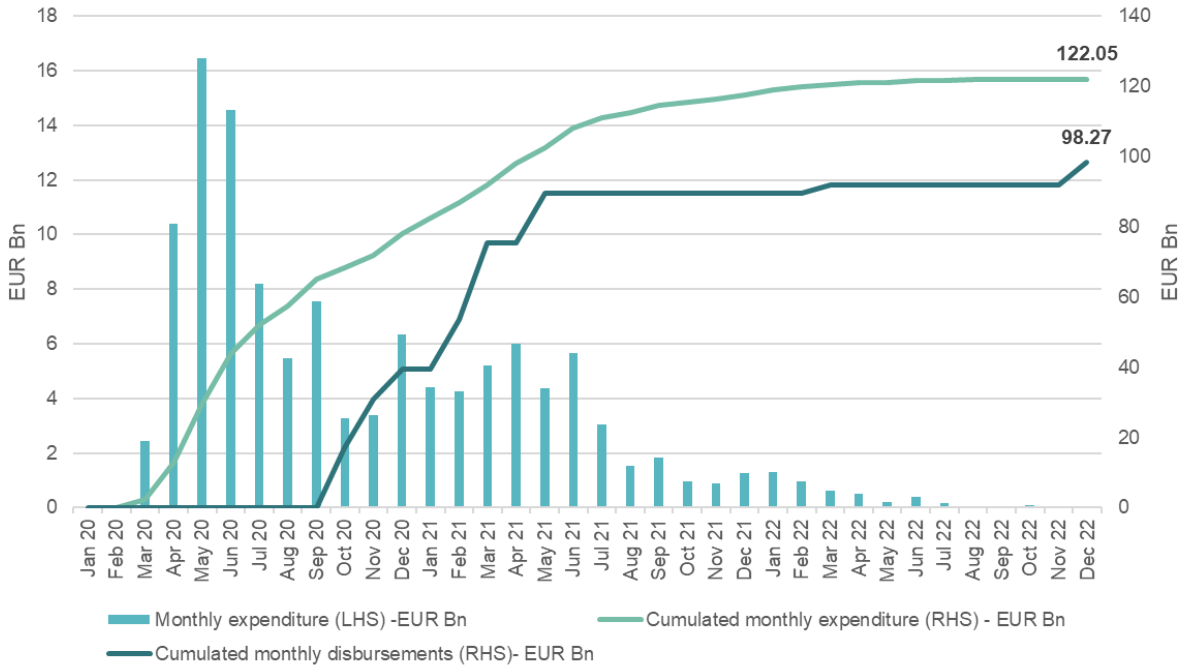
[84] European Commission, Directorate-General for Employment, Social Affairs and Inclusion, *Strategic Plan 2020-2024*, p. 19, https://commission.europa.eu/document/download/92b6ed43-6009-4099-b9a2-5d152493cf7d_en?filename=empl_sp_2020_2024_en.pdf

[85] European Commission, Action Plan on Sustainable Finance, COM/2018/097 final.

Regulation was adopted on 19 May 2020. All stakeholders highlighted that the rapid adoption of SURE at EU level was extraordinary, coming just two months after the WHO declared COVID-19 a pandemic. Observers highlighted that the speed was then somewhat slowed by the process of approval of the Regulation by the Council (debates on the extension of its scope to health-related measures) and the approval of Member State applications for SURE. The process of signing 27 Member State guarantees also took time, with national parliaments involved in some cases. SURE only became formally available on 22 September 2020, once all guarantee agreements were signed.

Although SURE loan disbursements could be made only from October 2020 onwards, this was not considered a problem by Member States. By the time SURE national guarantee agreements and individual Council Implementing Decisions were adopted, many Member States had already made decisions on their support schemes and prepared and implemented measures. Expenditure from the first three months of the pandemic (March to May 2020, when the economy was most affected by lockdowns and when the use of STW schemes was at its highest) were initially covered by Member States themselves and retroactively re-financed by SURE. Overall, stakeholders did not consider this a significant issue. Involvement of the Council in approval of Member States' requests for funds were seen as useful to ensure fair treatment of all Member States, while the signing of guarantees by all Member States illustrated the EU character of the response.

Figure 31. Expenditure on SURE-eligible measures, cumulative expenditure and cumulative disbursements, by month



Source: Member States' SURE reporting and Commission data.

