SURE Country Case Studies

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

Country case study
Greece
April 2024

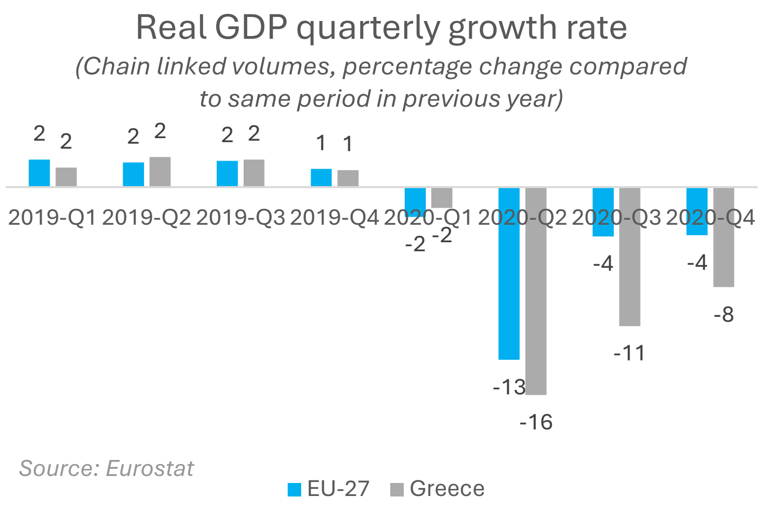
Contents

Context

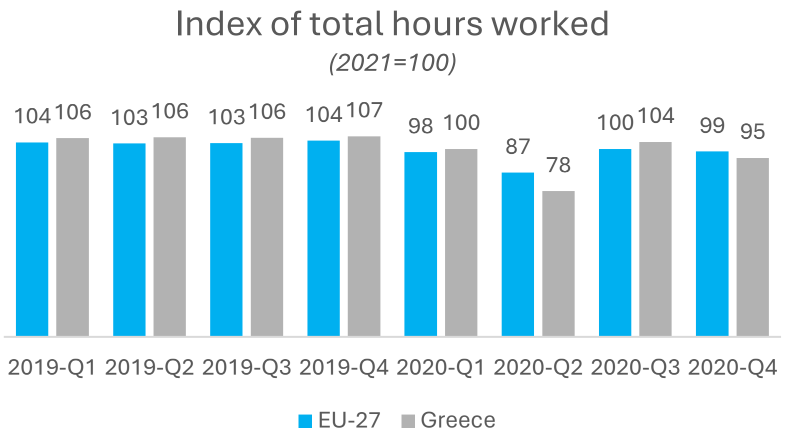
ECONOMIC SHOCK CAUSED BY COVID-19

A marked shock with significant repercussions on labour markets

1. The Greek economy was significantly affected by the pandemic - GDP declined by 9.3% in 2020 and again by 2.2% in the first quarter of 2021.
2. Greece experienced the second largest drop in real GDP of the EU-27.
3. The most significant impact was seen in the second quarter of 2020, with real GDP plunging by 16.0% y-o-y; total hours worked also fell by 22%, bringing Greece below the EU-27 average.

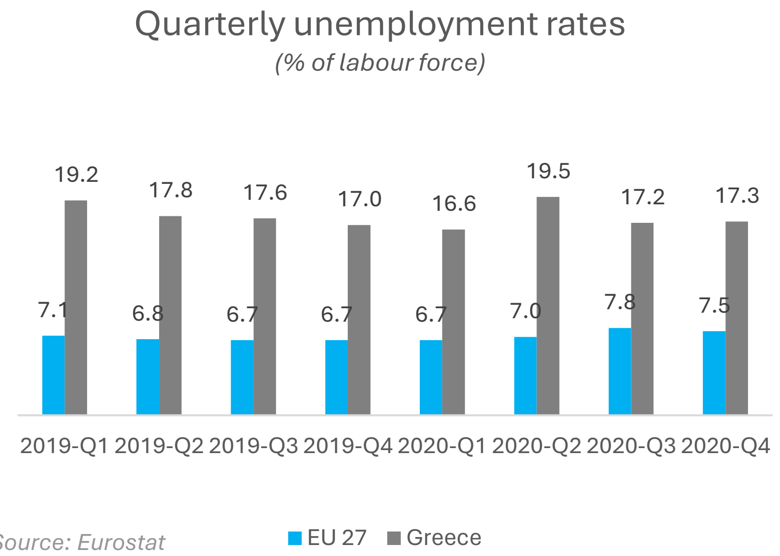


Source: Eurostat



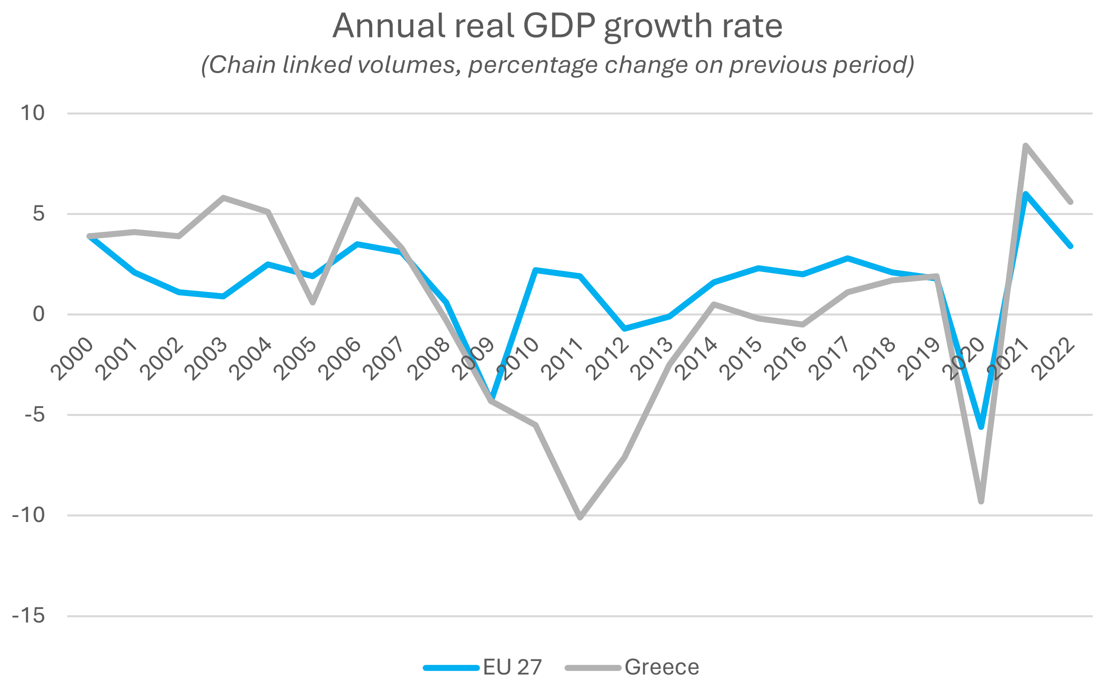
Source: Eurostat

4. In Q2 of 2020, the already high unemployment rate increased to 19.5%, though it returned to its pre-pandemic levels in the last two quarters of 2020.
5. Greece was one of the EU-27 countries with the highest rate of exposure to the most heavily affected GVA sectors. It also had a high rate of exposure when it came to heavily affected employment sectors, with a significant share of the decrease in real GDP being due to the drop in net exports (see Annex 7).
6. Greece implemented significant mobility restrictions in the second and last quarters of 2020, as well as during the first quarter of 2021.
7. There was significant uncertainty at the onset of the pandemic as regards to its impact on the labour market and economy.

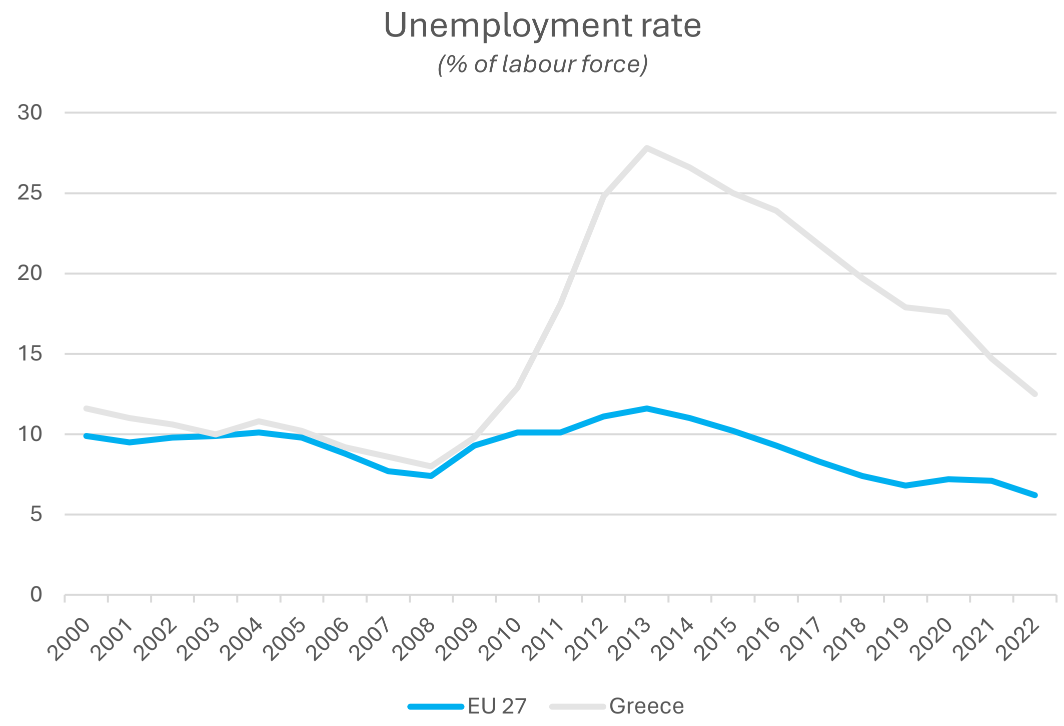


Source: Eurostat

ECONOMIC SHOCK CAUSED BY COVID-19 RELATIVE TO PREVIOUS CRISES



Source: Eurostat



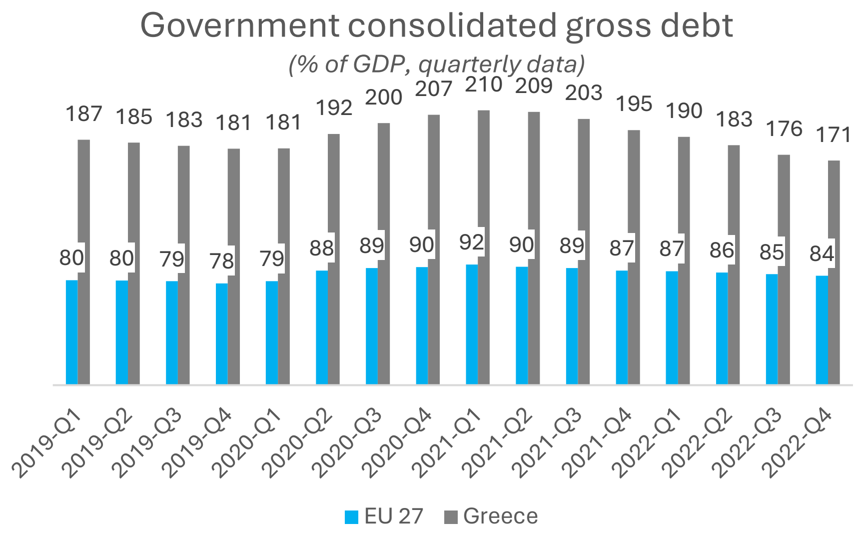
Source: Eurostat

While the impact of the 2020 shock on Greek GDP was similar to the shock seen in 2011 (Greek sovereign debt crisis), the impact on unemployment was far more negative in 2011 than in 2020. The recovery of output, employment and unemployment rates to pre-crisis levels was significantly faster in the case of the pandemic when compared to the debt crisis.

A marked difference was noted in terms of the impact of each of the two crises on the labour market:

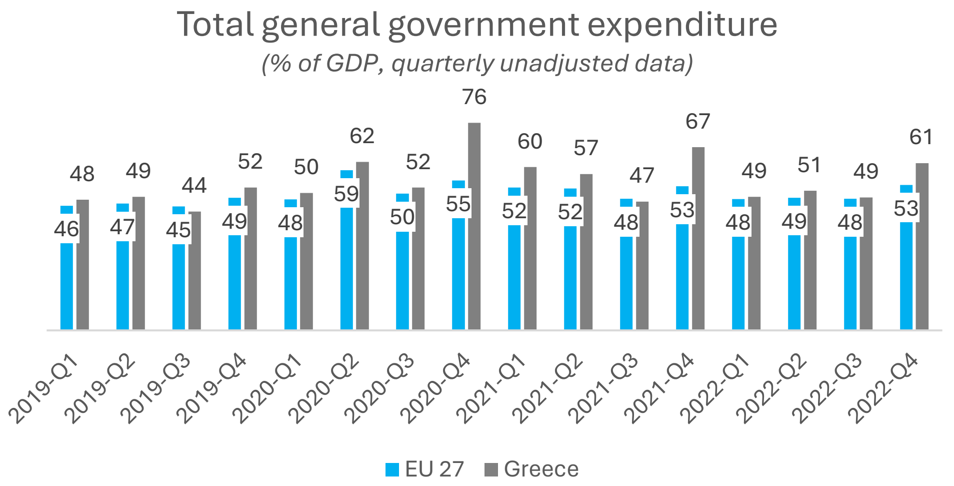
- The shock caused by the pandemic was exogenous, cyclical and temporary.
- The shock caused by the sovereign debt crisis was endogenous, stemming from fiscal and external structural deficits which had long-lasting effects.

OVERALL FISCAL RESPONSE TO COVID-19

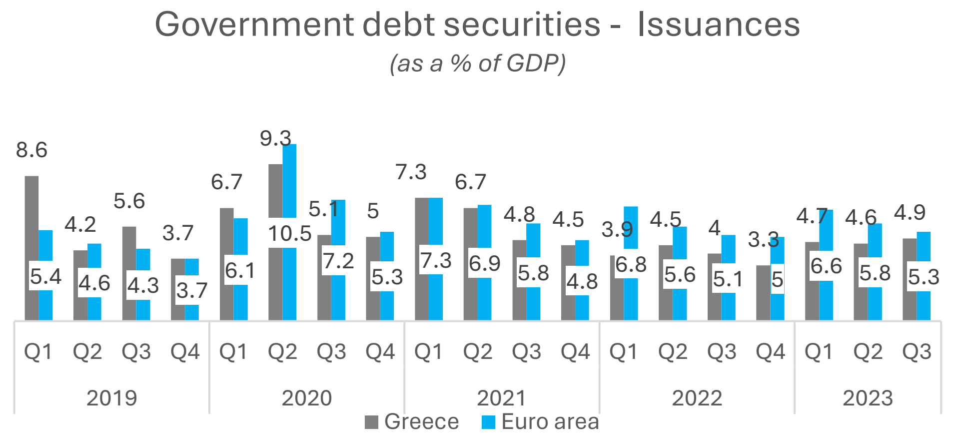


Source: Eurostat

1. The pandemic temporarily reversed the downward trend of gross public debt and led to a significant increase in government expenditure, pushing Greece above the EU-27 average.
2. The issuance of debt securities also increased moderately in 2020, bringing Greece close to the EU-27 average.



Source: Eurostat



Source: ECB

EMPLOYMENT PROTECTION MEASURES

Co-financed by SURE

- **Job Retention Schemes (from 28.03.2020)**
  - Provision of special allowance to employees whose labour contracts were suspended
  - Coverage of social security contributions for employees whose labour contracts were suspended
- Provision of **special allowance for self-employed** people working in scientific professions (from 29.04.2020)
- **Short-Term Work scheme (SYN-ERGASIA, from 15.06.2020) –** reduction of working time with employees receiving 60% of their net wages for the reduced hours through state funding
- Coverage of social security contributions for employees of **seasonal enterprises** (from 01.07.2020)

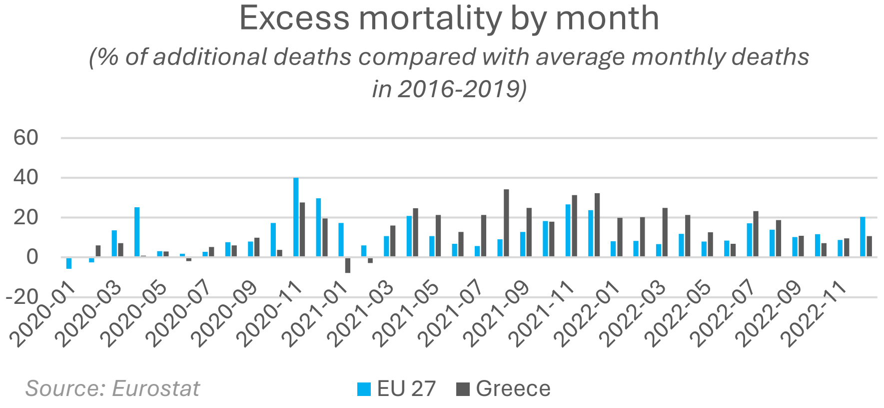
Financed by the State Budget

- **Wage support**
  - For individuals with no work experience
  - As a top-up, coupled with SSCs, for new vacancies
- Provision of **special allowance to arts and culture professionals**
- Special **leave benefits**, such as paid sick or quarantine, parental or caregiver leave
- In addition, complementary measures were put in place to **protect workers' salaries**.
- Indicatively:
  - Extension in the duration of unemployment benefits
  - Rent reduction for employees whose labour contracts were suspended
  - Suspension of solidarity tax for employees in the private sector

SURE Implementation

TIMELINE OF KEY DEVELOPMENTS

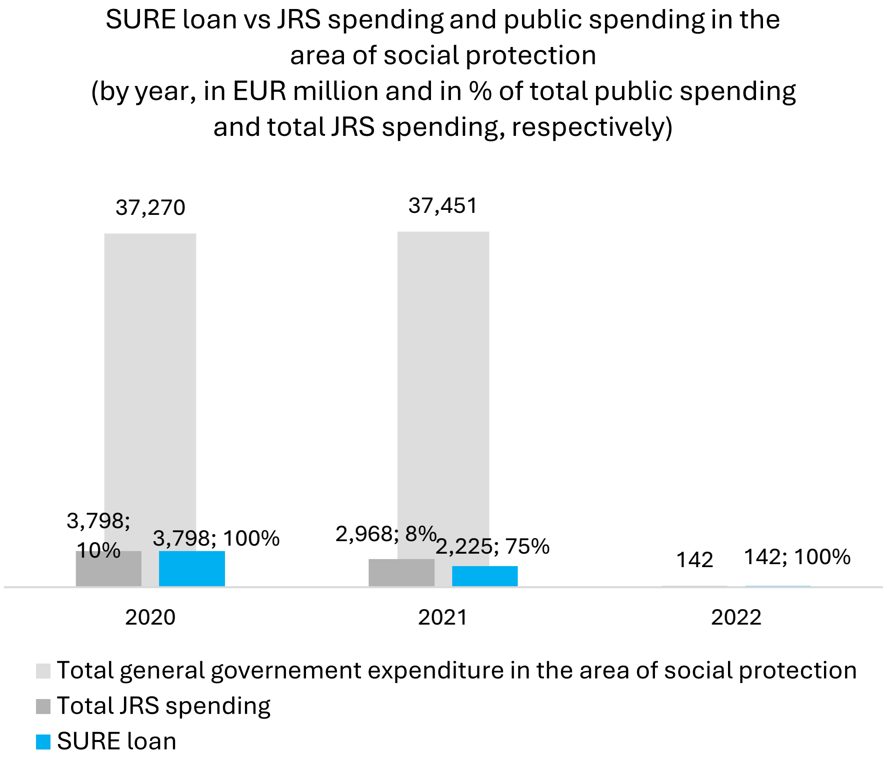
1. Announcement of lockdowns –March 2020 and November 2020: The timely adoption of restrictive measures following the outbreak of the pandemic kept the mortality rates low during 2020. Significantly higher mortality rates were recorded in 2021 and 2022.
2. Announcement of initial support –March 2020
3. Announcement of employment protection measures – new or enhancements - March 2020
4. Announcement of SURE – 13 March 2020
5. EC proposal on SURE – 2 April 2020
6. Approval of SURE (EU level) - May 2020
7. Request for SURE (Greece) – August 2020
8. Approval of SURE (Greece) – September 2020
9. Activation of SURE – September 2020
10. Loan disbursements – November 2020, February and May 2021, December 2022
11. Top-up requests – April 2021 and September 2022
12. Extensions of temporary STW and related schemes – October 2020, February 2021 and January 2022
13. End of temporary STW and related schemes / end of exceptional features for permanent schemes – December 2022



SURE LOAN: KEY FIGURES

SURE loan amount	EUR 6.2 bn
Of which top up	*EUR 3.472 bn (56%)*
SURE loan amount (disbursements) as a share of annual GDP	1.2% (2020) 1.8% (2021) 0.4% (2022)
SURE loan amount used for labour market measures	100%
Years in which SURE loan was used	2020, 2021, 2022
Total JRS spending: 2020-2022	EUR 6.9 bn
Of which ESIF	-
Share of total JRS spending financed by ESIF	-
Share of total JRS spending financed by SURE loans	89%

1. SURE funded measures in EL were around 1.7% of GDP in 2020 and 2021.
2. SURE funded measures mostly covered 2020 and 2021.
3. SURE financed 89% of total JRS spending.