7.4 Temporal relevance over the implementation period

SURE remained relevant throughout its implementation period, as evidenced by the SURE loan requests received from Member States throughout the implementation period. **The criticality of SURE support diminished over time**, however, with fewer Member States still needing SURE support in 2022.

- SURE support was most needed in 2020, with 19 Member States using it at that time. Very few countries (Estonia, Slovenia) had phased out their main COVID-19 job retention measure support by the end of 2020;
- In 2021, 15 Member States were using SURE. Most Member States extended support until well into 2021 (or early 2022). The majority of the ministries surveyed confirmed that spending on employment-related measures was critical throughout 2021 or for at least part of that year;
- In 2022, only four Member States used SURE. The funds were already fully absorbed in most countries but for those continued reporting, there was a clear downward trend in 2022 spending. As described in SURE implementation reports, 2022 top-ups were used to finance past expenditure rather than new expenditure. In Croatia and Portugal, emergency support remained available until late 2022.

This progressively lower importance of SURE is visible in Member States' spending each year under SURE[86].

Table 12. Duration of support provided, 2020-2022

	Main STW/WS emergency support provided until 2022	Spending profile on SURE-eligible measures		
Member State		**2020**	**2021**	**2022**
BE	June 2022	63 %	33 %	5 %
BG	June 2022	33 %	53 %	15 %
CY	August 2021	75 %	25 %	0 %
CZ	February 2022	60 %	38 %	3 %
EE	June 2020	100 %	0 %	0 %
EL	January 2022	50 %	47 %	2 %
ES	March 2022	66 %	30 %	4 %
HR	December 2022	68 %	29 %	3 %
HU	N/A (not financed by SURE)	84 %	16 %	0 %
IE*	August 2020	100 %*	0 %	0 %
IT	December 2021	67 %	32 %	1 %
LT	June 2021/ September 2021	52 %	48 %	0 %
LV	June 2021	40 %	51 %	9 %
MT	May 2022	47 %	40 %	13 %

[86] Differences in reporting, and whether Member States continued to report spending on SURE-eligible measures once their loan was used up, may affect these numbers.

	Main STW/WS emergency support provided until 2022	Spending profile on SURE-eligible measures		
Member State		**2020**	**2021**	**2022**
PL	September 2021	77 %	23 %	0 %
PT	September 2022	45 %	43 %	12 %
RO	May 2022	38 %	40 %	21 %
SI	December 2020	96 %	4 %	0 %
SK	March 2022	29 %	63 %	8 %
SURE		**64 %**	**32 %**	**4 %**

Source: Member State SURE reporting.

Notes:

- Hungary's emergency STW was financed by ESI Funds. This is not represented here (only spending on SURE financed measures is included);
- Ireland replaced its TWSS, introduced on 26 March 2020 and financed by SURE, with a similar scheme, EWSS, not financed by SURE from 1 September 2020 until May 2022.

This trend reflects the dynamic of the COVID-19 pandemic. As the ECDC highlighted, physical distancing measures were important to maintain health services and de-escalate transmission of the disease until a vaccination was on the market and a level of community immunity could be developed. It took until the end of 2022 to achieve widespread vaccination and see a real decrease in healthcare demand. Member States considered the end of SURE availability in late 2022 (as per the sunset clause) appropriate in the circumstances, with all Member States having already scaled back their support by that time.

7.5 Relevance of SURE design

Anti-crisis instrument

SURE was designed to support Member States with the immediate impacts of the COVID-19 pandemic rather than longer-term impacts. Beneficiary and non-beneficiary Member State representatives considered this appropriate in that other EU funds were available to deal with medium-term and longer-term impacts of the pandemic (e.g. ESI Funds, RRF).

Temporary nature of the instrument

SURE was **designed as a temporary COVID-19 emergency response** to mobilise the resources needed to protect workers (including self-employed people) from unemployment and loss of income. It fulfilled its role for the time it was needed. Its temporary nature was a primary political requirement for SURE adoption and endorsement by all Member States through guarantees. Stakeholders raised no issues linked to its temporary nature, which did not limit its ability to fulfil its role in the crisis.