Source: ICF based on MS SURE reporting, LMP database and Eurostat

Note for 2022: Break in series for JRS spending data (no LMP data) and no data on public spending in the area of social protection

MEASURES FINANCED BY SURE

Table. Temporary support measures in the labour market in Greece, financed by SURE, 2020-2022

Measure	Public spending, in € million				Funding by SURE, in € million			
	2020	**2021**	**2022**	**Total**	**2020**	**2021**	**2022**	**Total**
A	2,039.8	1,893.8	29.2	3,962.7	2,039.8	1,467.2	0.0	3,507.0
B	786.7	928.0	26.4	1,741.1	864.0	1,012.6	0.0	1,876.6
C	102.7	0.0	0.0	102.7	102.7	0.0	0.0	102.7
D	73.6	145.7	86.6	305.9	435.3	3.4	0.0	438.7
E	162.5	0.0	0.0	162.5	240.0	0.0	0.0	240.0
Total	**3,165.3**	**2,967.5**	**142.2**	**6,275.0**	**3,681.8**	**2,483.2**	**0.0**	**6,165.0**

Measure	Spending, in % of total spending during 2020-2022				Funding by SURE, in % of spending for each measure & year			
	2020	**2021**	**2022**	**Total**	**2020**	**2021**	**2022**	**Total**
A	32.5%	30.2%	0.5%	63.2%	100.0%	77.5%	0.0%	88.5%
B	12.5%	14.8%	0.4%	27.7%	109.8%	109.1%	0.0%	107.8%
C	1.6%	0.0%	0.0%	1.6%	99.9%	NA	NA	99.9%
D	1.2%	2.3%	1.4%	4.9%	591.8%	2.3%	0.0%	143.4%
E	2.6%	0.0%	0.0%	2.6%	147.7%	NA	NA	147.7%
Σύνολο	**50.4%**	**47.3%**	**2.3%**	**100.0%**	**116.3%**	**83.7%**	**0.0%**	**98.2%**

Source: Project team estimations (spending in cash terms) based on data by the European Commission and the Hellenic Ministry of Finance.

Annex Table. List of measures in Greece financed by SURE

(A+B)	**Job Retention Schemes** ("Anastoles", Law 4682/2020, article 3, MD 12998/232, FEK B1078/28.03.2020)
A	Provision of special allowance to employees whose labour contracts have been suspended ("Αποζημίωση ειδικού σκοπού για αναστολές συμβάσεων εργασίας")
B	Coverage of social security contributions for employees whose labour contracts have been suspended ("Ασφαλιστική κάλυψη των εργαζομένων των οποίων οι συμβάσεις τελούν σε αναστολή")
C	Provision of **special allowance to self-employed** of scientific professions (MD 16604/3224, FEK B1629/29.04.2020) ("Αποζημίωση ειδικού σκοπού σε επιστήμονες-ελεύθερους επαγγελματίες")
D	**Short-Term Work scheme** ("SYN-ERGASIA", Law 4690/2020, article 31)
E	Coverage of social security contributions for employees of **seasonal enterprises** (Law 4174/2020, article 123) ("Κάλυψη εργοδοτικών ασφαλιστικών εισφορών για τις επιχειρήσεις του τριτογενή τομέα")

- Novel JRS schemes (measures A, B) accounted for over 87% of total SURE funding.
- After the pandemic, such JRS schemes were used in extraordinary circumstances, such as following natural disasters
- The STW scheme (measure D) was novel and temporary
- Special allowances (measures C, E) were one-off in nature

Source: Hellenic Ministry of Finance, Research team processing
Note: SURE allocated support on individual measures could be higher or lower than (actual) public spending, as long as total public spending exceeded the SURE loan

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE: (1) JOB RETENTION SCHEMES

Greece	Description	Eligibility conditions/coverage	Duration	Level of support and take-up
Measure A	Monthly income support of EUR 534 was provided to employees whose labour contracts had been temporarily suspended. These employees did not receive a wage from the company/employer during this period. The list of eligible NACE codes was being revised on a monthly basis as the containment measures were being lifted or enforced.	The scheme provided financial assistance to employees of companies that had been seriously affected by the outbreak, with their labour contracts being temporarily suspended. A crucial feature of the scheme was that the employment relationship was not terminated. The precondition to benefit from the scheme was for the employer to retain their employees –meaning employing the exact same number of employees with the same working conditions as on the starting date of the labour contract suspension– for a time period, following the termination of the labour contract suspension, at least equal to the period for which the labour contract had been suspended.	Temporary emergency measure (approved on 14 March 2020). The measure was originally designed to be in force from 14 March until 31 July 2020 for regular workers, and until 30 September 2020 for seasonal workers. Extensions provided would ultimately continue the scheme up to January 2022.	Support was equal to EUR 534 on a monthly basis. More than 810,000 employees (corresponding to approximately 40% of the total employees of the private sector and 21% of the total employment figures) had been placed under temporary labour contract suspension by the end of April 2020. This number fell in the summer of 2020 but rose again during the second lockdown.
Measure B	The State covered the social security contributions for employees whose labour contracts had been suspended. During that period, the company/employer did not pay social security contributions to the State. The support was provided for employees of companies that operated in sectors affected by the pandemic, as determined through the companies' NACE code. The list of eligible NACE codes was being revised on a monthly basis as the containment measures were being lifted or enforced.	The scheme covered social security contributions for employees of companies that had been seriously affected by the outbreak, with their labour contract being temporarily suspended. A crucial feature of the scheme was that the employment relationship was not terminated. The precondition to benefit from the scheme was for the employer to retain their employees –meaning employing the exact same number of employees with the same working conditions as on the starting date of the labour contract suspension– for a time period, following the termination of the labour contract suspension, at least equal to the period for which the labour contract had been suspended.	Temporary emergency measure (approved on 14 March 2020). The measure was originally designed to be in force from 14 March until 31 July 2020 for regular workers and until 30 September 2020 for seasonal workers. Extensions provided would ultimately continue the scheme up to January 2022.	Support was equal to the total amount of social security contributions for employees of companies meeting the eligibility criteria. More than 810,000 employees (corresponding to approximately 40% of the total employees of the private sector and 21% of the total employment) had been placed under temporary labour contract suspension by the end of April 2020. This number fell in the summer of 2020 but rose again during the second lockdown.

Source: Hellenic Ministry of Finance, Research team processing

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE: (2) SHORT-TERM WORK SCHEMES

Greece	Description	Eligibility conditions/coverage	Duration	Level of support and take-up
Measure D	Eligible companies were allowed to reduce employee's weekly labour time up to 50%, while the State covered 60% of the employees' net wages corresponding to the reduction in working hours. For June 2020, the State covered 60% of the corresponding employers' social security contributions for the hours not worked. From July 2020 onwards, the State covered 100% of both the employers' and employees' social security contributions corresponding to the hours not worked. Moreover, the State covered the difference between the received net wage and the statutory minimum wage in case the former was lower than the latter. In addition to current employees with full employment contracts, the scheme could also cover full-time employees that were had to be re-hired during the summer. This provision was added to account for certain seasonal workers that, according to Greek labour legislation, were not formally laid-off once the tourist season was over but were considered as employed throughout the duration of the year in spite of the seasonal nature of their work. The scheme also included a contribution by the State to the employees' holiday bonus and Christmas bonus.	The scheme covered a fraction of earnings of employees that were placed under short-term work. A crucial feature of the scheme was that the employment relation was not terminated. Companies which benefited from the scheme were prevented from dismissing employees during the period they were covered by the scheme. The scheme covers all sectors. Eligible companies were those which had not recorded a drop of at least 20% in turnover during the previous months. The scheme covered all current employees with a full employment contract, as well as seasonal full-time employees that had to be re-hired every summer on the basis of their labour contract. The scheme did not allow for the transformation of part-time employment contracts into full-time contracts.	Temporary emergency measure (approved on 30 March 2020). The measure was originally legislated to be in force between 15 June and 15 October 2020 (31 December for airline industries only). Through subsequent legislation, its application was extended up to 31 March 2022.	Support by the State covered 60% of employees' net earnings and, for June 2020, 60% of social security contributions that corresponded to the reduction in working hours. From July onwards, the State covered 100% of social security contributions that corresponded to the reduction in working hours. The degree of use of this measure by SMEs was rather contained, while it was more attractive for large companies. Around 10% of Greek SMEs used it, of which most were medium size manufacturing firms. Firms in the service sector used it much less, due to the type and size of the shock (closure/lockdowns), which required a radical response, e.g. through JRS.

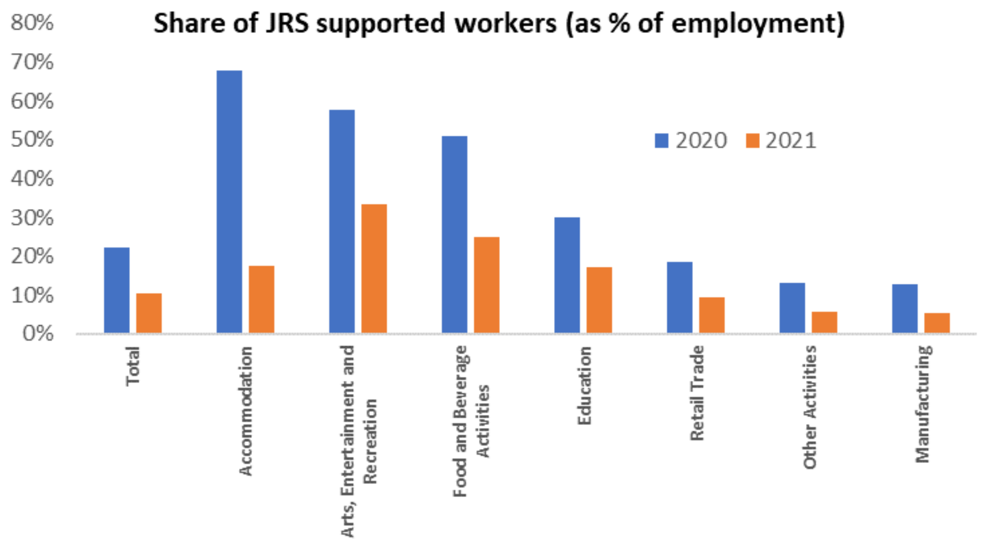
Source: Source: Hellenic Ministry of Finance, Research team processing

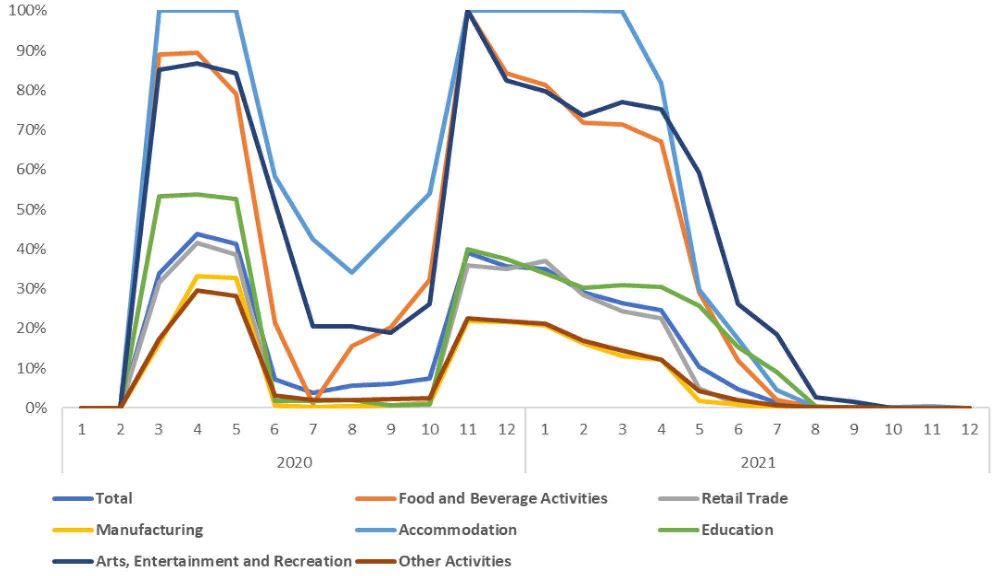
FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE: (3) SELF-EMPLOYED AND SEASONAL WORK

Greece	Description	Eligibility conditions/coverage	Duration	Level of support and take-up
Measure C	A one-off income support of EUR 600 was granted to self-employed workers in specific scientific fields.	The scheme consisted of a one-off financial assistance provided to self-employed individuals in scientific professions. The scheme covered self-employed workers in six specific scientific fields, namely economists/accountants, engineers, lawyers, medical doctors, teachers, and researchers. Eligibility of beneficiaries was determined on the basis of NACE codes.	Temporary emergency measure (approved on 20 March 2020). The measure consisted of a one-off payment of income support.	Support was equal to EUR 600 and consisted of a one-off payment. Approximately 156,000 self-employed workers received the payment in April 2020 and approximately 27,000 more self-employed workers received it in June 2020.
Measure E	With regard to seasonal enterprises, employers' social security contributions were covered by the State Budget for the personnel concerned during the months of July, August and September 2020. Tertiary sector enterprises (specified on basis of NACE codes) that had more than 50% of their yearly 2019 turnover (specified on basis of periodical VAT statements) in the third quarter of 2019 were eligible. In addition, enterprises operating in the aviation and passenger ship sectors were also eligible, though these enterprises had to retain at least the same number of employees as they had had on June 2020.	Tertiary sector enterprises (specified on basis of NACE codes) that had more than 50% of their yearly 2019 turnover (specified on basis of periodical VAT statements) in the third quarter of 2019 were eligible. In addition, enterprises operating in the aviation and passenger ship sectors were also eligible. Throughout the application period of the scheme, beneficiary companies had to retain at least the same number of employees as they had had in June 2020 (specified in the MD). The measure was expected to cover the social security contributions of approximately 274,000 employees.	Temporary emergency measure (approved in July 2020). The measure was in force between July and September 2020.	Support by the State would cover the employers' social security contributions for seasonal firms for the months of July, August and September 2020 (paid with one month lag). The national average employers' social security contributions was estimated to amount to EUR 292 per beneficiary. On the basis of seasonal employment data and turnover data, it was estimated that the measure covered approximately 274,000 employees on a monthly basis.

Source: Source: Hellenic Ministry of Finance, Research team processing

A DEEP DIVE INTO JRS (1): WORKFORCE COVERAGE



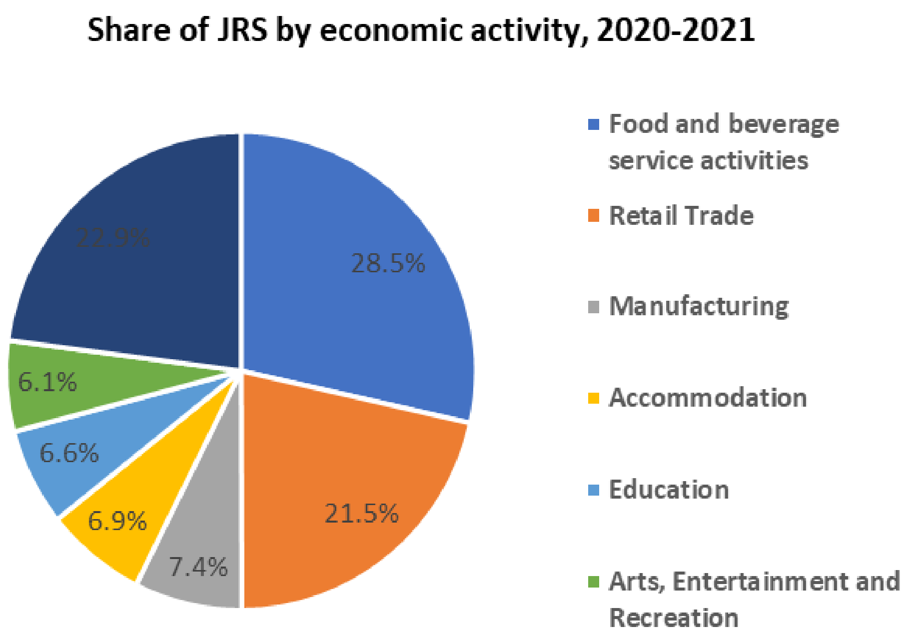


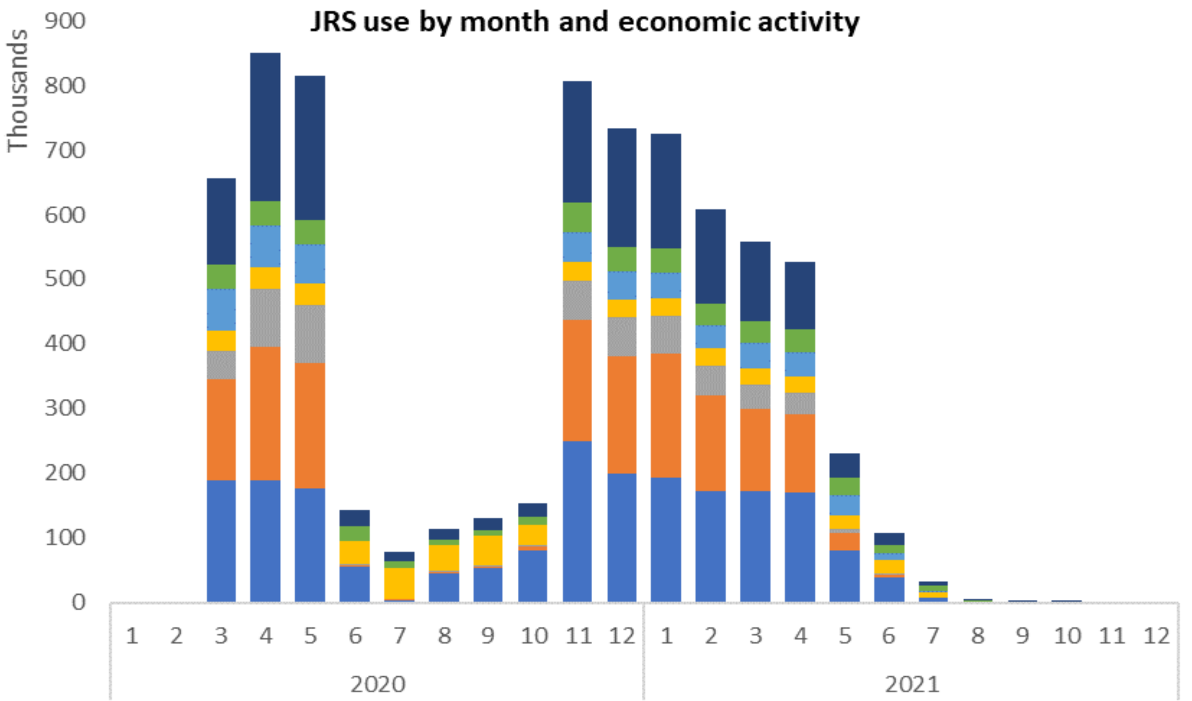
Source: Hellenic Ministry of Labour, ERGANI micro data base, Research team calculations

Analysis of demographics on the use of JRS ("deep-dive") from a micro-data set, shows that:

- On average, about 22% and 10% of total employment in the private sector received support through JRS, in 2020 and 2021, respectively.
- Support varied across economic activity, with notably higher percentages recorded for the Accommodation, Entertainment, Food and Beverage sectors.
- Monthly evolution of the support shows that the Accommodation, Entertainment and Food and Beverage sectors benefited the most from the JRS instrument relative to their recorded number of employees, while support persisted during off-tourism season months (November 2020 –March 2021), in line with the second wave of the pandemic.