Low levels of prescriptiveness

Low levels of prescriptiveness were viewed as necessary so as not to infringe on Member State competence and to ensure national ownership of the design of labour

market measures[87]. The eligibility criteria for measures were defined on the basis of a 'purpose-driven' approach that allowed Member States full flexibility to design supports that best reflected their socioeconomic conditions, needs and preferences, while avoiding any need for legal changes to adapt to the eligibility criteria. The criteria were: (1) measures had to be related to the COVID-19 pandemic, (2) measures should aim to maintain the link between employers and employees, and (3) measures should provide some form of income support.

That low prescriptiveness was seen, ex-post, as an essential feature that facilitated rapid deployment and high take-up of SURE by stakeholders interviewed (non-beneficiary and beneficiary Member States, social partners, EESC, experts) and surveyed (experts, OPC respondents). At the time of SURE set up, there was limited evidence on the design features of JRS that might work better, thus it was seen as appropriate to leave Member States with flexibility on the type(s) of job retention measures to take.

The explicit reference to self-employment in the SURE Regulation was seen to encourage wider coverage of workers (see box titled "Extent to which the SURE Regulation facilitated wider coverage of workers" in section 6.1).

Widening the scope to health-related measures

When adopting the SURE Regulation in May 2020, the Council **extended its scope to include health-related initiatives in order to address Member States' concerns** that SURE might be a first step towards the establishment of a more permanent unemployment insurance scheme[88]. Although some stakeholders did not see a clear need to bring health-related measures in scope (e.g. social partners), most generally accepted that their inclusion made sense, given the nature of the COVID-19 pandemic.

Hindsight shows that health-related measures were relevant to helping to resolve absorption issues (e.g. Poland and Romania). There is less evidence on the impact of SURE-financed measures on the heath sector, in part because there were no reporting requirements on coverage of these measures (see Section 4.1.1).

Overall envelope, absence of pre-defined allocation and concentration limit

The EUR 100 billion envelope was considered sufficient. The European Commission was able to correctly identify the eight Member States that would have no financial rationale to request a SURE loan. Nevertheless, foreseeing the exact number of Member States that would apply and the level of support they would need remained inherently difficult, in the context of high uncertainty. The overall envelope turned out to be broadly sufficient. All 19 Member States that requested SURE support received almost fully the amounts they had requested[89], with top-up amounts for 11 requesting States). In the absence of pre-defined allocations, this reflected the Commission's efforts to manage expectations and avoid 'first come, first served' runs to the envelope (e.g. transparency about remaining amounts and other countries' needs, possibility of top-up requests, clustering of Member States to serve different countries at the same time).

There was little margin, however. By the end of 2020, the envelope was already 90 % exhausted, leaving little room for manoeuvre should lockdown measures be needed for longer periods.

The absence of predefined national allocations and concentration limit were viewed positively by stakeholders, who frequently referred to the 'solidarity' of the

[87] Eurogroup, *Report on the comprehensive economic policy response to the COVID-19 pandemic*, 9 April 2020, paragraph 17.

[88] Valero, J., 'Eurogroup agrees on €540 billion Corona package', Euractiv, 10 April 2020, https://www.euractiv.com/section/economy-jobs/news/eurogroup-agrees-on-e540-billion-corona-package/

[89] Romania initially requested a higher amount, which was then reduced. Italy, Spain and Polan received slightly less as they hit the concentration limit of 60%

instrument. Some stakeholders (from both beneficiary and non-beneficiary Member States) would have preferred a lower concentration limit or a concentration limit for the top five Member States. In several cases (e.g. Spain), maximum pre-allocations could have been made based on needs and/or objective indicators capturing the economic impact of the COVID-19 pandemic (similar to the approach used for RRF grants, which consider Member State population, inverse of its GDP per capita, and average unemployment rate in recent years, all compared to the EU average).