A DEEP DIVE INTO JRS (2): SECTORAL COVERAGE

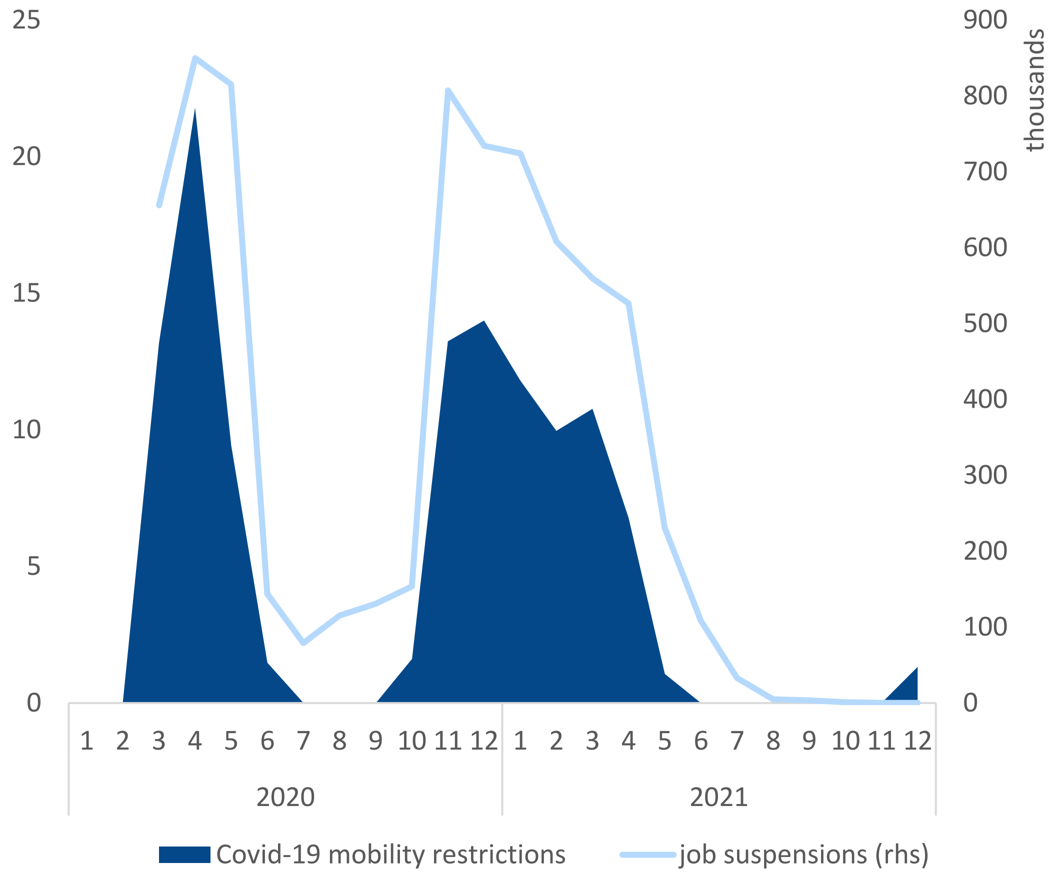




Source: Hellenic Ministry of Labour, ERGANI micro data base, Research team calculations

- Overall, the service sector was most affected by the containment measures, with the sector absorbing more than 2/3 of total JRS schemes.
- During 2020-2021, JRS was primarily used by Food and Beverage service activities (28.5%), followed by Retail Trade (21.5%).
- A smaller but nonetheless noteworthy use of JRS was recorded in Manufacturing (7.4%), Accommodation (6.9%), Education (6.6%), and Arts, Entertainment and Recreation (6.1%).
- The use of JRS varied by month, depending on the effects of COVID-19 on each sector.
- For instance, the Accommodation sector absorbed the highest share of JRS (62%) during the peak of the tourist season (July of 2020).

A DEEP DIVE INTO JRS (3): TIMELINES

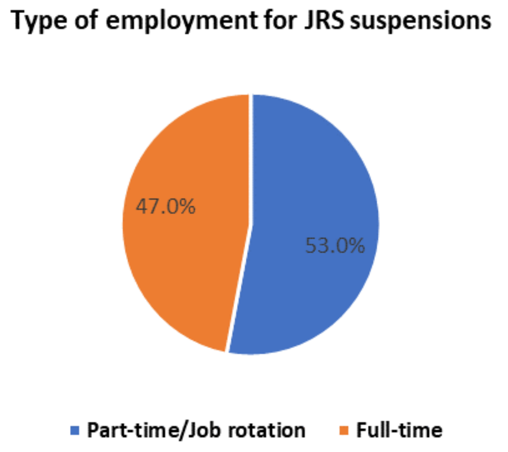


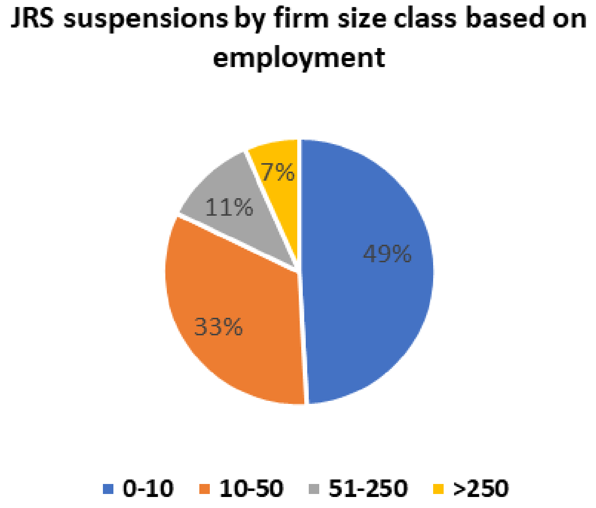
Source: Hellenic Ministry of Labour, ERGANI micro data base, Research team calculations

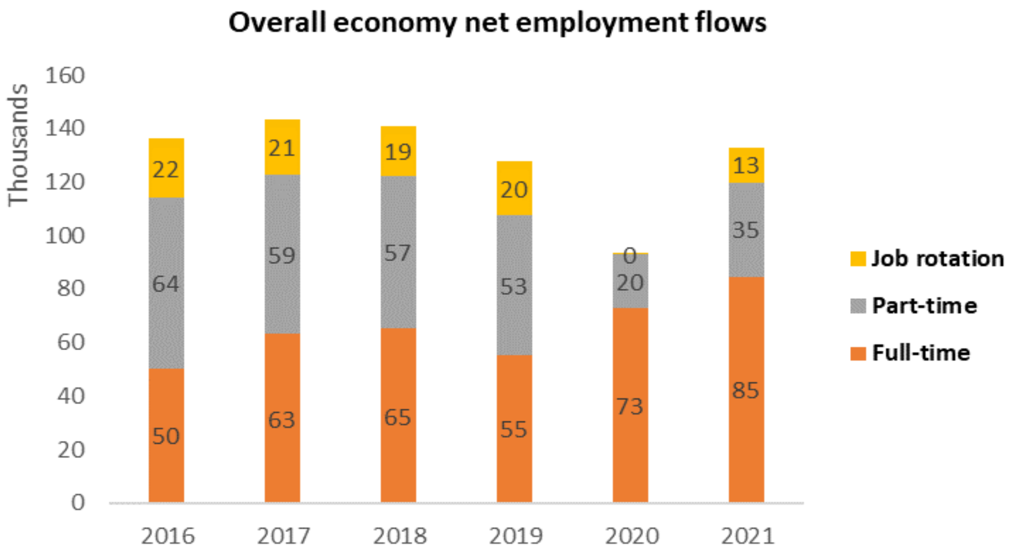
The timing of JRS implementation was aligned with COVID-19 mobility restrictions.

- We employ the Google Mobility Trends database to construct a **proxy for the intensity of COVID-19 mobility restrictions**.
- Specifically, we use the residential percentage change from baseline, where the baseline is the median value over the five-week period from January 3rd to February 6th of 2020.
- We set it to 0 for pre-pandemic periods and for periods when it takes negative values, so as to discard seasonality effects (conservative bias). Higher value indicates higher intensity of restrictions.
- There was a total of 7,284,011 job suspensions via the Job Retention Scheme (JRS), for the period 2020-2021. Total amount of wages and salaries concerning these suspensions was EUR 775,207,339.

A DEEP DIVE INTO JRS (4): TYPE OF EMPLOYMENT AND FIRM SIZE







- Amid lower employment net flows during the first year of the pandemic, part-time employment was particularly hit.
- Most JRS concerned part-time or job rotation (53%), albeit by a small margin.
- Smaller firms (up to 50 employees) received >80% of the total number of JRS. Micro firms used 49% of JRS, followed by small enterprises (33%), medium-sized enterprises (11%), and large enterprises (7%).

Source: Hellenic Ministry of Labour, ERGANI micro data base, Research team calculations

Evaluation findings

RELEVANCE OF SURE's OVERALL DESIGN (1)

Taking into account the needs and situation of the country, **stakeholders generally agreed** that:

- SURE was an economic instrument with a **clear social purpose**
  - Employment-support rather than income-support oriented. More efficient for the case of Greece with a high share of undeclared income. Measures helped to preserve employment, quality of labour relations and social cohesion. Without protecting employment, the economic repercussions of the crisis would have been profound.
- The **duration** of use of the instrument was adequate but its **temporary nature** could be revisited
  - Sufficient duration covering the period when lockdown measures were more intense. Highly relevant for easing pressures in the labour market, limiting layoffs, containing unemployment
  - Extraordinary nature helped to avoid disincentives for labour market participants. Other supplementary tools were accessible for certain groups of workers during the recovery process.
  - However, various stakeholders highlighted the merit for a similar EU scheme of a permanent nature.
- The instrument's low degree of prescriptiveness and **broad eligibility criteria** facilitated implementation
  - Allowed for a swift and tailored design to the EL socio-economic situation, involving social partners. An important feature of the measures was that they also concerned part-time workers, as flexible employment conditions were gaining share during the pandemic in Greece. In addition, key audit and control features of SURE were left at the discretion of each Member State in the manner the latter deemed most effective.
  - The high speed of design and launch helped to avoid labour market participants' uncertainty. Alternatively, bad practices in the labour market could have increased (e.g. undeclared work, unpaid overtime, etc.).
  - However, various stakeholders noted that the targeting of support could have been enhanced (e.g. towards self-employed).

RELEVANCE OF SURE's OVERALL DESIGN (2)

Taking into account the needs and situation of the country, **stakeholders generally agreed** that:

- The **EU approach (vs inter-governmental)** was positive in strengthening the Greek policy response
  - It helped in coordinating MS governments, including the EL government regarding the measures to be implemented (type and scale).
  - The legal framework was quite detailed and complete, which gave domestic agencies sufficient tools to control and implement the measures well.
- The novel **EU financial architecture** based on common borrowing and national guarantees was welcomed
  - Greece "borrowed credibility" from the EU.
  - SURE financing in the form of loans, compared to transfers, helped the funds to be well targeted and properly used.
- The **financial envelope** was broadly adequate

From a **comparative perspective**, following discussions with stakeholders, based on our assessment:

- SURE instrument was preferred when compared to the ESM PCM programme
  - There was no stigma in comparison to other instruments. All Member States availed of SURE, the fact that SURE had no conditionality was well known.
- SURE instrument was an attractive funding opportunity, complementing PEPP
  - SURE instrument provided immediate loans to MS governments on favorable terms. ECB's government bond purchases in the secondary market under PEPP did lower government financing costs, but the latter were still determined by the market, and remained less favourable when compared to SURE for highly indebted economies like EL.

TEMPORAL RELEVANCE OF SURE SUPPORT FROM MS PERSPECTIVE

Taking into account the needs and situation of the country, **stakeholders generally agreed** that:

- SURE measures were **highly relevant and necessary** as they offered **significant and valuable fiscal space**
  - When the COVID shock hit Greece, the domestic economy and labour relations were already burdened due to the previous economic crisis. It was particularly critical at that time to avoid further deregulation of labour relations (undeclared work, unpaid overtime, etc.) and any disruption to social cohesion.
  - The Greek economy depends heavily on the service sector which is vulnerable during a pandemic crisis (e.g. retail trade, tourism).
  - Credit flows towards the private sector had not fully recovered following the domestic sovereign crisis.
  - Greece's fiscal capacity to respond to the crisis was moderately constrained at the onset of the pandemic (no investment grade rating) and debt level was high. Support measures would have been implemented in any case by the Greek Government, but SURE expanded their scope, magnitude and duration, and lowered their financing cost, especially at a time of increasing interest rates.
  - The VET system in Greece was not in a position to retrain the volume of unemployed workers that would have been seen if the employment support measures were not implemented during the pandemic.
  - SURE played a role in curbing negative market speculation for Member States with high debt levels, such as Greece.
  - The Greek labour market is not well enough developed to facilitate smooth transitions for workers to new jobs/sectors.
- SURE measures were **implemented in a timely manner** across the various pandemic waves
  - The timing and duration of the measures financed by SURE was appropriate. The measures remained pertinent throughout their duration of use.

DESIGN OF SURE SUPPORTED MEASURES

Stakeholder feedback on the design of SURE measures in Greece and identification of best practices

Coverage	Scope of Sectors covered	Adequate
	Size of Companies covered	Adequate
	Coverage of self-employed, youth, seasonal workers	Inadequate
Duration	Initial duration	Adequate
	Extension of duration	Adequate
Compensation level (generosity of benefits)		Adequate
Activation conditions		Adequate
Any requirements such as employer co-payments		Adequate
Training component		Missing
Ease of access – administrative simplicity		The legislative framework was coherent and precise. Processes were simplified.
Speed of implementation		Adequate
Communication and awareness raising		- No confusion about requirements. - Low visibility among EU citizens. - Room for improvement e.g. enhancing know-how exchange across Member States.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: (1) Coverage of firms and workers

Number of firms and workers via measures financed by SURE

	2020	2021	2022
Number of firms supported	206,770	134,923	13,407
Including SMEs	*99.8%*	*99.7%*	*99.8%*
Share of firms supported (with reference to total business population)	45%	29%	3%
Number of employees supported	1,417,352	663,698	81,655
Number of self-employed supported	182,956	-	-
Number of workers supported	1,600,308	663,698	81,655
Share of workers supported	41%	17%	3%

Source: MS reporting
Note: zero-employee firms are classified as self-employed. Firms with one or more employees are classified as firms.
SURE loan was used in all years (2020, 2021 and 2022).

1. Measures financed by SURE supported a significant number of domestic firms (45% of total business population in 2020).
2. SMEs, which form the majority of businesses in the domestic economy, preferred the job retention schemes, especially in the service sector, due to the type and size of the shock, which required a radical response. The Short-Term Work scheme "Synergasia", was more appropriate for larger firms, like firms in Manufacturing.
3. Consensus view: without SURE, the size and duration of JRS would have been smaller.
4. Research team takeaway: while coverage was broad, targeting could have been improved, especially with regard to youth, self-employed and seasonal workers.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: (2) SECTORAL COVERAGE

Stakeholders generally agreed that the coverage in most sectors was **broadly adequate**. Some takeaways from consultations:

- Service sector was targeted, in line with this sector's higher level of vulnerability. Key sector in terms of number of firms and amount of support: I (Accommodation, catering and hospitality), C (Industry) and G (Trade in goods) sectors.

- Inadequate support for self-employed in terms of allowance amount and duration. Greece has by far the highest share of self-employed (% of the total workforce) workers in the EU (around 28% in 2021).

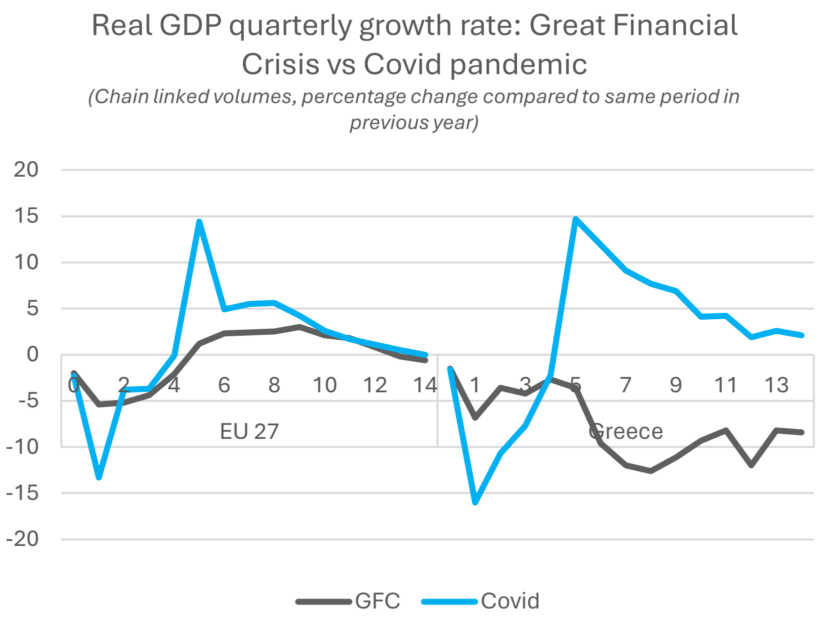
- Limited coverage for most professionals in the culture sector.

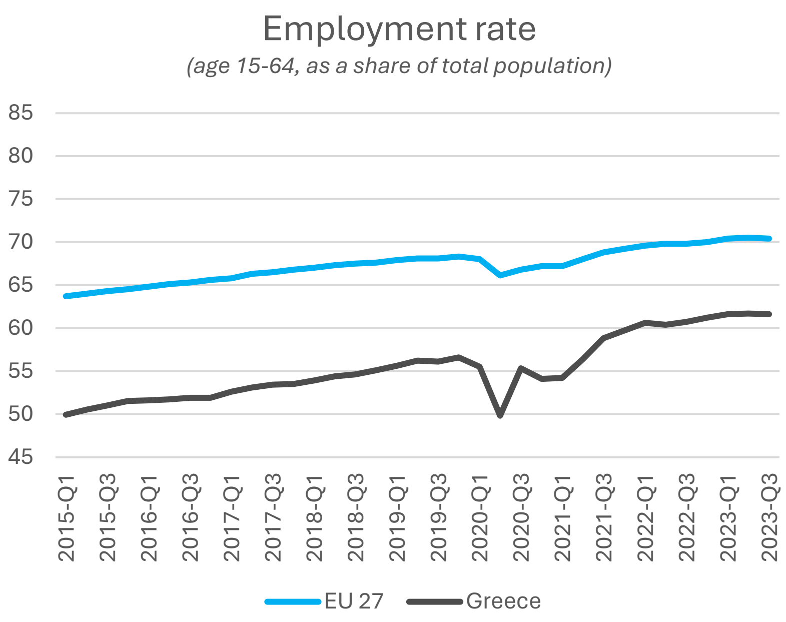
Sectors mostly affected by the pandemic in terms of GVA and employment: Travel Services, Air Transport, Accommodation and Food Service activities, Arts and Trade.

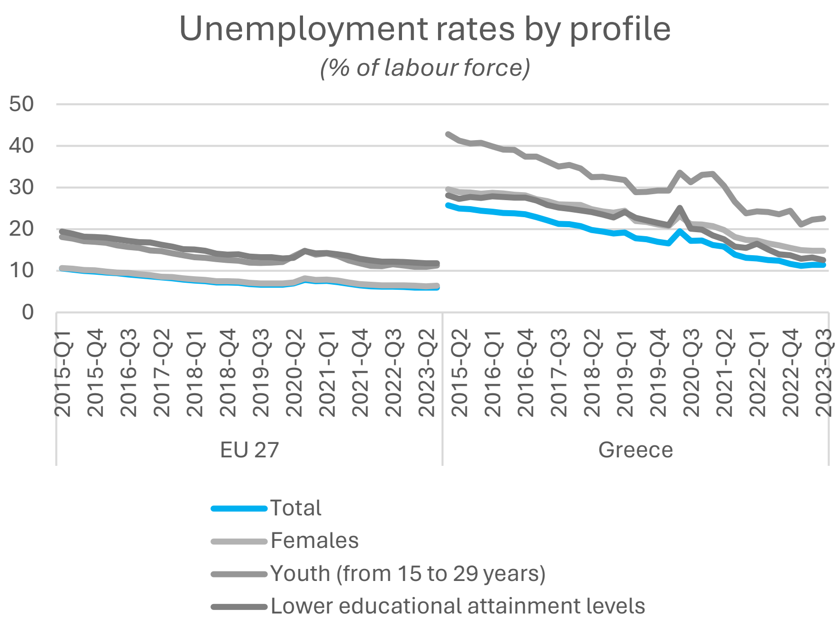
OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: (3A) PROTECTING JOBS

1. EL experienced a relatively swift recovery from the crisis, particularly when compared to the sovereign debt crisis.
2. Real GDP, unemployment rates and employment all recovered to higher than pre-pandemic levels.
3. During the pandemic, the unemployment rate temporarily increased, particularly for seasonal workers and some categories of self-employed workers. Following the end of the pandemic, unemployment resumed its downward trend.
4. The gap between the EU average employment and the country's unemployment had not changed significantly.
5. Youth unemployment was particularly marked and recovery in this area took additional time.

- Consensus view that the **unemployment rate would have increased significantly more in the absence of SURE**.
- Research team view that SURE targeted those who already had a job rather than those seeking one (e.g. youth).





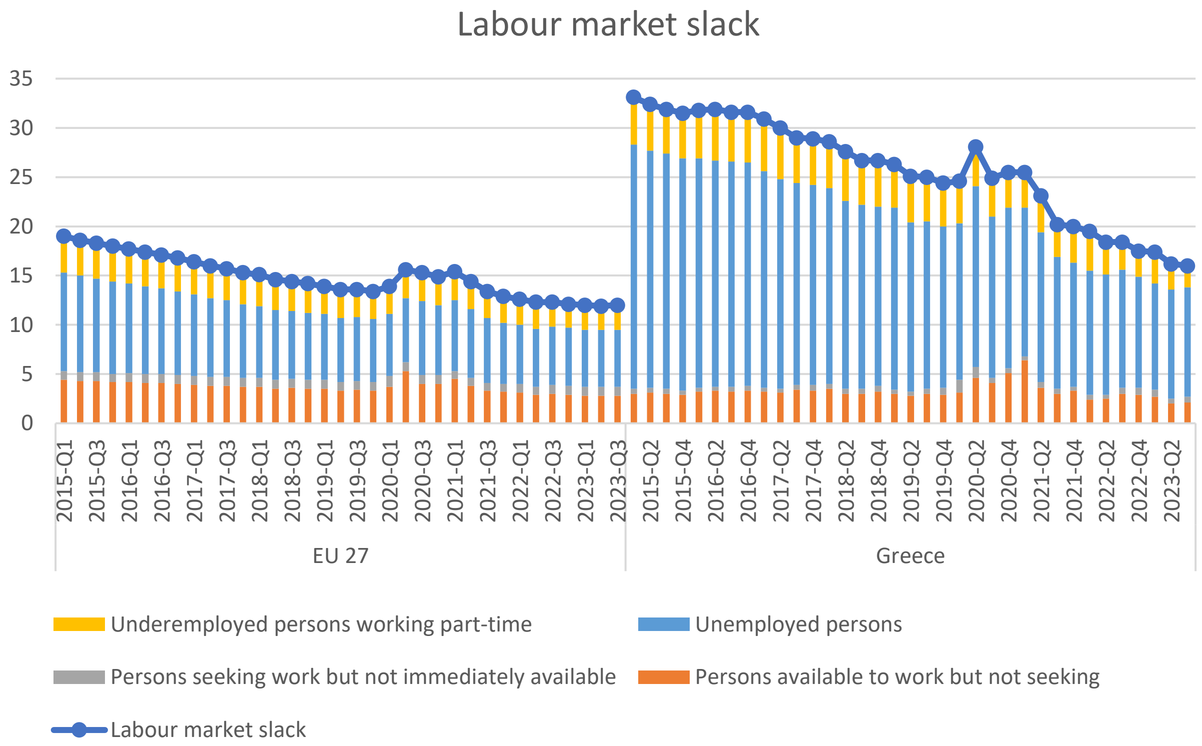


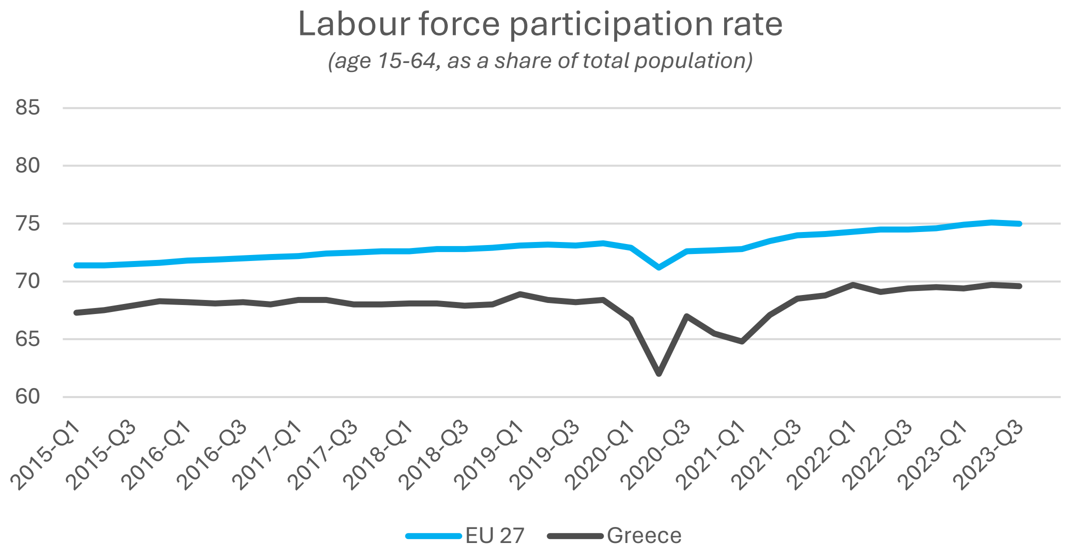
Source: Eurostat

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES : (3B) PROTECTING JOBS

1. During the pandemic, the change in labour market slack was due to an increase in both the unemployment rate and the number of people available to work but not actively seeking it.
2. After 2021, a downward trend in the number of individuals available for work but not actively seeking work is observed.
3. A decrease in labour force participation rates is observed during the two lockdowns.
4. The share of under-employed persons, i.e. working part-time, is significantly lower than the respective EU average.

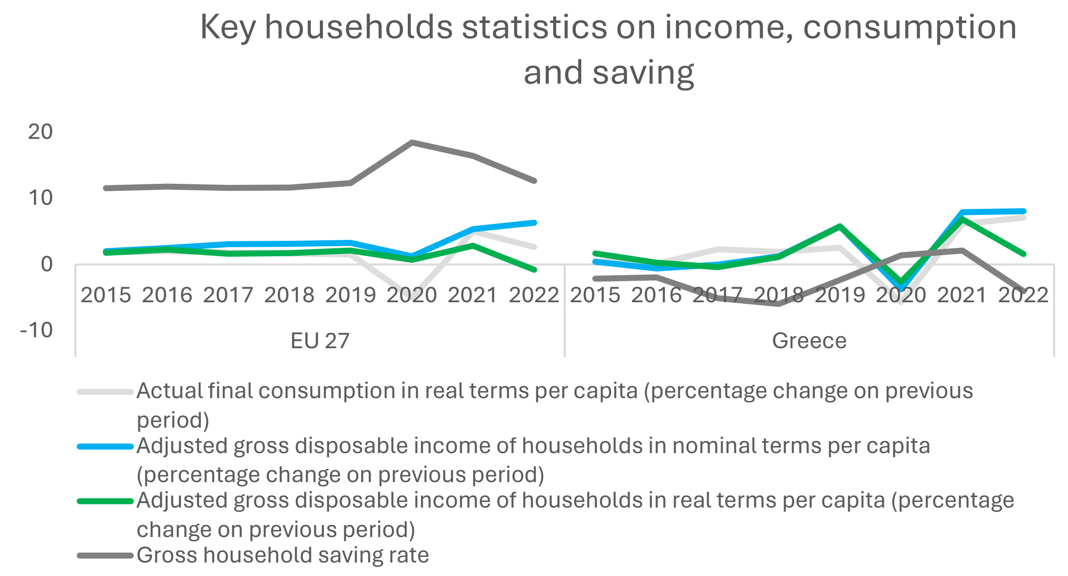
➢ Consensus view that **participation and activity rates would have decreased significantly more in the absence of SURE**.



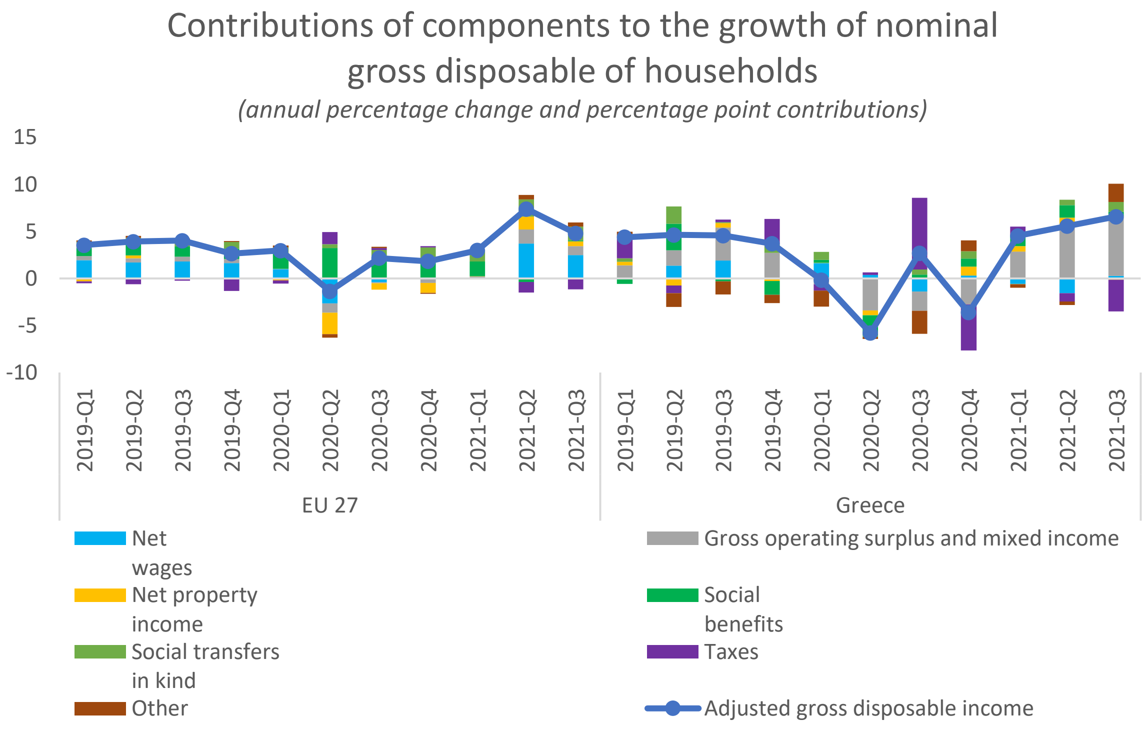


Source: Eurostat

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: (4) PROTECTING INCOMES



- There was a decrease in both **real and nominal disposable income** in 2020 compared to the pre-pandemic period, and this reduction was more pronounced than the EU-27 average.
- Both income metrics recovered after the pandemic. In 2022, the nominal disposable income continued to grow at the same rate, while the growth of real disposable income slowed down due to higher inflation.
- **Private savings built up** during the pandemic, while consumption recovered swiftly in 2022.



While **social benefits** in Greece increased as a share of GDP in 2020 (automatic stabilisers effect), they recorded a neutral y-o-y change. Hence, their contribution to households' disposable income was limited, contrary to other EU countries. Moreover, part of the Greek labour support schemes was recorded under the public investment budget and not under social transfers.

ADDITIONALITY OF SURE

1. According to most stakeholders' views, SURE instrument met the financing needs of the Greek economy in terms of amounts disbursed, timing and maturity (average maturity 14.6 years and loan repayments up to 2050).

2. The average **spread of SURE loans** was 0.84 at a time when the average spread of 10-year Greek Government bonds (over German Bund) was around 1.3.

3. SURE provided Greece with the **financial flexibility** to amplify its anti-crisis response. Although the decision to introduce STW and similar measures was made before the receipt of SURE financing, the availability of SURE financing enabled the Greek authorities to extend the duration of support.

4. Some measures were fully financed by SURE, while others were partly financed by SURE together with other sources.

5. Triangulated evidence (survey response, Delphi, macroeconomic data) suggests that Greece's **fiscal capacity** to respond to the crisis was moderately constrained at the onset of the pandemic.

6. SURE led to **interest savings** of around EUR 650 million, or about 10.6% of the total amount disbursed (EC estimates) and generated the fiscal space that allowed the domestic debt to resume its downward trajectory after the pandemic.

7. Regarding a **counterfactual scenario in which SURE was not implemented**, we expect that the use of support measures would have been lower, at around 50%-80% of actual JRS spending, i.e. between 0.9%-1.4% of GDP in 2020 and 2021.

EFFICENCY

EVIDENCE OF ANY UNINTENDED CONSEQUENCES

- **Negative**:
  - High administrative burden for key implementing authorities.
  - Disincentives for labour mobility (expected).
  - Some delay in firm restructuring (expected).
- **Positive**:
  - Acceleration of digital transformation in private and public sectors. Digital training programmes and remote consulting for employees.
  - Development of synergies and collaboration among domestic agencies (e.g. National Transparency Authority, the Greek police, Hygiene Directorates, tax professionals etc), that could have been further exploited.
  - SURE instrument acted as a role model for JRS that could be used again in future crises (e.g. floods).
  - Enhanced labour market flexibility.

COST AND EFFICIENY CONSIDERATIONS

- No reported costs incurred by EL in negotiating guarantee/loan agreements and reporting.
- No challenges meeting reporting requirements.
- High administrative cost of implementing SURE measures and audits. Capacity constraints of the Greek public sector during the implementation of SURE, lack of interoperability of databases, IT systems, understaffing of public structures.
- An opportunity cost of SURE eligible measures could be health related measures (new hirings and/or bonus to health sector personnel, subsidies for face masks, vaccination incentives, etc).

➢ **Relative efficiency was achieved**, i.e. reporting cost was proportionate to benefits achieved.

➢ Interoperability of IT systems, exchange of data and know-how among MS could **enhance efficiency.**

AUDIT AND CONTROL SYSTEM

On the basis of discussions with stakeholders and reporting documents, the research team highlights the following:

Ex-post audits

- Primary ex-post audits were executed by the Hellenic Labour Inspectorate at the regional level, without centralised support or risk management systems in place.
- Secondary ex-post audits were executed by the Greek Fiscal Audit Committee (EDEL), following official guidelines.

Evidence so far

- Few cases of employers' social contributions double funding – any such cases were quickly identified and corrected.
- Several cases of beneficiary firms that did not meet the criteria for inclusion in the Measure E for seasonal firms.
- Some evidence of unjustified flows of salaried employees and "fake" part-time recruitment during the period JRS was activated.
- Few cases of self-employed workers that were tax residents abroad.
- Few cases of self-employed workers that were not eligible to receive "tele-training" voucher receiving the voucher.
- Ongoing assessment for STWS – few cases of insufficient verifications of employment and insurance information recorded so far.

Forward-looking lessons

- The control mechanism could be extended. The sample of audits was rather small.
- Inter-operability of data bases, Business Intelligence analysis and risk management systems are required.
- Possible benefit of setting up an audit mechanism at the EU level to coordinate and monitor the implementation of both the measures and the audits.

EU ADDED VALUE OF SURE

After **discussing with stakeholders in Greece and triangulating perspectives**, the research team highlights the following:

Positive signaling

- SURE demonstrated a unified approach among EU Member States to address a common, external shock, such as the COVID-19 pandemic and highlighted the ability for immediate coordination of earmarked fiscal spending in the EU. Strong signal of EU solidarity and improved confidence in the EU's ability to respond to crises. It demonstrated the benefits of swift, coordinated, large-scale action at EU level.
- Innovative financial architecture based on common borrowing on favourable terms, due to the creditworthiness of the EU, and risk sharing and cost sharing among the EU members.

Opportunities for EU integration

- SURE paved the way for the design and implementation of similar tools during future crises. Various stakeholders call for a permanent EU scheme of similar scope. Scope for higher social policy coordination among EU members under EU guidance for e.g. unemployment benefits etc.
- Significant positive impact of "social bonds" due to the creditworthiness of the EU; cost sharing among the EU members. Social bonds provided a direct source of funding in a period of high uncertainty.

Room for improvement

- Visibility and awareness: Enhance communication and degree of visibility of EU instrument among Greek citizens, including on its use, impact and fiscal gains.

COHERENCE

After **discussing with stakeholders and triangulating perspectives**, the research team highlights the following:

- The Greek Government designed a comprehensive package of measures considering the unprecedented nature of the crisis and the different pandemic waves.
- The measures financed by SURE were complementary to other national initiatives. Some examples of complementary measures:
  - JRS not financed by SURE: Extraordinary income support for the professionals in the culture sector whose activity was suspended
  - Non-JRS indirectly protecting employment: Subsidy of social security contributions for six months for 150,000 new hirings, wage subsidies for 7,000 new hirings of individuals with no prior work experience
  - Non-JRS providing income support: Extension to the coverage duration for unemployment benefits, rent reduction for employees whose labour contracts were suspended, suspension of solidarity tax for employees in the private sector
- Any overlap with other substitutionary support measures was swiftly contained.
- Positive synergies with other EU funds, e.g. RRF, for supporting domestic economic recovery.
- No evidence of increased workers’ mobility due to low benefits under STW. Some evidence for disincentives for seasonally unemployed persons.

Room for improvement

- Need for complementary support measures, e.g. in retraining and upskilling the labour force.
- Encourage cross-country collaboration, aiming to enhance know-how exchange across Member States.

Conclusions and lessons learned

MAIN TAKEAWAYS

What could have been done better or differently?

EU instrument

- Merit in considering a similar EU scheme of a **permanent nature.**
- Low degree of prescriptiveness and high flexibility were welcome at the outset of the crisis. As time evolved, some form of **targeting** and coordinated control could have been introduced.
- **Audit structure** - potentially set up an audit mechanism at the EU level to coordinate and monitor the implementation of the measures, as well as the audits.
- The EU can encourage the **exchange of data and know-how** among MS to enhance efficiency.

National measures

- While **coverage** was broad, targeting of self-employed, youth and seasonal workers could be strengthened.
- **Training** component was missing, in part due to the pandemic restrictions, but this could positively supplement labour support schemes in the future. Moreover, **support schemes for job seekers** need to be promoted in parallel.
- Need to enhance **interoperability of IT systems**, set up **business intelligence** units and **risk analysis** systems to better enhance efficiency while minimising abuse.
- The sample of **audits** could be expanded.
- **Public awareness** and visibility was low. Communication strategy should aim for citizens to be better informed about SURE funding, its impact and fiscal gains.

Methodological Annex

ACTIVITIES UNDERTAKEN – Greece case study

Consultation instruments

- 2 Targeted surveys (Ministry of Labour, Ministry of Finance)
- 3 Semi-structured interviews (Public Employment Service - DYPA, Fiscal Audit Committee - EDEL, Labor Inspectorate)
- 7 Delphi survey experts (academics, press, thinktanks)
- Virtual workshop with the six official social partners' associations in Greece

List of references and data sources

- European Commission (desks and reports), Eurostat
- DG ECFIN Athens Office
- Hellenic Ministry of Finance, Council of Economic Advisors
- Hellenic Ministry of Labour, ERGANI micro data base

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

Country case study
Italy
April 2024

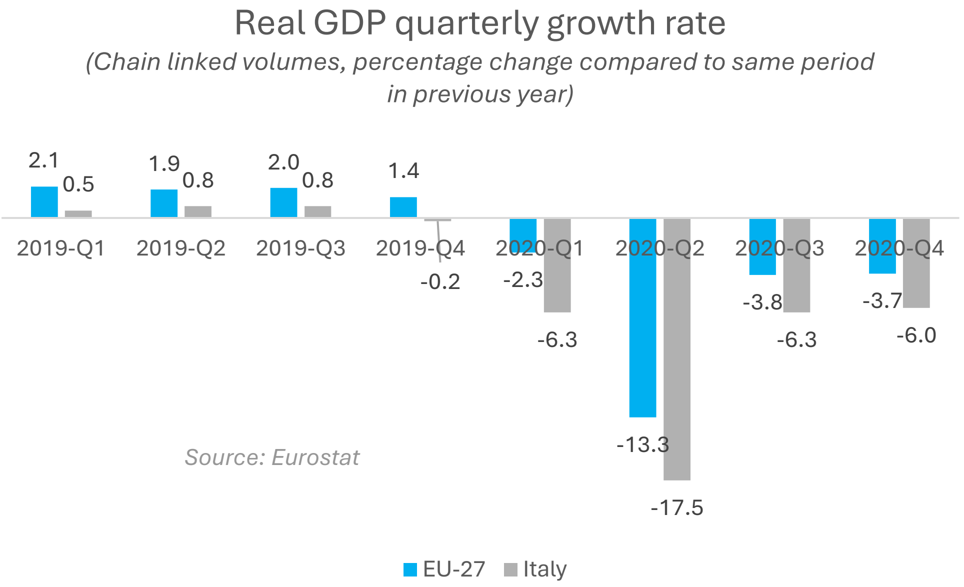
AGENDA

Context

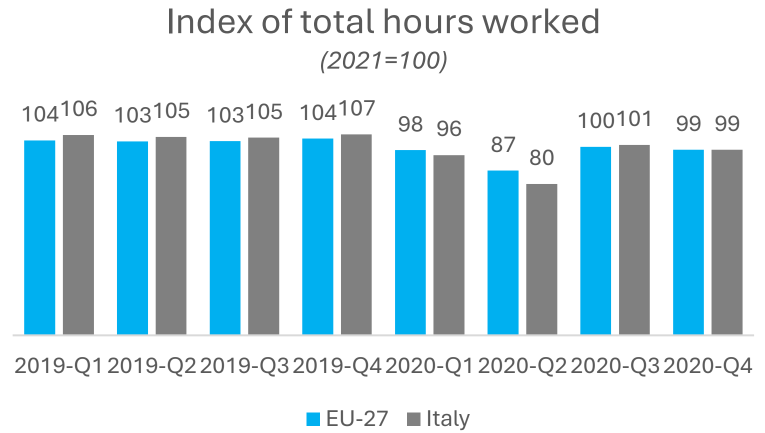
ECONOMIC SHOCK CAUSED BY COVID-19

The Italian economy was severely impacted by the COVID-19 crisis, particularly as Italy was the first Member State to feel the consequences of a widely spread health emergency, which led to numerous lockdowns being implemented from the beginning of 2020.
During 2020, GDP contracted by 9% and INPS estimates that around half of the workforce was impacted by health-related restrictions. Most Italian enterprises are classified as small or medium-size enterprises (around 97%).