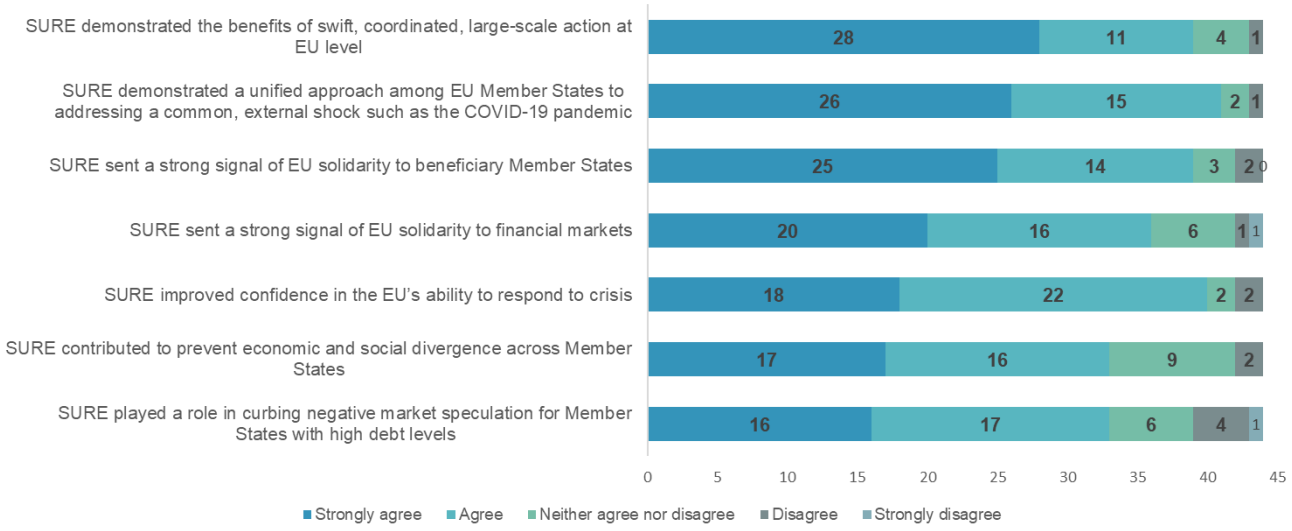
Innovative financial architecture based on common borrowing; loans terms

SURE financial architecture (based on a system of guarantees and lending) reflected the constraints at the time (low budgetary capacity and insufficient available headroom), as the 2014-2020 programming was drawing to an end (see Section 6). Setting up SURE as a debt mutualisation scheme was one option, using an existing TFEU provision (Article 122) to provide loans with favourable terms to support Member States implementing labour market measures.

7.6 EU added value

The EU added value of SURE was significant in several respects. Stakeholders were generally **overwhelmingly positive** (see Figure 32). The main elements of EU added value derived from the fact that action was taken at EU, rather than Member State, level. Absence of EU intervention and replacement by isolated Member State action would not have had the same benefits (e.g. no signalling of EU solidarity) and most beneficiary Member States would have been worse off (either in terms of interest savings and/or in terms of interest savings, implemented measures or fiscal room in general). Citizens also expressed strong support for the general idea behind the SURE set-up: 80 % of respondents to a Eurobarometer survey[90] agreed that it was good to provide EU loans to help Member States to keep people in employment. Concerns that SURE would lead to an expansion of the EU mandate were mitigated by the low levels of prescriptiveness on eligible measures, while its crisis-driven nature and temporary character reassured those Member States opposed to such permanent instruments.

Figure 32. SURE EU added value



Source: Delphi survey.

SURE was a coordinated EU response and corresponded to a shift in mindset. It provided a fiscal backstop to all Member States, made available at EU level. It

[90] Flash Eurobarometer 512.

contrasted with how the GFC had been handled, proposing an instrument with a clear social purpose at a time of crisis, away from austerity and the inter-governmental approach.

SURE marked an expression of EU solidarity. For beneficiary Member States, that solidarity was also demonstrated by SURE's financial architecture and the use of voluntary guarantees from all Member States, irrespective of whether or not they planned to use the instrument.

SURE promoted EU cohesion. It contributed to preventing economic and social divergence by providing a 'second line of defence' and ensuring that the Member States most affected by the COVID-19 pandemic could meet the necessary expenditure to protect jobs and incomes. With an adequate envelope, all Member States that requested financial support received it quickly and efficiently, based on their needs and the severity of the crisis. Despite larger falls in output, unemployment rates did not rise as much in 2020 as in in 2009, especially in SURE-recipient countries, and social benefits contributed to filling the gap left by the drop in wage income across all Member States (see Annex 7).

The SURE experience improved confidence in the EU's ability to respond to future crises. Even though logically Member States had to make key urgent decisions even before SURE was activated (e.g. introduction of key measures), all stakeholders welcomed the speed with which SURE was deployed, which was reassuring in respect of the EU's ability to act efficiently and effectively in exceptional circumstances.