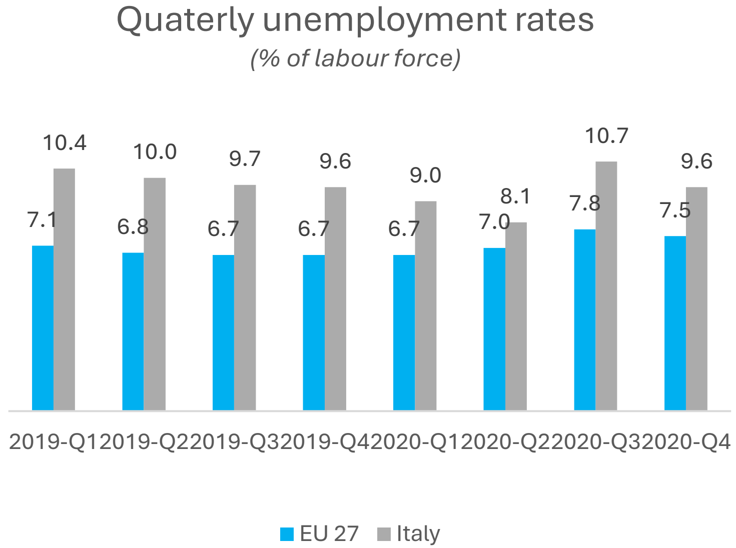
A marked shock with significant repercussions on labour markets



Source: Eurostat



Source: Eurostat



Source: Eurostat

This is particularly significant as, during the COVID crisis, enterprises experienced severe liquidity strains, which disproportionately affected SMEs. The most affected sectors were the manufacturing sector as production plummeted and tertiary sectors associated with mobility and social gathering (e.g. tourism, transportation services, catering and entertainment). For example, the aviation transport sector saw a contraction of more than 70% of passengers in October 2020 with respect to the year before.

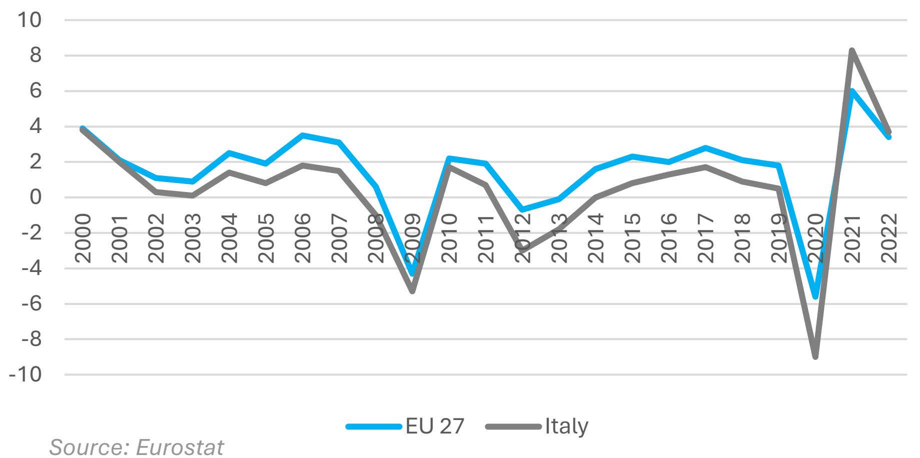
ECONOMIC SHOCK CAUSED BY COVID-19 RELATIVE TO PREVIOUS CRISES

As observed in the EU area, Italy experienced a greater contraction in GDP during the COVID-19 crisis than the Global Financial Crisis (GFC). Similarly, the unemployment rate in Italy during the pandemic followed the same negative trend of the EU area in 2020-21. Nevertheless, during the Covid-19 crisis an increase in the unemployment rate was only recorded in 2021, with a speedy recovery already occurring in 2022. In fact, Italy saw historically low levels of unemployment in both 2022 and 2023. This indicator represents the difference between the GFC and the Covid-19 crisis. Regarding the former crisis, Italy managed to regain pre-GFC employment levels only in 2019, underscoring the different impact of the two crises.

These data are also attributed to the measure implemented in Italy which prevented layoffs during the pandemic. The hours authorised under the *'cassa integrazione'* (STW scheme) in 2019-2021 were five times more than seen during the GFC. The EU, in contrast to what happened during the GFC, responded to this crisis by implementing expansionary policies to limit the negative economic impact of the pandemic.

Annual real GDP growth rate

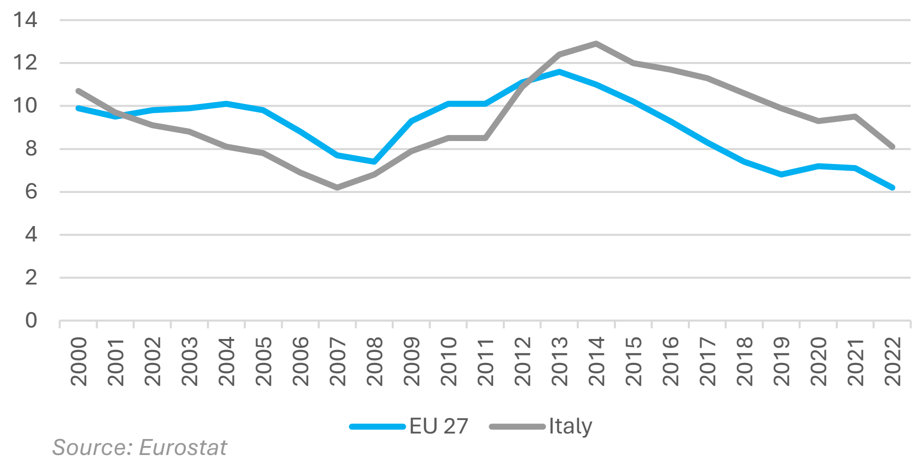
(Chain linked volumes, percentage change on previous period)



Source: Eurostat

Unemployment rate

(% of labour force)

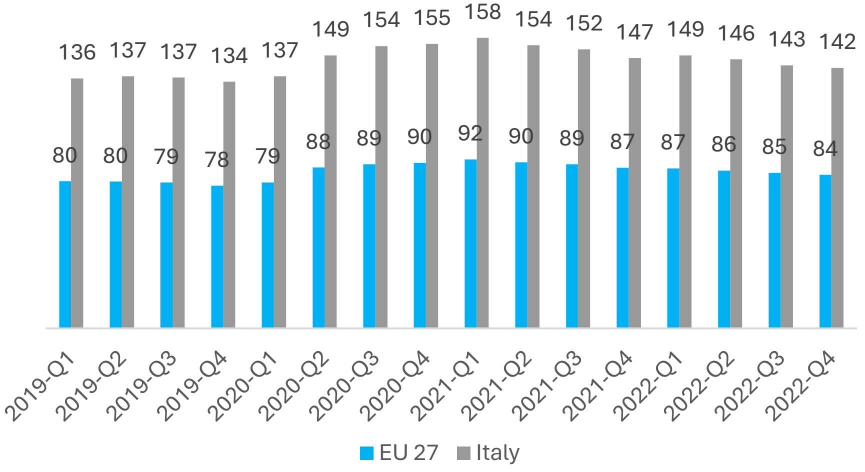


Source: Eurostat

OVERALL FISCAL RESPONSE TO COVID (1)

Government consolidated gross debt

(% of GDP, quarterly data)



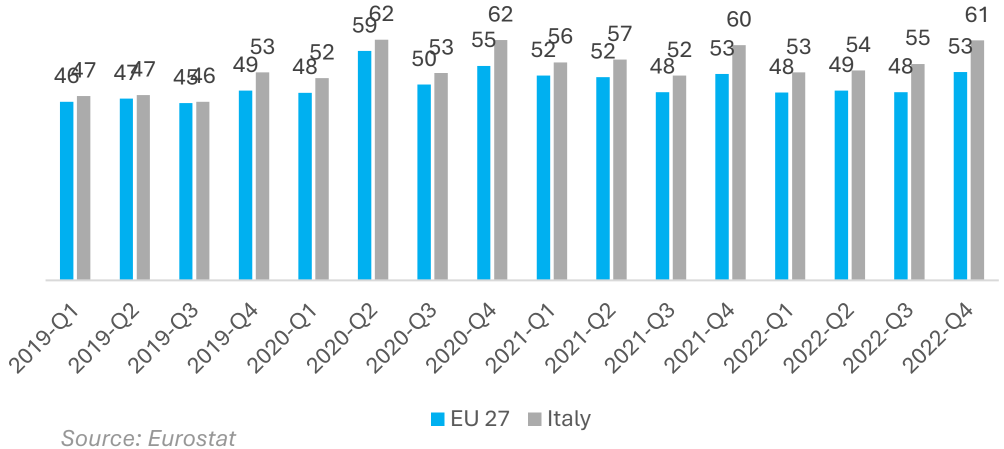
Source: Eurostat

In Italy, the Government substantially increased its spending during the COVID-19 crisis. Even before the pandemic, Italy had the highest government debt/GDP ratio in the EU after Greece, and therefore had little space for manoeuvre in terms of additional spending.

Nonetheless, Italy employed an expansive fiscal response to the crisis. Economic policy interventions implemented in response to the crisis amounted to EUR 108.2 billion in 2020, with a consequent increase of the debt/DGP ratio to close to 160%. Most of the measures financed had an emergency character to cover in the short term the various categories of households, workers and enterprises affected by the crisis. In 2020, 6.7 million workers benefitted from STW schemes.

Total general government expenditure

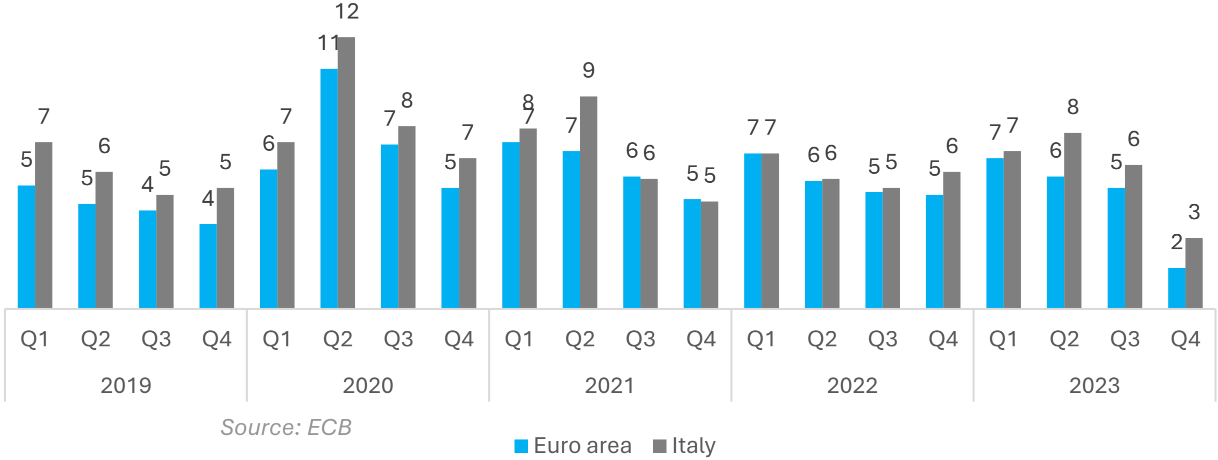
(% of GDP, quarterly unadjusted data)



Source: Eurostat

Government debt securities - Issuances

(as a % of GDP)



Source: ECB

EMPLOYMENT PROTECTION MEASURES

Italy has complex and multi-faceted legislation on labour market measures, and the pandemic revealed some gaps in coverage, especially regarding freelancers and self-employed workers. To mitigate the effect of the restrictive health measures employed, especially the lockdowns that interrupted the work of several sectors, the Government relied both on the expansion of existing measures and the activation of new ones.

Measures partially financed by SURE:

- The expansion of Short Time Work schemes. These are measures well established in Italy that were already amended and expanded during the GFC;
- Support for the self-employed;
- Expansion of existing leave schemes to accommodate special circumstances during COVID, such as sick and quarantine leave, parental leave, caregiver leave;

Measures fully financed by SURE:

- Income support for gig workers, seasonal workers, temporary workers, part-timers;

Measures financed by other sources:

- Reduction of social security contributions for firms retaining workers during the pandemic;
- Tax exemption for firms that do not apply for STW schemes
- Tax break for enterprises located in the South of Italy
- Emergency income, wage subsidies, and wage integration funds
- General loan moratoria and other measures supporting liquidity of firms (especially the extensive use of guarantees)

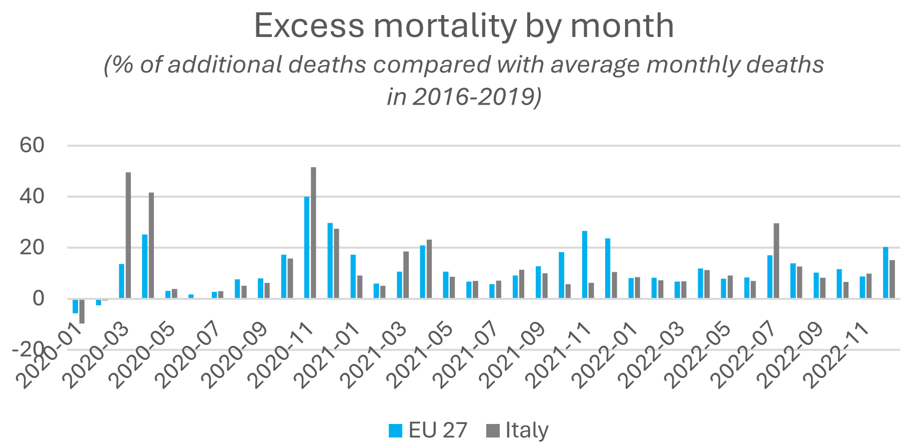
Other legislative measures:

- Suspension of layoff procedures
- Renewal of fixed-term contracts
- Work remotely

SURE Implementation

TIMELINE OF KEY DEVELOPMENTS

1. Announcement of lockdowns – 9 March 2020 and 3 November 2020 (nationwide curfew)
2. Announcement of initial support
   - **Decree “Cura Italia”** 18/2020 – 17 March 2020 – Duration: from 23 February 2020 to 31 October 2020
   - **Decree “Rilancio”** 77/2020 – 19 May - Duration: from 23 February 2020 to 31 October 2020
   - **Decree “Agosto”** 104/2020 – 14 August – Duration: from 13 July 2020 to 31 December 2020
   - **Decree “Ristori”** 137/2020 – 28 October – Duration: from 16 November to 31 January 2021
   - **Budget Law 2021** – Duration: from 1 January 2021 to 31 March 2021
   - **Decree “Sostegni”** 41/2021 – Duration: from 22 March 2021 -from 1 April 2021 to 30 June 2021
   - **Decree “Sostegni bis”** 106/2021 – Duration: from 25 May 2021 - from 1 July 2021 to 31 October 2021
   - **Fiscal Decree 2021** – Duration: from 1 October to 31 December
   - **Decree No. 103 of 2021** - until 31 December 2021
3. Announcement of SURE – 13 March 2020
4. EC proposal for SURE Regulation – 2 April 2020
5. Request for SURE (Italy) – 7 August 2020



TIMELINE OF KEY DEVELOPMENTS

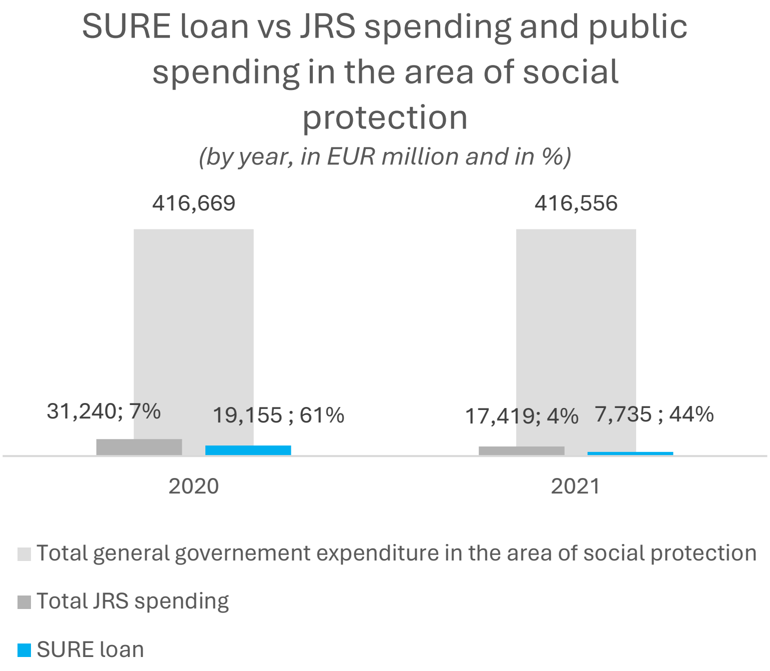
6. Approval of SURE (Italy) – 25 September 2020
7. Activation of SURE – September 2020
8. Loan disbursements:
   - EUR 10 billion - 27 October 2020
   - EUR 6.5 billion - 17 November 2020
   - EUR 4.5 billion - 2 February 2021
   - EUR 3.9 billion - 16 March 2021
   - EUR 1.9 billion - 30 March 2021
   - EUR 0.75 billion - 25 May 2021

   After the end of the first lockdown in summer of 2020, the Government enacted several curfews and selected sector closures during 2020 and 2021, which mainly aimed at reducing social gatherings and leisure travels, thereby impacting tourism, accommodation, sports and entertainment sectors.
9. End of temporary STW and related schemes/end of exceptional features for permanent schemes - Budget Law No. 234 of 30 December 2021 - Social security reform

SURE LOAN: KEY FIGURES

SURE loan amount	EUR 27.4 bn
Of which top up	-
SURE loan amount (disbursements) as a share of annual GDP	1% (2020) 0.6% (2021) (no disbursement in 2022)
SURE loan amount used for labour market measures	EUR 26.9 bn (98%)
Years in which SURE loan was used	2020, 2021
Total JRS spending: 2020-2022	EUR 49.2 bn
Of which ESIF	*EUR 302 m*
Share of total JRS spending financed by ESIF	*0.6%*
Share of total JRS spending financed by SURE loan	55%

Italy received the highest national share of the SURE loan among Member States. Given the geographical concentration limit, Italy could not receive a top up on the loan. Most of the SURE resources were used for labour market measures, and these covered around 60% of JRS spending in 2020 and 44% in 2021. The ESIF funds also contributed to JRS spending during the pandemic, but this accounted for less than 1% of the total amount.



Source: ICF based on MS SURE reporting, LMP database and Eurostat.

2022 not represented (no use of SURE in 2022, break in series for JRS spending data because of absence of LMP data and no data on public spending in the area of social protection)

MEASURES FINANCED BY SURE (1)

Italy financed four macro-categories of measures under SURE:

a. **Short-time work schemes** (*cassa integrazione*), that were extended both in terms of beneficiaries and duration. The *cassa integrazione* already existed in Italy and had been expanded during the 2008 financial crisis. During the COVID-19 crisis, several measures were implemented under the STW to include a broader category of enterprises. The measures, including ‘ordinary’, ‘extraordinary’, ‘in derogation’ as well as ‘solidarity funds’, provided income support to employees of firms fully or partially closed due to the pandemic. The STWs ensured that the employment relationship continued.
b. **Similar measures directed to self-employed**. Italy introduced several new measures to provide income support to self-employed and freelancers affected by the pandemic. The allowance is granted to freelancers with a valid VAT ID number or whose activities were shut down due to COVID.
Through SURE, Italy also financed the contribution for specific self-employed categories: i. fixed-term employees in agriculture, ii. workers in the entertainment industry, iii. sports association, iv. domestic workers, v. on-call workers. All these workers must not have ceased their work permanently to be eligible under SURE, for this reason several restrictions were imposed.
c. **Other similar measures**. Under SURE, Italy also financed several other measures directed at preserving employment. These included: parental leave, baby sitting vouchers, disability leave, grants to self-employed persons and small enterprises.
d. **Health-related measures in the workplace**. Under SURE, Italy financed tax credits for a safe and healthy workplace (e.g. sanitation requirements in the workplace and purchasing of PPE).