Notwithstanding the overall positive experience, the extent to which SURE has sustainably changed the way EU perceives and responds to common shocks and challenges remains to be confirmed. Member States remain divided on whether it is an opportune time to establish a similar instrument based on common borrowing in case of a future crisis, or a permanent fiscal back-stop scheme. Some non-beneficiary Member States highlight the political nature of the question.

There was a missed opportunity to highlight SURE's social angle to improve perceptions of the EU among citizens. Despite strong citizen support for the basic idea behind SURE, the country case studies confirmed that it had low visibility (confirmed by the OPC). Citizens' high awareness of SURE-financed measures did not extend to SURE itself, with the EU and Member States failing to widely communicate its use, impact and fiscal gains, despite making reports available.

Stronger EU added value could have been gained from more **knowledge exchange and collaborative learning**. Exchanges took place at the early stages of the COVID-19 pandemic, with discussions among Ministers for Labour (including on SURE) and through the iterative process on the eligibility of proposed measures with the Commission services. Some governments from beneficiary Member States (e.g. Greece, Portugal) indicated that while the political decision on the introduction of STW had already been made, these exchanges with the Commission helped to inform or refine the design of their measures (e.g. type, scale). There is little evidence that sharing of experience took place at scale or in any organised framework in the later stages of SURE implementation. Stakeholders in the case study countries reiterated the importance of sharing lessons in implementing SURE-financed measures in order to benefit from each other's expertise and innovations and prepare better for any future crises.

8 Conclusions and lessons

This evaluation confirms that SURE was a significant policy success. During a period of unprecedented crisis and immense uncertainty, it achieved its objective of providing Member States with crucial fiscal space. This allowed Member States to enhance their COVID-19 pandemic response beyond what would have been possible alone, enacting essential employment and health-related measures unrestricted by their national fiscal limits. On the back of SURE financing, many Member States were able to support more expansive JRS (scope, coverage, duration). This not only allowed for the support of broader employment measures but also resulted in significant interest rate savings which could be redirected to further spending.

In contrast, the counterfactual scenario – absence of SURE loans – suggests a less favourable outcome both in terms of macroeconomic outcomes and fiscal efficiency. Without access to lower-cost financing, Member States would have been likely to scale back their JRS due to budgetary constraints, leading to narrower support for employment. This reduction in support capacity would not only have exacerbated job losses, but also diminished the potential for interest rate savings (see Annex 8). The savings that could have been achieved through the SURE's lower interest rates would be lost, highlighting the role of SURE in enhancing both the economic response to the crisis and the financial sustainability of Member States' interventions.

The evaluation confirms that the provision of SURE financing contributed to safeguarding workers' jobs and incomes and mitigating labour market disparities across the EU. Overall, employment-related measures financed by SURE were unlikely to have had significant negative side effects, such as excessive labour hoarding or limited job mobility. On the other hand, they may have contributed to a less pronounced decline in the participation rate in beneficiary Member States.

The success of the SURE issuances not only facilitated immediate financial support for Member States but also set a precedent for the larger-scale financing under the NGEU. Together, these initiatives not only underpinned the EU's response to the COVID-19 pandemic, but significantly influenced the development of the EU's bond market, establishing the EU as a regular fixture in global bond markets. This evolution highlights the EU's strategic pivot towards using bond issuances as a key tool for financing its interventions and support measures, reflecting a deeper integration of financial mechanisms to address unprecedented challenges and invest in the bloc's future.

Overall, the benefits of SURE significantly eclipse the minor costs and inefficiencies involved in its design and management. No abnormal levels of fraud or errors were detected in SURE-financed measures. Where instances of fraud and non-compliance were identified, proactive and continuous measures were taken to correct and recoup funds. Moral hazard among beneficiary Member States was also found to be limited, given the form of the assistance provided. There was no indication that SURE beneficiary countries disproportionately increased spending on their JRS or their fiscal response more broadly compared to non-beneficiaries. Many of the SURE beneficiary countries were among those most affected by the COVID-19 pandemic, given their reliance on sectors that were most impacted.