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE: SHORT TIME WORK SCHEMES (1)

DESCRIPTION → In general, the CIG (Cassa Integrazione e Guadagni) is a form of support provided by the National Institute of Social Security (INPS) to workers experiencing reduced pay due to temporary decreases in business activity, such as market demand drops or unforeseen events. Different types of CIG are available based on worker categories and reasons for reduced work activity.

EXTENTION →With the COVID clause, the possibility of using these instruments was extended from a general maximum of 52 weeks in a year (with 13 weeks in a row) to a ceiling of about 90 weeks for the ordinary CIG.

TIMING AND DURATION→ From 23 February 2020 to 31 December 2021, the increase in the number of weeks of CIG treatment fluctuated but steadily led to an overall increase.

BENEFICIARIES → The measure applies only to workers employed on 23 February 2020 by the applicant employers. With the COVID clause, the instrument was also extended to other categories of employers who suspended or reduced activities due to COVID-19 restrictions. In particular, the extension was applied to enterprises with less than five employees.

Source: ICF based on MS SURE reporting and other sources

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE: MEASURES FOR THE SELF-EMPLOYED (2)

DESCRIPTION → Financial contribution for specific self-employed categories is a set of measures for private workers who are neither covered by the public sector social security nor by social security measures covering company employees. Generally speaking, these measures were not present before COVID.

The main measures that were adopted during the COVID period were:

- **Allowance for self-employed workers**, including:
  - Self-employed professionals with an active VAT number.
  - Workers with a coordinated and continuous collaboration relationship.
  - Self-employed workers enrolled in the special management schemes of the AGO (craftsmen and traders).
  - Employees and self-employed individuals who have stopped/decreased/paused their work or employment due to COVID-19.
  - Seasonal employees in the tourism and spa sector.
  - Agricultural workers on fixed-term contracts.
  - Intermittent workers who have been employed for at least 30 days during the period between 1 January 2019 and 31 January 2020.
  - Home sales agents (with 2019 annual income from the same activities exceeding EUR 5,000 and holders of active VAT registration and registered with the Separate Management Fund (Gestione Separata).

- **Allowance for fixed-term employees in the agriculture sector**, including:
  - Fixed-term agricultural workers, not in receipt of a pension, who have carried out at least 50 actual days of agricultural work in 2019.

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE: MEASURES FOR THE SELF-EMPLOYED (2)

- **Allowances for performing arts workers**, including:
  - Workers enrolled in the Performing Arts Workers' Pension Fund, with at least 30 daily contributions paid in 2019, not exceeding EUR 50,000 and without a pension.
  - Individuals registered in the Performing Arts Workers' Pension Fund, provided they made a minimum of 7 daily contributions in 2019 and earn an income not exceeding EUR 35,000.

- **Allowance for domestic workers**, including:
  - Domestic workers who have one or more employment contract(s) for a total duration of more than 10 hours per week.

- **Allowance for on-call workers**, including:
  - Intermittent workers who have worked for at least 30 days in the period between 1 January 2019 and 31 January 2020.

- **Non-repayable grants for the self-employed and sole traders**, including:
  - Persons engaged in business and self-employed activities.
  - Holders of a VAT number (even if beneficiaries of the agricultural income contribution).

These measures were renewed several times and provided for a compensation of minimum EUR 500 up to a maximum of EUR 1,000 (and up to EUR 2,000 for beneficiaries other than natural persons) depending on the worker's category.

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE: MEASURES FOR SELF-EMPLOYED and FIXED-TIME EMPLOYEES (2)

TAKE-UP of the MEASURE and PROFILE of BENEFICIARIES

Measure type	Beneficiaries (thousands)	Share of the total	Share of rejected demands
Workers with coordinated and continuous collaboration	412	10%	36%
Self-employed	2,848	67%	7%
Seasonal workers	277	7%	50%
Fixed-term employees in agriculture	553	13%	8%
Workers in the entertainment industry	50	1%	23%
On-call workers	57	1%	50%
Fixed-term employees in tourism and thermal sectors	20	<1%	73%
Others	11	<1%	81%
Total	**4,228**		**18%**

Source: General Statistical - Actuarial Coordination of INPS, March 2021

The data presented above summarise the status of the requests for allowances in the first year of activation of the measure (March 2020 - March 2021). Most of the funding under the measure, more than half the total, covered allowances for self-employed workers. On average, workers in these categories received EUR 1,400.

The variability in the percentage of rejected demands is a signal of the existence of various problems, according to INPS. These include the complexity of the classification of workers and requested requirements, the nature of the labour market as characterised by workers with periods of economic inactivity, changes in qualifications and contributions to multiple social security schemes, among other issues.

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE: OTHER SIMILAR MEASURES (3)

DESCRIPTION → Parental leave is an allowance given to the parents of children whose school was closed due to the pandemic. Instead of going on leave, it was possible to opt for one or more bonuses, up to a total maximum of EUR 1,200, to be used for **babysitting services**.

Public and private employees

Leave was for employees with children who had contracted COVID-19, were in contact quarantine or who were affected by the suspension of teaching activities or closure of daycare centres. The parental leave covered **50% of the salary**.

It applied to parents who were **public and private employees**, though it did not include self-employed parents and those enrolled in the Separate Management scheme under the Italian Social Security Institute (INPS).

Privately employed parents with children under the age of 16, whose households rely on their salary could **abstain from work** during the suspension of educational services and school activities, without pay or contributions, but with **protection from dismissal and job retention**.

Evaluation findings

RELEVANCE OF SURE's OVERALL DESIGN

- An economic instrument with a clear social purpose.

Stakeholders agreed on the appropriateness of the SURE focus on the preservation of work as a response to a unique crisis, also because Italy has a strong tradition in the use of JRS.

- Temporary nature of the instrument

Most stakeholders believe that SURE should be extended or that a similar measure is necessary to combat future crises that will impact the EU (e.g. conflicts, climate change and the twin transition).

- Low prescriptiveness, broad eligibility criteria and no detailed design specification

Given the fact that Italy had already put most of the measures financed under SURE in place, the flexibility in design specification was welcome. Broad eligibility criteria and low prescriptiveness were also perceived as conducive to quicker approval and deployment of the instrument. No regulatory changes had to be made at national level.

- Innovative financial architecture based on common borrowing and a system of national guarantees

The innovative financial architecture was perceived as very important in terms of demonstrating EU solidarity in committing to help Member States' recovery. According to Italian authorities, this also paved the way for the approval of the Recovery and Resilience Facility.

- Sufficiency of financial envelope, absence of pre-defined national allocations, concentration limit

Italy received the maximum allocation possible given the concentration limit imposed. According to national authorities, the concentration limit was appropriate given the solidarity nature of the instrument.

RELEVANCE OF SURE FROM A COMPARATIVE PERSPECTIVE

- According to Italian authorities, having recourse to the ESM, including as a temporary measure to address the healthcare emergency, was not deemed necessary by the government. The different nature of the instrument, whereby all measures could be financed, apart from the work-related measures, differentiate it from SURE. Other measures contributed to alleviating fiscal constraints in the country, namely: ECB's pandemic emergency purchasing programme and the activation of the general escape clause of the Stability and Growth Pact. Italy also benefitted from the approval of the Recovery and Resilience Facility, being the Member State with the highest NRRP allocation as a share of GDP.
- These last three measures, alongside SURE, created room for a fiscal response in Italy, especially given that the fiscal space was severely limited at the outbreak of the pandemic.

TEMPORAL RELEVANCE OF SURE SUPPORT FROM MS PERSPECTIVE

- At the start of the pandemic, Italy had limited fiscal capacity given the high level of its Debt to GDP ratio and sudden spike in interest rate. The announcement of SURE came as part of a series of measures that alleviated borrowing constraints during the initial months of the pandemic.
- The SURE instrument is considered to have been made available very quickly, especially given the innovative financial mechanism of the instrument. Both the negotiation and the access to the funds were considered rapid.
- At national level, several stakeholders have underlined problems and delays in the implementation of the measures, likely due to the substantial expansion of categories of workers and the number of sectors covered by the pandemic response. More information on these issues are presented in efficiency considerations.
- In Italy, SURE ended its support in 2021. Both national authorities and social partners agree on the relevance of the instrument for all the period in question, with Italy having implemented lockdowns in both 2020 and 2021. While indicators related to the labour market show consistent improvement in 2021, most stakeholders note the advantages of prolonging the duration of SURE support to face other crises, particularly the energy crisis provoked by the Ukraine conflict.

DESIGN OF SURE SUPPORTED MEASURES (measure A – CIG - employees)

Stakeholder feedback on design of SURE measures supported and identification of any best practices

Coverage	The COVID crisis highlighted the disparages of coverage in terms of welfare measures among sectors and types of workers. It brought the necessity to broaden measures to include all sectors to the fore.
	Measures employed during the COVID crisis expanded the coverage of STW schemes to all types of firms, including those with less than five employees.
Duration	Initial duration: from 23 February 2020 to 31 October 2020
	Extension of duration: until 31 December 2021

Compensation level (generosity of benefits): CIGO (Cassa Integrazione e Guadagni ordinaria) was extended up to 67 weeks, while CIGD (Cassa di integrazione e guadagni in deroga) and ordinary allowances could last up to 95 weeks.
CIG corresponds to 80% of the total remuneration that would have been due for the hours not worked.

Activation conditions: Being an employer that in 2020 (and then in 2021) suspended or reduced activity due to COVID-19.

Any requirements (such as employer co-payments): The contribution was 9% for employers with a reduction in turnover of less than 20%, and 18% for those without a reduction. No contribution was paid if the reduction in the first half of 2020 was more than 20% compared to 2019.

Training component: None.

Ease of access: Administrative simplicity: not requiring verification of the requirements of 'business situations due to transitory events and not attributable to the company or employees, including seasonal bad weather' and 'temporary market situations'.

Speed of implementation: Often, the implementation of this support measure was slow. One of the challenges may have been the implementation mechanism of the measure that relayed on direct payment from INPS when the number of requests and hours approved increased to unprecedented levels. Implementation was further complicated by the INPS's own transition to remote working at the outbreak of the pandemic.

Communication and awareness raising: Sudden changes in regulations led to mistakes on the part of companies, even leading to exclusion from integration.

DESIGN OF SURE SUPPORTED MEASURES (measure B – self-employed)

Stakeholder feedback on design of SURE measures supported and identification of any best practices

Coverage	The COVID crisis highlighted the disparages of coverage in terms of welfare measures among sectors and types of workers. It brought the necessity to broaden measures to include all sectors to the fore.
	The coverage for self-employed was instituted for the first time, and this led to a general awareness of the need for social security instruments, especially during the increasingly frequent times of crisis, even for non-standard actors in the workforce.
Duration	Initial duration: from 23 February 2020 to 31 October 2020
	Extension of duration: the measure was extended several times up until the end of 2021
Compensation level (generosity of benefits): Compensation of minimum EUR 500 up to a maximum of EUR 1,000 (and of EUR 2,000 for persons other than natural persons) depending on the worker's category.	
Activation conditions: The requirements to access the instruments varied according to the category and benefit type. In general, one required a VAT number, a coordinated and continuous collaboration prior to availing of the measure, to have ceased, reduced or suspended activity, to not be in receipt of a pension, to have worked for a certain number of days in 2019 and/or 2020, and not to have exceeded a specific income.	
Any requirements such as employer co-payments: None.	
Training component: None.	
Ease of access – administrative simplicity: Application to the national social security agency for those who were not registered within the INPS management. structure.	
Speed of implementation: The speed of implementation of measures was adequate in most cases. Especially appreciated was the presence of these new support tools for the self-employed, which were not present before.	
Communication and awareness raising: There have often been miscommunications, in which many self-employed workers were not informed about the various support systems available. Another problem was the constant changes in regulations that led to errors in submitting applications, with the consequence of delaying the response or denying the support.	

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Coverage of firms and workers (1)

Number of firms and workers via measures financed by SURE

	2020	2021
Number of firms supported	838,000	410,000
Including SMEs	*99.6%*	*99.5%*
Share of firms supported (with reference to total business population)	50%	24%
Number of employees supported	7,530,000	3,120,000
Number of self-employed supported	3,783,000	1,259,170
Number of workers supported	11,313,000	4,379,170
Share of workers supported	38%	16%

Source: MS reporting

Note: zero-employee firms are classified as self-employed. Firms with one or more employees are classified as firms.

SURE loan was fully used in 2020 and 2021. Italy did not provide reporting for 2022.

According to the SURE reporting provided by the Italian Government, the instrument was implemented in 2020 and 2021.

- In 2020 and 2021, SURE supported around 838,000 and 410,000 enterprises, respectively, representing around half of all enterprises supported in 2020 and one-fourth of all enterprises supported in 2021.
- In terms of workers, SURE contributed to the support of more than 11 million workers (mostly employees) in 2020 and more than 4 million in 2021. This data represented almost 40% of all workers supported in 2020 and 16% in 2021. Between March 2020 and March 2021, men represented around 65% of the beneficiaries classified as self-employed and workers under 30 accounted for only 11% of the beneficiaries.

Data suggest that the pandemic disproportionally affected lower-income workers. In fact, while the pandemic may be considered a symmetric shock, its impact was varied across individuals, social classes, and economic sectors. This variation posed a risk of exacerbating pre-existing disparities in the labour market. For example, data suggests that only 30% of Italian workers could opt to work remotely in 2020, with most of these earning higher levels of income. Moreover, the loss of jobs disproportionately affected workers facing contractual instability, such as fixed-time workers and seasonal workers, particularly impacting the younger generation (aged 15-34), where this type of contract is more prevalent. Alongside the younger generation, a difference regarding the gender impact was also seen during the pandemic, for several reasons: women predominantly work in sectors with direct contact, forms of fixed-term work contract are more prevalent for women and there was a higher demand for care and assistance for both children and the elderly, roles which tend to employees more women.

NOTE: SURE only partially covered expenses under measure B, breakdown by gender and age refer to all beneficiaries (source: General Statistical - Actuarial Coordination of INPS, 2021/2022 Annual Reports INAPP and data from ISTAT)

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Sectoral coverage (1)

Most of the measures supported by SURE were directed to SMEs, while large firms accounted for only about 3% of the firms supported. This is consistent with the general representation of enterprises in Italy, where most are classified as SMEs or micro-enterprises.

MEASURE A – *Short time work schemes*. The three main sectors covered by SURE-supported measures were the following:

- Manufacturing (23%)
- Accommodation and food services (22.6%)
- Wholesale and retail trade, repair of motor vehicles and motorcycles (16.9%)

In total, most of the SURE support in Italy was directed to service activities.

According to national estimates, the accommodation and food service, and entertainment and sport activities were the sectors most directly impacted by the pandemic. This is important since workers in these sectors may have less reallocation potential than other workers, especially if they have a low skillset.

Data also show how the pandemic affected smaller companies with greater severity, as they had less ability to differentiate their activities or face sudden liquidity constraints.

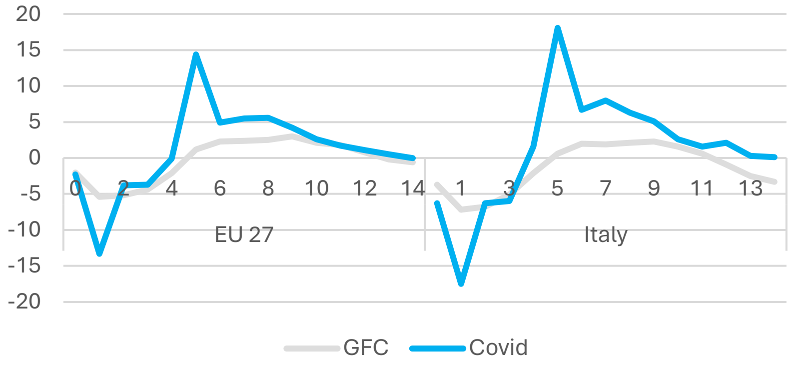
Similarly, estimates show that at the initial stage of the pandemic, disruption of the job market disproportionally affected women, younger workers and low-educated workers. In addition, hires or re-hires of fixed-term contracts were particularly affected.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (1)

- The extraordinary level of support provided to firms, together with the adoption of a special wage supplementation scheme, and of a layoff ban, is assessed to have been instrumental in avoiding about 600,000 layoffs in 2020 (Viviano, 2020). This also contributed to the quick recovery of the labour market in Italy, especially if compared to the previous crisis.
- Measures supporting the preservation of employment are considered to have contributed to the recovery, considering that workers continuously employed during the first wave of the pandemic faced better outcomes in terms of job retention than those who were unemployed or lost their job. Nonetheless, these policies may have disproportionally favoured job holders, increasing the discrepancy of outcomes in the post-pandemic recovery with those workers that were not employed or that lost their job, as these two latter categories found it more difficult to access the market. Despite the labour market recovery, job mobility, both cross-firm and cross-sector, remains low in Italy and some sectors have not retained their pre-pandemic level of employment.

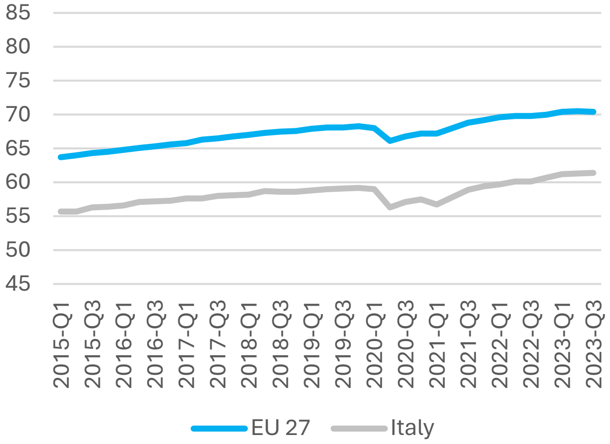
Real GDP quarterly growth rate: Great Financial Crisis vs Covid pandemic

(Chain linked volumes, percentage change compared to same period in previous year)



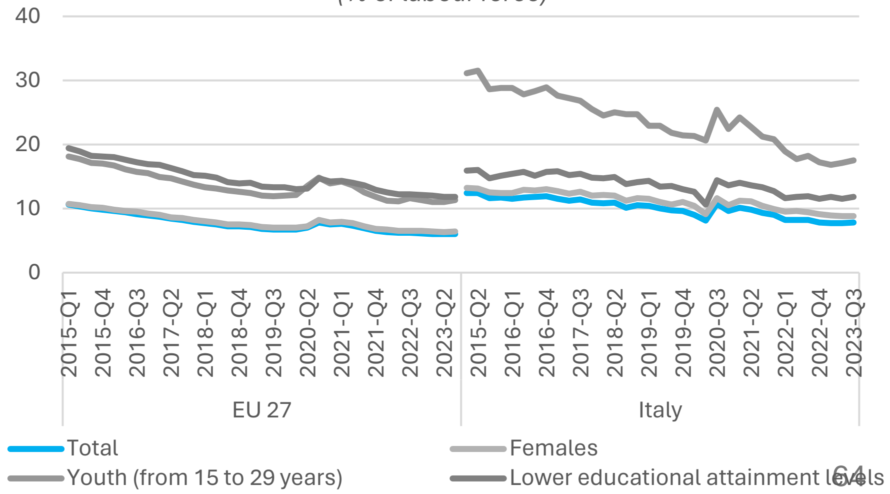
Employment rate

(age 15-64, as a share of total population)



Unemployment rates by profile

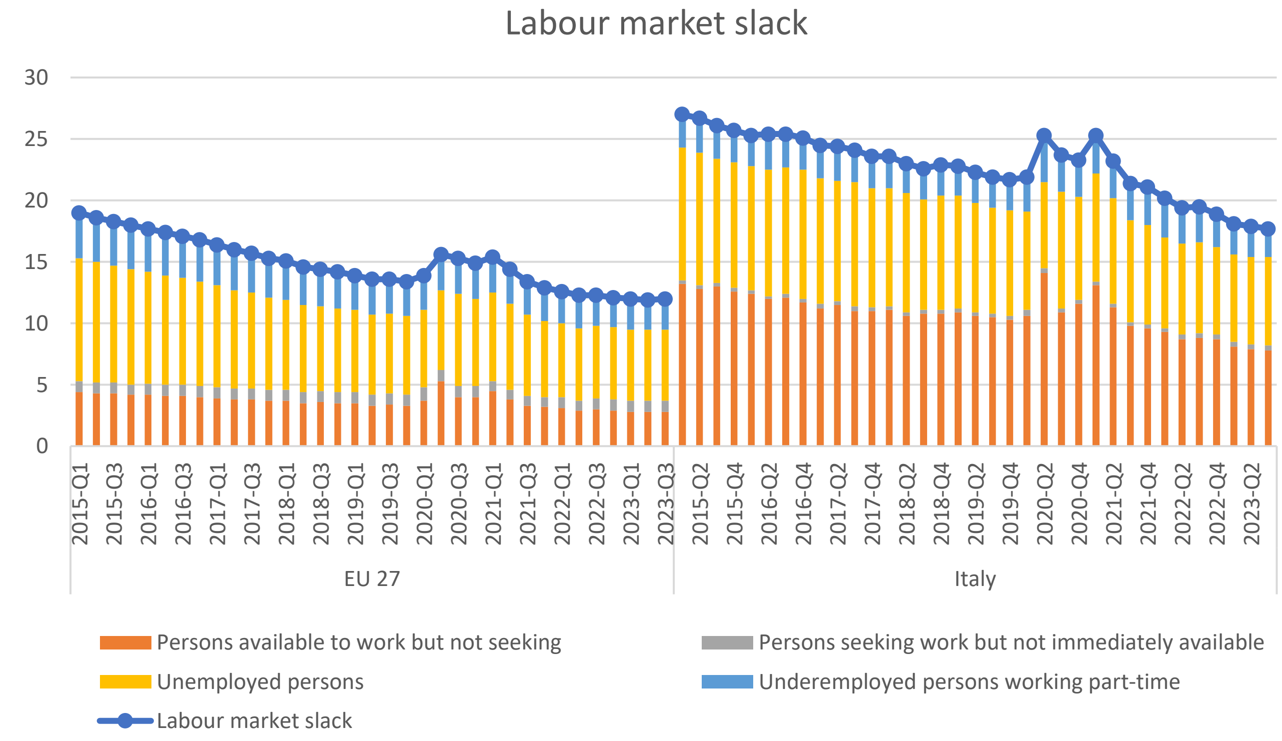
(% of labour force)

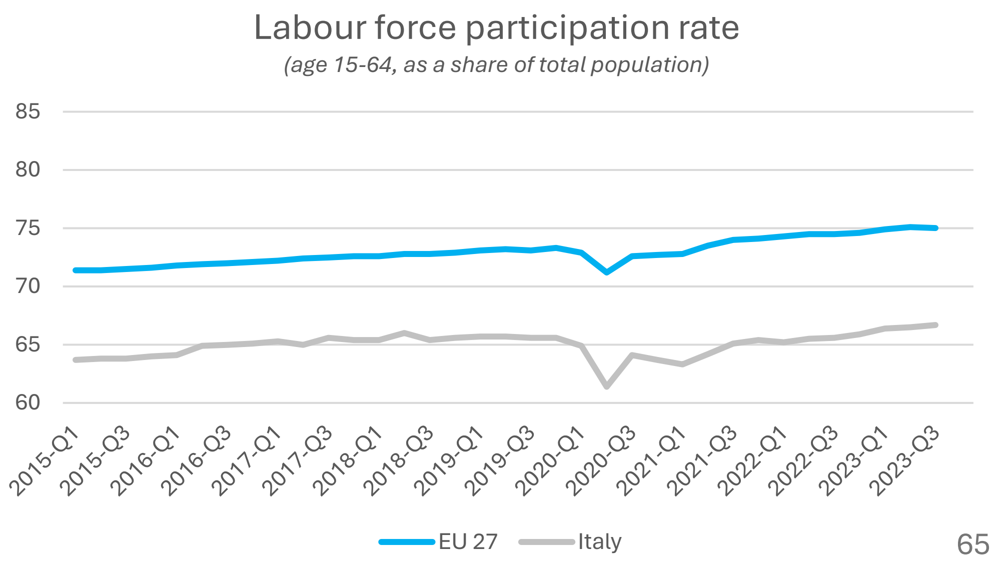


OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (2)

While the participation rate in the labour force has reached historic levels in the post-pandemic period in Italy, this is still considerably lower than the EU average. Italy shows a substantially higher market slack if compared to the EU average, mostly due to the high percentage of people available to work but not seeking it that, while decreasing, was still at almost 10% in 2022 against a EU average of 3%.

Therefore, despite the post-pandemic recovery, chronic fragility of the labour market in Italy persists. This is also exemplified by the high rate of 15–29 year olds that are neither in employment nor in education and training (NEETs), the low rate of participation of women in the labour force and the persistent skills mismatch in the labour market.

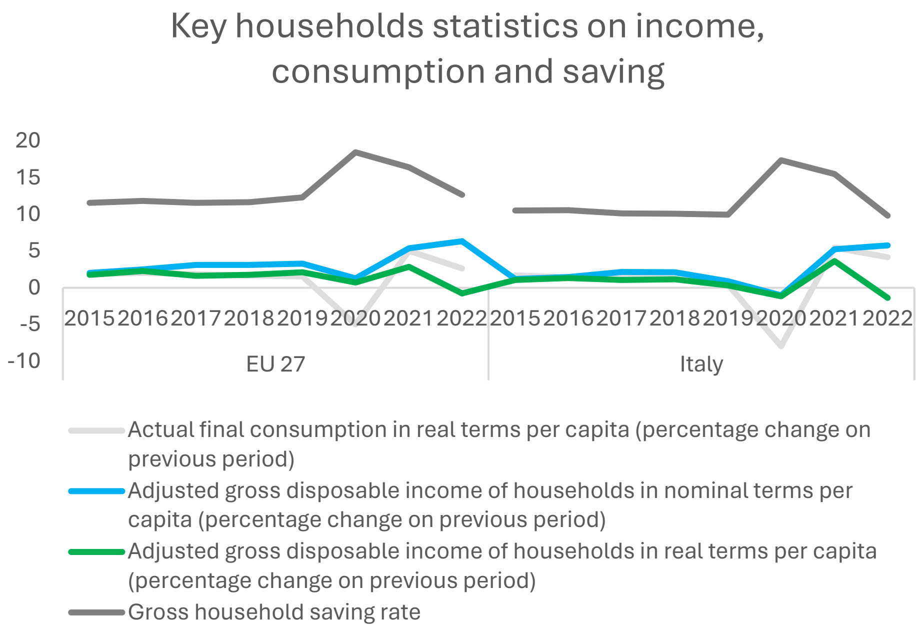


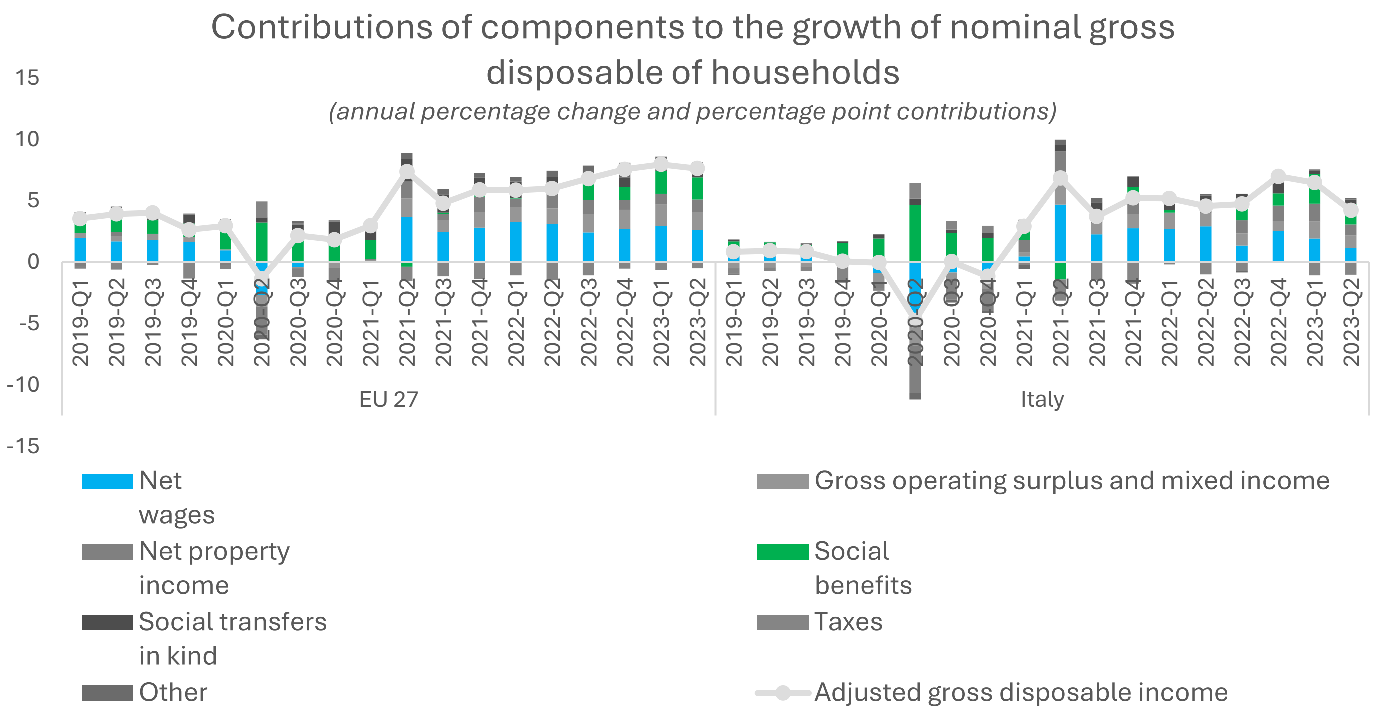


OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting incomes

Several estimates on consumption and saving patterns in Italy confirm that, at the outbreak of the COVID-19 pandemic, household consumption fell dramatically. This change was observed despite a comparably low contraction in households' real disposable income, giving rise to an unprecedented level of the propensity to save. (Guglielminetti & Rondinelli, 2021)

Increase in social benefits during the pandemic worked to absorb a substantial part of the income loss and to partially offset the increase in income inequality that may have been observed otherwise. This trend is due to several factors already presented: in the absence of social insurance benefits, the COVID-19 crisis would have significantly increased labour income inequality, as lower-income households were more likely to work in sectors affected by lockdown measures and have occupations with fewer remote work options. Younger individuals with temporary contracts, who earned lower wages on average, were hit the hardest.





EVIDENCE OF ANY UNINTENDED CONSEQUENCES

NEGATIVE

- Job mobility across firms and sectors remained limited, both before and after the pandemic.
- While the measures implemented may have delayed firm restructuring or their exit from the market (*zombie firms*), low productivity firms also had a lower take-up of the measures and a higher probability of exiting the market after the pandemic.

POSITIVE

- Representatives from industries have underlined the importance of the use of STW schemes to maintain necessary capacity and competences in-house. This was viewed as especially appropriate during the COVID crisis (temporaneous and exogenous shock) as reduction in production was due to health-related risks. This is also important in Italy, where enterprises lament a persistent mismatch of the labour market.
- Furthermore, by keeping employees and employers connected in crisis situations, workers' demand for goods is supported and the speed of economic recovery increases.
- The pandemic forced the Government to extend traditional social protection systems to self-employment; it also underscored Italy's fragmented social insurance system, sparking a debate on its enhancement.
- While the shock of COVID-19 disproportionally impacted low-income households more than higher income households, the measures introduced by the Government provided for better outcomes than previous measures to compensate for this inequality.

COST AND EFFICIENY CONSIDERATIONS

- According to Italian authorities, the negotiation of SURE was rapid and not costly. The flexible administrative structure necessary to implement and report on the measure was easy to manage and did not require additional recruitment or additional procedures.
- The ease of responding and reporting to the EC's monitoring ensured a streamlined approach and the relative low cost of implementation was considered proportionate to the benefit achieved through the measure enacted. This was also aided by the fact that the measures implemented were mostly already established.
- Some implementation difficulties were found at national level as the unprecedented and sudden crisis forced a substantial increase in the number of beneficiaries while all activities needed to be performed in remote work settings.
- Social partners have also underlined the difficulties for beneficiaries in understanding evolving legislation and requirements to access support. The increasing complexity may also partially explain the low take-up of some measures directed at the self-employed.

AUDIT AND CONTROL SYSTEM

Italy implemented a system of audit and control based on already established national procedures. This included:

- Ex-ante controls and verifications
- Ex-post audits of fund use
- Ex-post compliance checks and
- Fraud recoveries

The controls of the measures were conducted by the MoL with INPS (measures A to E), alternative bilateral solidarity funds (for the part of measure A managed by Solidarity Funds) and the Revenue Agency (measures F, G and H). The Court of Auditors and the Revenue Agency were responsible for the audits of the measures.

The controls and audits have been performed systematically and included: verification of the fulfillment of eligibility criteria, of the use of the funds for intended purpose, and whether the workers have been kept employed. Fraud has been found to have occurred to a small extent. Regarding non-repayable grants, irregularities concerned false statements about eligibility criteria to obtain grants (e.g. lack of drop in turnover, ineligible self-employed criteria, the beneficiary was insolvent or not active at the time of the declaration of the state of emergency). Actions have been taken for recovery of funds.

ADDED VALUE OF SURE

Stakeholders, authorities and social partners agreed on the added value of SURE as in instrument that:

- Sent strong signals of EU support to beneficiary Member States, especially because SURE's financial mechanism ensured Member States' guarantee regardless of their use of the loans, demonstrating a high level of EU solidarity.
- Contributed to the stability of the EU: SURE, alongside the other measures implemented by the EU (such as ECB's PEPP) had a strong signalling effect on financial markets.
- Demonstrated a unified approach among EU Member States to addressing a common, external shock in the form of the COVID-19 pandemic.
- Demonstrated the benefits of swift, coordinated, large-scale action at EU level and paved the way for the Resilience and Recovery Facility also in terms of the tested governance mechanism.
- Improved confidence in the EU's ability to respond to crises.

There is less evidence of the following two claims:

- SURE facilitated Knowledge exchange and collaborative learning - most stakeholders underlined the potentiality of this, especially given the experience of Italian authorities and stakeholders with STW schemes. As opportunities for knowledge exchange at the level of stakeholders were limited, potential for future exchange remains.
- SURE improved EU citizens' perception of the EU - the instrument was mostly not known to the public at large.

COHERENCE

Alongside STW schemes, the Italian Government also implemented:

- Tax exemptions and reduction of social security contributions for firms retaining workers during the pandemic; additional forms of emergency income, wage subsidies, and wage integration funds, the suspension of layoff procedures, the renewal of fixed-term contracts and measures to regulate work remotely. All these measures contributed to the preservation of employment levels during the pandemic.
- Furthermore, Italy made extensive use of the additional flexibility regarding Cohesion Policy as guaranteed by the Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII+) packages, as well as the additional resources under the REACT-EU package. Most of this response was directed to SMEs and health-related measures. Italy allocated around 1.5 billion euro to the ESF+ measures to combat the pandemic (as reported by the COVID-19 specific indicators). Nonetheless, these initiatives only marginally impacted SURE complementary measures under Thematic objective 8 – employment mobility and investment and TO 10 - training, lifelong learning and skills.

OTHER ASPECTS

- While insiders and experts were aware of the instrument, the visibility for citizens and beneficiaries was judged as being low. As SURE contributed to reinforce pre-existing instruments and standards, SURE was not promoted as an EU instrument. This was also seen as a negative aspect of the instrument and a missed opportunity to emphasise the role of the EU in the recovery.
- Another negative aspect underlined by social partners and experts was the lack of transparency in terms of beneficiaries supported by the measures. While the flexibility in reporting required less information to be shared, the Government made little information available on the specific beneficiaries supported, in contrast with other EU measures, such as the Cohesion Funds.

Methodological Annex

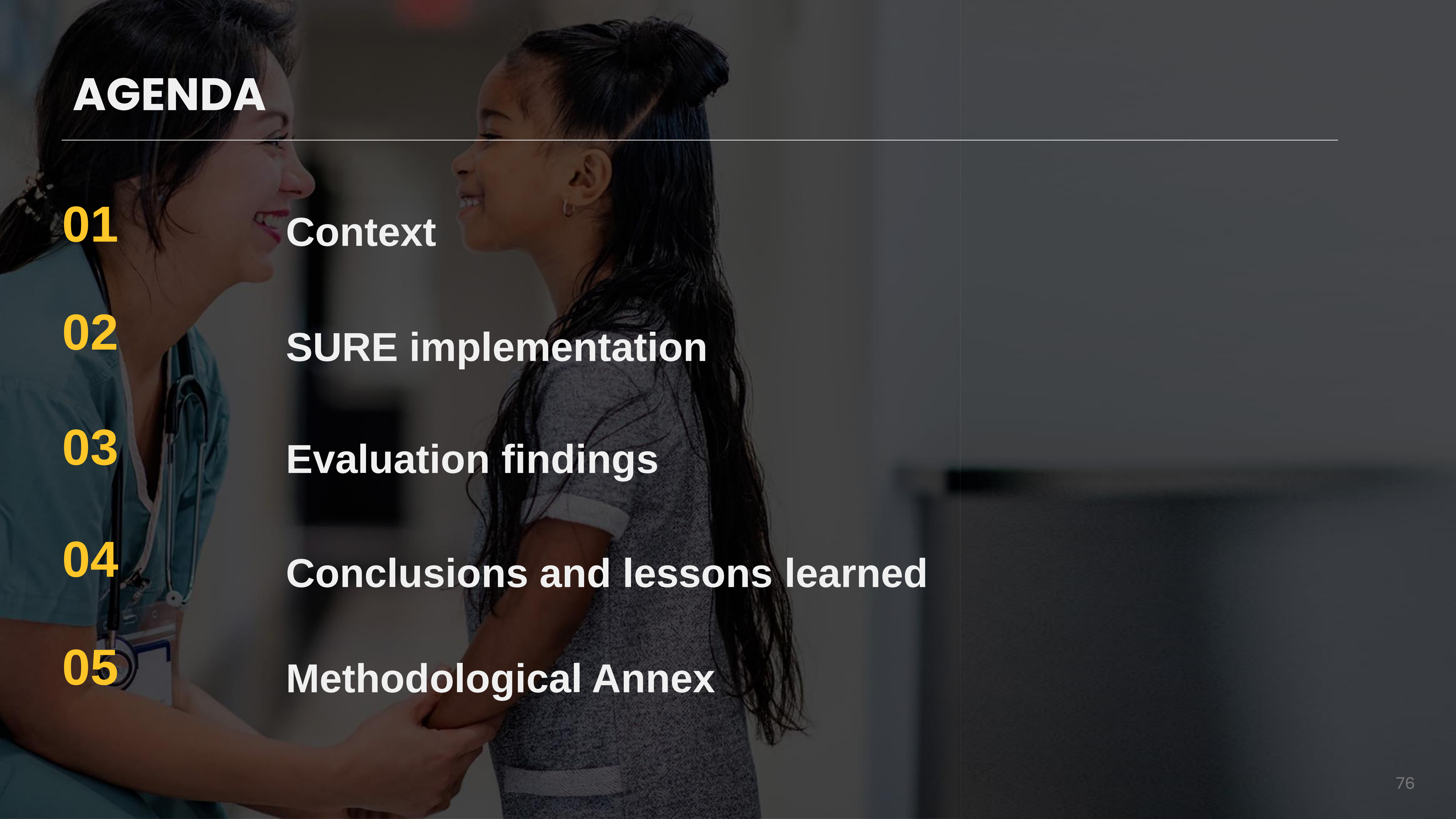
ACTIVITIES UNDERTAKEN

1. List of interviews conducted
2. Delphi survey panel members
3. List of participants to the social partners workshop
4. List of references and data sources

Please see Annexes to main report

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

Country case study
Lithuania
April 2024



AGENDA

01 Context

02 SURE implementation

03 Evaluation findings

04 Conclusions and lessons learned

05 Methodological Annex

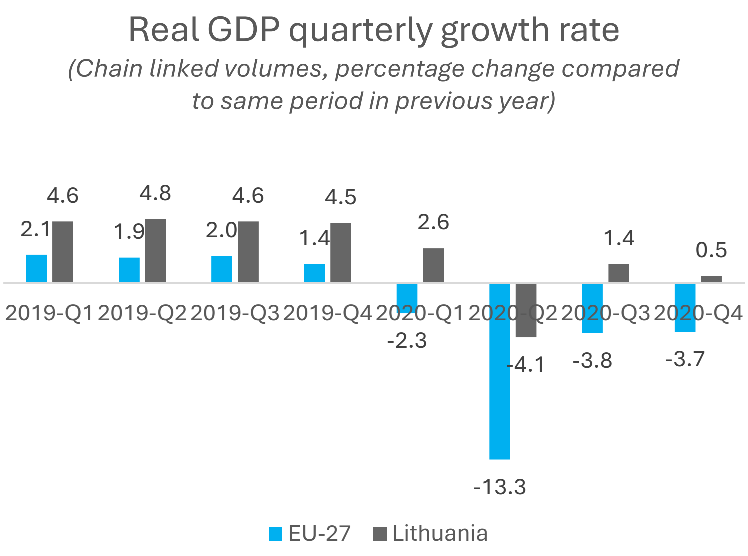
Context

ECONOMIC SHOCK CAUSED BY COVID-19

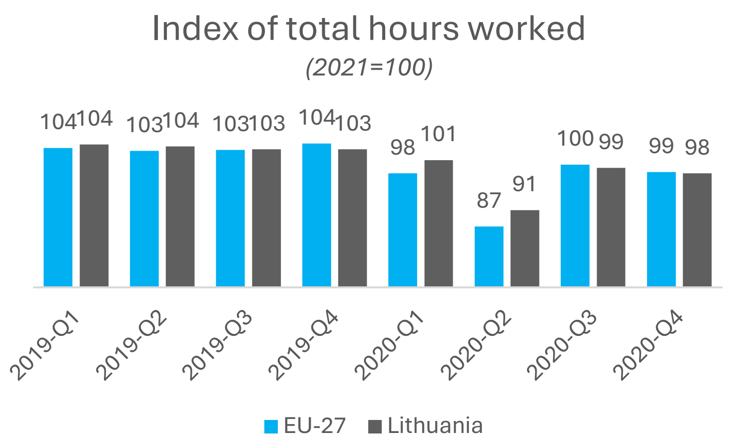
The outbreak of the COVID-19 pandemic at the beginning of 2020 and the subsequent widespread introduction of restrictions on economic activity in Lithuania in Q1 of the same year, in addition to the outbreak of the second wave of COVID in Q4, again combined with the introduction of economic restrictions, had a negative impact on Lithuania's economy – on average, real GDP change y-o-y from 2019 to 2020 was -1.3%.