SURE's emphasis on labour market and health-related measures, financed through social bonds, underscored the social dimensions of the EU's response. The ambition of the Commission was to respond to the COVID-19 pandemic differently, learning from the GFC experience. This was reflected in SURE's strong social focus. SURE-financed measures bolstered social objectives, averting unemployment, fostering cohesion across Member States, and extending the scheme's coverage, particularly to self-employed workers. Nevertheless, some limitations were noted in adequately covering non-standard workers, prompting a call for further research into the design features that made STW schemes successful, as well as a reminder of the need for complementary measures, such as income support and social protection.

SURE was aligned with and made a notable contribution to several SDGs. It exclusively financed public expenditure that could be classified as social expenditure, feeding into SDG 8 (decent work and economic growth). By protecting workers' jobs and incomes, SURE-financed measure contributed to SDGs on gender equality (SDG 5) and reduced inequalities (SDG 10).

SURE complemented the ESI Funds' resources by affording Member States rapid access to new funds. SURE and ESI Funds' resources, particularly from the ESF and including REACT-EU top-ups, were effectively utilised to finance JRS. Operationally, the concurrent use of SURE with ESF did not present challenges or synergies – they were simply two complementary financing sources.

SURE's novel design features were key to its initial political acceptance and were subsequently assessed as key to its success (e.g. low level of prescriptiveness). This facilitated quick deployment and inclusion of a variety of measures tailored to Member States' needs. While the absence of prescriptiveness was key, beneficiary Member States called for more opportunities for collaborative learning. Increased use of the Commission's soft power to put the focus on key aspects or best practices (similar to the explicit mention of self-employed workers in the SURE Regulation) would have been appropriate.

SURE's positive experience did not create a precedent in relation to the broader debates around the EUBS or establishment of a permanent instrument, with views remaining polarised between those supporting the idea (especially the southern Member States) and those that do not consider it feasible, given the diverging national labour market realities and risks with regards to fiscal discipline (northern Member States). The SURE experience nevertheless created a legacy, paving the way for NGEU and issuances in support of Ukraine.

The SURE experience yields several lessons for refining EU support initiatives and implementation of JRS. These are summarised as follows:

For the EU:

- Prudential rules and national guarantees must be finely tuned to the real risk landscape. Appropriate calibration of these financial safeguards is essential to protect the EU's financial interests, while preserving its agility to act decisively during crises;
- To enhance the scheme's efficiency, there is an argument for the EU to foster better knowledge exchange and mutual learning among Member States. This could be complemented by improved IT system interoperability, enabling more effective and efficient programme management that minimises the risk of abuse;
- There was notably low awareness of the SURE initiative among citizens and social partners. This lack of visibility undermined the perceived role of the EU in the recovery effort, highlighting a need for better promotional and informational campaigns to enhance public understanding and engagement. Communication on the rationale and broader economic and social benefits of SURE would increase transparency, accountability, and public acceptability of EU interventions.

For Member States:

Firstly, the evaluation highlights several insights regarding the design and implementation of JRS, which are summarised in the box below for further consideration. Some of these topics may warrant further research.

Secondly, this evaluation underscores the need for comprehensive performance audits or national evaluations of JRS, given the scale of expenditure on these schemes. While national courts of auditors independently determine their audit priorities, national governments can still conduct evaluations and develop systems to monitor and assess

the short- and long-term impacts of such interventions, ensuring their overall effectiveness.

Thirdly, Member States should complement the Commission's efforts to promote visibility and awareness of EU support among their citizens.

Box: Learnings for Member States on JRS design and implementation

Future schemes should be narrowly focused, targeted, and controlled to mitigate potential negative effects such as inflation and ensure fairness in support distribution (e.g. preventing funds from reaching companies too robust to warrant assistance or those too weak to viably benefit from it).

While JRS covered diverse sectors and groups, including the self-employed, youth, and seasonal workers, targeting of these groups could be strengthened to improve the distributional impact of these measures.

Incorporating training components can enhance long-term benefits by improving job readiness and adaptability.

The duration of support should be carefully considered to balance immediate financial aid with long-term labour market flexibility. Measures to manage the transition of employees from idle to active employment are crucial to avoid losses in workforce capability.

Capacity building of public administrations involved in the implementation of these measures through staff increases and training is vital to handle large volumes of cases and funds more effectively and minimise errors or losses

At national level, IT systems are essential to robust business intelligence, risk analysis, and interoperability. Enhancements would enable more effective programme management and minimise potential misuse, while ensuring quick and responsive measures.

Some of the above lessons are echoed in the performance audits and evaluations of JRS in non-beneficiary Member States, most notably:

Incentives should exist for companies to foster restructuring measures (more structural) and focus on staff training during periods of support to enhance long-term benefits.

To improve the distributional impact, it is advisable to increase wage replacement rates for low-income workers, particularly during prolonged use of the scheme. This adjustment helps sustain household cash levels and reduces their reliance on additional public support.

To expedite the phase-out from the scheme, incorporating incentives in the design is crucial. Introducing an "experience rating" system could be effective, where firms that frequently and extensively use STW during downturns would face higher contributions or make repayments during normal economic times. This approach would help build a financial reserve for future crises.

Lastly, the evaluation provides some food for thought for two broader questions:

- **Non-affection principle.** Many countries have a non-affection principle enshrined in their basic budget laws[91], i.e. connecting a specific spending purpose with a separate income stream is an exception and requires a law or specific

[91] Non-Affektations-Prinzip in Germany in Haushaltsgrundsätzegesetz §7 Grundsatz der Gesamtdeckung. Alle Einnahmen dienen als Deckungsmittel für alle Ausgaben. Auf die Verwendung für bestimmte Zwecke dürfen Einnahmen beschränkt werden, soweit dies durch Gesetz vorgeschrieben oder im Haushaltsplan zugelassen ist.

description in the budget law. Even if such exceptions were possible (e.g. JRS) during a crisis, the time requirements for a fully fledged law-making process would be challenging. If the programmes receiving additional financing are already there, time requirements are significantly less compared to programmes developed from scratch. SURE refinanced the national budgets of participating Member States, but different organisational structures exist in the Member States. In some cases, money from the national budget could be transferred to job agencies or budgets at sub-national level with another layer of non-affection principle. In an unprecedented crisis, it seems justified to achieve maximum implementation speed by opting for contractual agreements for the volumes of national budget refinanced by SURE.

- **No bail-out article in the Treaty.** The so-called 'no bail out article' (Article 125) in the TFEU states that, 'A Member State shall not be liable for or assume the commitments of central governments, regional, local ... of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project,' and SURE was required to follow this article. A *pari passu*[92] guarantee operation was, and is, considered possible under Article 25.

However, the views of the ECA should be considered, as should developments in the rulings of Constitutional Courts. In a case on the Own Resources Decision of the EU in December 2022, the German Constitutional Court ruled it to be in line with democracy[93].

- A guarantee mechanism of significant volume has to be decided or ratified by the national parliament; and
- There has to be sufficient influence of the national parliament on each significant financial decision and the mode of treatment of the financial means.

Future discussions and decisions on instruments drawing on the SURE template will have to take on board the judicative developments in respect of NGEU and the Own Resources Decision.

[92] "Pari passu" is a Latin phrase meaning "on equal footing," used in finance and legal contexts to indicate that various parties or claims have equal rights of payment or treatment

[93] (Tz 135) of Judgment of 6 December 2022 2 BvR 547/21, 2 BvR 798/21 Act Ratifying the EU Own Resources Decision - Next Generation EU. 'Es dürfen keine dauerhaften Mechanismen begründet werden, die auf eine Haftungsübernahme für Willensentscheidungen anderer Staaten, zwischenstaatlicher Einrichtungen oder internationaler Organisationen hinauslaufen, vor allem, wenn sie mit schwer kalkulierbaren Folgewirkungen verbunden sind. Jede ausgabenwirksame solidarische Hilfsmaßnahme des Bundes größeren Umfangs im unionalen und internationalen Bereich muss vom Bundestag im Einzelnen bewilligt werden. Soweit überstaatliche Vereinbarungen getroffen werden, die aufgrund ihrer Größenordnungen für das Budgetrecht von struktureller Bedeutung sein können, etwa durch Übernahme von Bürgschaften, deren Einlösung die Haushaltsautonomie gefährden kann, oder durch Beteiligung an entsprechenden Finanzsicherungssystemen, bedarf nicht nur jede einzelne Disposition der Zustimmung des Bundestages; es muss darüber hinaus gesichert sein, dass weiterhin hinreichender parlamentarischer Einfluss auf die Art und Weise des Umgangs mit den zur Verfügung gestellten Mitteln besteht.'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