However, the impact on the economy was significantly lower and the recovery was significantly faster when compared to the rest of the EU-27.

A marked shock with significant repercussions on labour markets



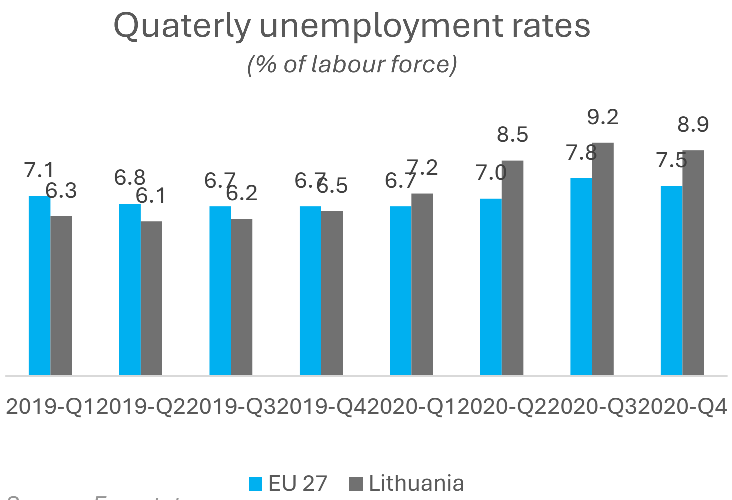
Source: Eurostat



Source: Eurostat

Accordingly, the drop in the employment rate in Lithuania was not high – in 2020, it decreased by approximately 1.5 percentage points compared with 2019 and recovery was already seen by mid 2021. On the contrary, the impact on unemployment was more pronounced. In 2020, the unemployment rate stood at 8.5%, which is by 2.2 percentage points more than in 2019. Moreover, the youth (aged 15–24 years) unemployment rate stood at 19.6%, 7.7 percentage points higher than in 2019.

The sectors most affected by the pandemic were Accommodation and Food Services, Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles and Manufacturing.



Source: Eurostat

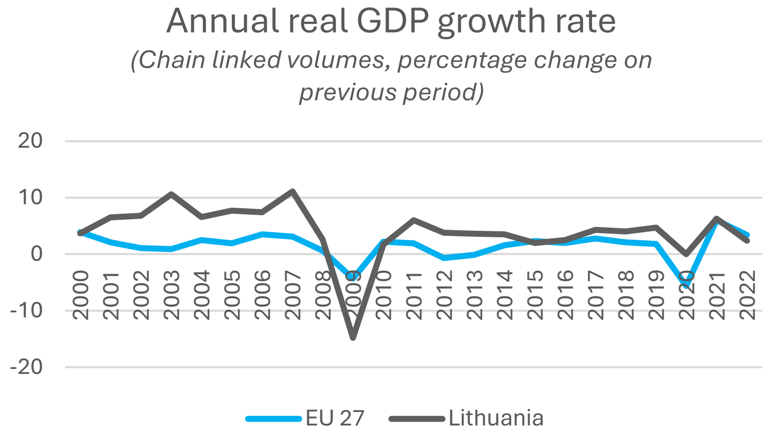
ECONOMIC SHOCK CAUSED BY COVID-19 RELATIVE TO PREVIOUS CRISES

The impact of the Global Financial Crisis on the Lithuanian economy and (un)employment was significantly more marked than the COVID-19 crisis. This was mainly determined by the different nature of the shocks. The unprecedented GDP drop recorded in Lithuania in 2009 was mainly a result of the insufficient financial resources available and difficulties in borrowing. Learning from the GFC, the policy focus during the COVID-19 crisis was on the adequacy of financial resources.

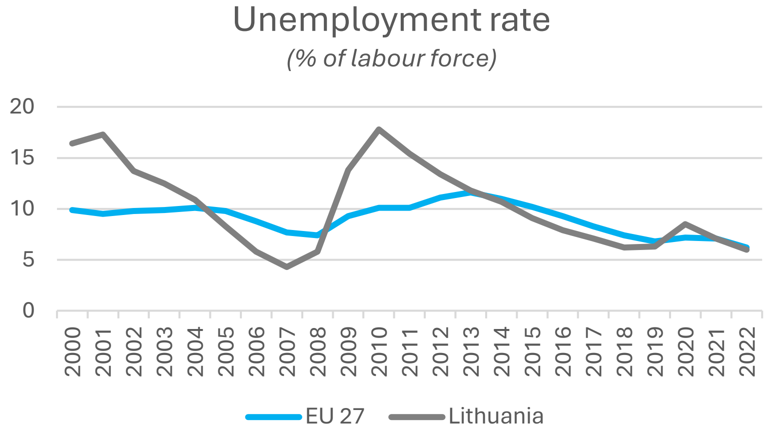
The GFC impact on (un)employment in Lithuania was to have a long-lasting effect: the unemployment rate increased up to 2010, though it then decreased over several years until it reached pre-crisis levels.

The real impact of the COVID-19 crisis on both the economy and (un)employment was significantly lower and thus recovery was faster.

Moreover, the economy recovered faster than employment following the outbreak of both crises. As mentioned above, this might be explained by the relatively low level of employment security in Lithuania.

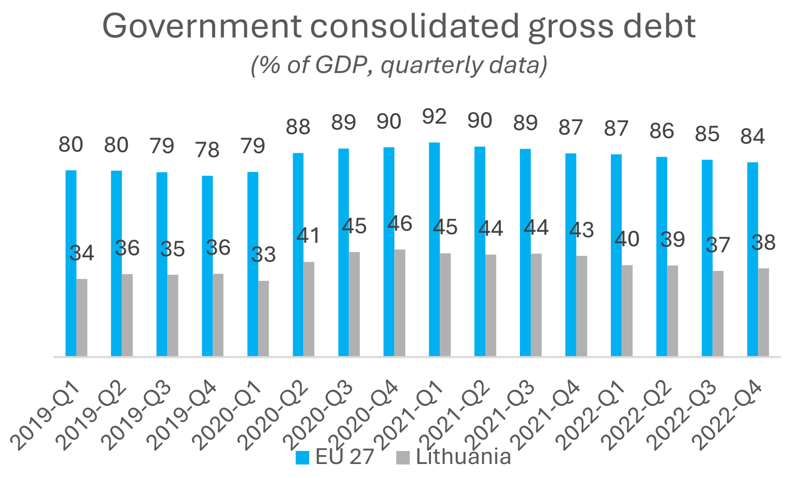


Source: Eurostat

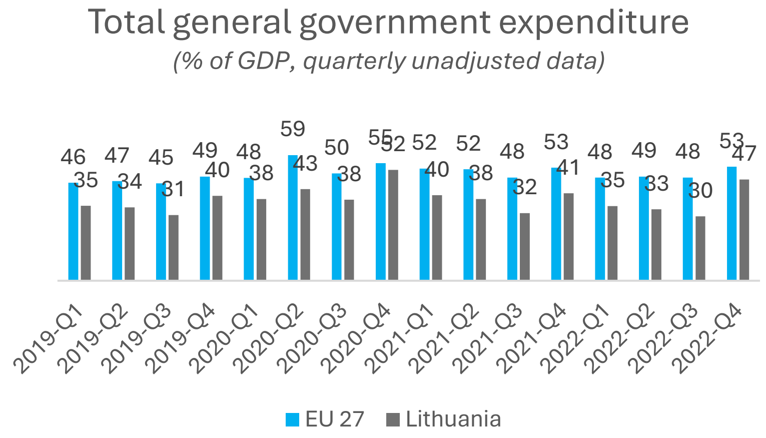


Source: Eurostat

OVERALL FISCAL RESPONSE TO COVID (1)



Source: Eurostat

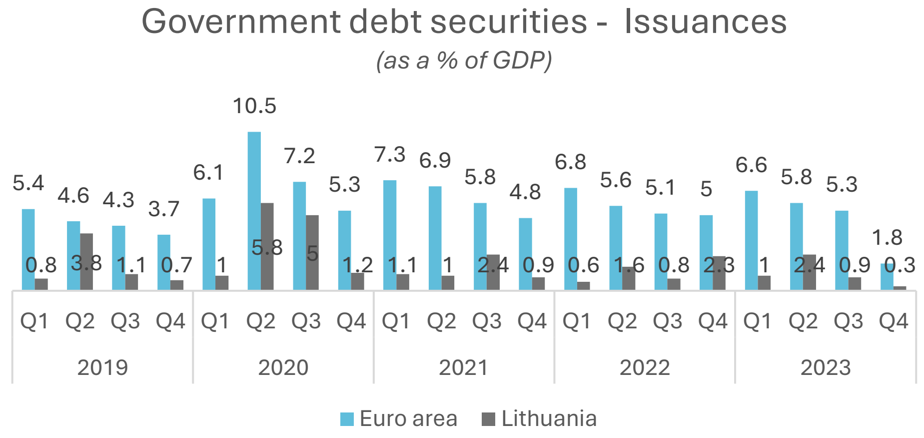


Source: Eurostat

The Plan to Stimulate the Economy and Reduce the Consequences of the Coronavirus (COVID-19), adopted by the Government on 16 March 2020, covered various measures and had a total value EUR 2.5 billion. It also allowed the Government to take out a loan of up to EUR 5 billion should they deem it necessary. The plan covered a number of measures aimed at: 1) ensuring necessary resources for effective public health and social protection; 2) helping to save jobs and people's incomes; 3) helping businesses to save liquidity; 4) bolstering the economy; 5) ensuring public treasury liquidity.

According to Eurostat data, government consolidated gross debt in Lithuania in Q4 of 2019 was 36% of GDP, and in Q4 of 2020 this stood at 46% of GDP. This 10 percentage point change represents a high increase considering baseline debt level (+28%), and it is higher in relative terms than the increase across the whole EU-27. Debt levels in Lithuania however remained far below the EU average (90% of GDP in Q4 of 2020).

The increase in total general government expenditure in Lithuania during Q4 of 2019 and Q4 of 2020 was also relatively higher (12 percentage points) compared to the rest of the EU-27 (6 percentage points).



Source: ECB

EMPLOYMENT PROTECTION MEASURES

Various measures to mitigate the consequences of COVID-19 and help maintain jobs, personal income and business liquidity, in addition to stimulating the economy, were embedded in a Plan to Stimulate the Economy and Reduce the Consequences of Coronavirus (COVID-19), which was approved in March 2020 by the Parliament of the Republic of Lithuania.

ALMP measures included the following: support for learning; support for mobility; support for employment; and support for job creation.

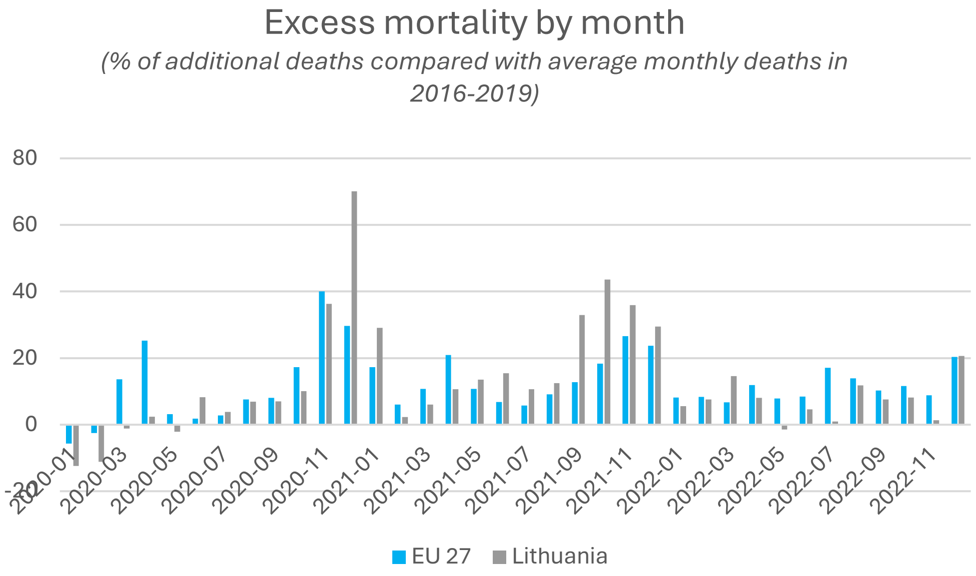
New measures that were introduced included wage subsidies during idle time; wage subsidies after idle time; benefits for self-employed; benefits for persons engaged in individual agricultural activities.

Objectives of the Plan	Measure	Sources of funding
• **To help businesses secure jobs during the COVID-19 pandemic and after it** • **To promote the creation of new jobs after the COVID-19 pandemic** • **To help secure people's income and keep people in employment during and after the COVID-19 pandemic**	• Wage subsidies during idle time	State budget, EU funding, SURE
	• Wage subsidies after idle time	State budget, SURE
	• Provisions regarding promotion of VET and apprenticeships	State budget, EU funding
	• Benefits for the self-employed	State budget, SURE
	• Support for the self-employed willing to change their economic activity	State budget
	• Benefits for persons engaged in individual agricultural activities	State budget, SURE

SURE Implementation

TIMELINE OF KEY DEVELOPMENTS

1. Announcement of lockdowns – 16 March to 16 June 2020 & 7 November 2020 to 30 June 2021
2. Announcement of initial support – March 2020
3. Announcement of employment protection measures – 17 March 2020 (in total 8 enhancements announced from 17 March 2020 to 7 March 2021)
4. Announcement of SURE – 12 March 2020 (EC Communication) and 2 April 2020 (EC proposal)
5. Approval of SURE (EU level) - May 2020
6. Request for SURE (Lithuania) – 7 August 2020
7. Approval of SURE (Lithuania) – 25 September 2020
8. Activation of SURE – September 2020
9. Loan disbursements - 17 November 2020, 16 March 2021, 25 May 2021, 14 December 2022
10. Top-up requests - 11 March 2021 and 8 August 2022
11. Extensions of temporary STW and related schemes – January 2021
12. End of temporary STW and related schemes - September 2021

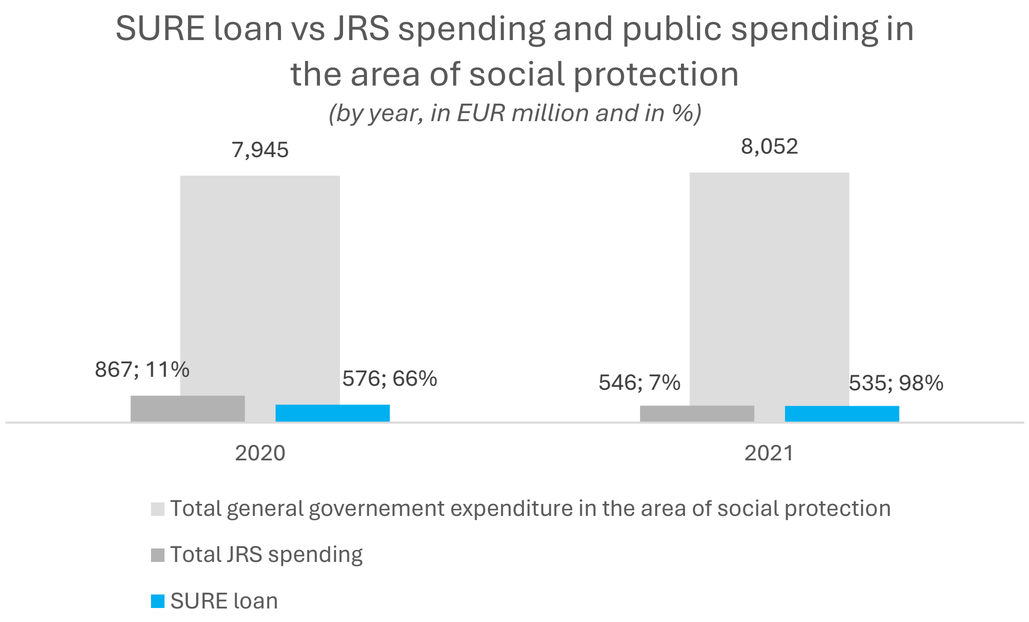


SURE LOAN: KEY FIGURES

SURE loan amount	EUR 1.1 bn
Of which top up	*496.8 EUR m (or 45%)*
SURE loan amount (disbursements) as a share of annual GDP	0.6% (2020) 1.2% (2021) 0.1% (2022)*
SURE loan amount used for labour market measures	100%
Years in which SURE loan was used *(* 2022 disbursement was used to finance 2021 expenditure)*	2020, 2021
Total JRS spending: 2020-2021** *(** no JRS spending in 2022)*	EUR 1.413 bn
Of which ESIF	*EUR 144 m*
Share of total JRS spending financed by ESIF	10%
Share of total JRS spending financed by SURE loans	78%

The entire SURE loan was used in Lithuania for JRS during 2020-2021.

In 2020, the SURE loan constituted the lowest share (66% only) of the whole of JRS spending; in 2021, this share increased to 98%.



Source: ICF based on MS SURE reporting, LMP database and Eurostat.

MEASURES FINANCED BY SURE

Wage subsidies during furlough (new and temporary emergency measure) – during the state of emergency or as a result of quarantine, employers were paid a subsidy for wages estimated for each employed person facing furlough.

Wage subsidies to help to recover after furlough (new and temporary emergency measure) - with quarantine and a state of emergency in place, employers were paid subsidies to cover the salaries of employees returning after furlough. This subsidy for employees was paid for 6 months after furlough was over.

Benefit for self-employed persons (new and temporary emergency measure) - during the state of emergency and quarantine, the State provided support for the self-employed persons.

Benefits for the self-employed engaged in agriculture (new and temporary emergency measure) – during the state of emergency and quarantine, the State provided support for the self-employed in small agricultural activity.

SURE eligible measures basic information

Measure type	Count of measures	Spending on SURE eligible measures (EUR Million)	Share of total spending
STW	1	376	34%
similar - wage subsidy	1	516	46%
similar - self-empl	2	229	20%

Source: MS SURE reporting

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (1 – Wage subsidies during idle time)

The scheme provided wage compensation to employers that had announced idle time for employees during the state of emergency or quarantine to cover part of their salaries (which during idle time could not be less than the minimum monthly salary for all normal working hours) if they had to completely close their businesses due to the state of emergency or quarantine. The measures also applied to companies that had to partially close because of COVID-19.

In 2020, a total of 25,083 employers received wage subsidies for 231,719 employees. In 2021, the totals figures stood at 25,044 for employers who received wage subsidies and at 229,405 for employees.

It covered all sectors of the economy and all workers under an employment contract (except budgetary institutions).

At the choice of the employer, the subsidy could constitute:

- 70 % of the employee's salary, though this cannot exceed 1.5 times the minimum monthly wage approved by the Government of the Republic of Lithuania; or
- 90 % of the employee's salary, though employees aged 60 and older could receive 100%. However, the salary could not exceed the minimum monthly wage approved by the Government of the Republic of Lithuania.

Total expenditure in 2020-2021 was EUR 519.9 million (SURE – EUR 375.6 million); duration: 17 March 2020 to 31 March 2021.

Source: ICF based on MS SURE reporting and other sources

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (2 – Wage subsidies to help recovery after idle time)

After the employee returned from idle time, the employer could apply for 6 months' worth of subsidies regarding the employee's salary.

The subsidies covered 100% of the salary in the first and second months, 50% in the third and fourth months, and 30% in the fifth and sixth months.

In terms of eligibility, subsidies for the salaries of employees who have returned from furlough could be paid to employers who had not dismissed their employees during quarantine itself but had announced the imposition of idle time and applied for State aid.

In 2020, 19,077 employers applied for wage subsidies for 199,314 employees for whom idle time had ended. In 2021, 13,894 employers applied for wage subsidies for 82,618 employees for whom idle time had ended. They all received wage subsidies after idle time, financed by SURE. The above figures were lower compared to the previous measures as not all employers who received wage subsidies during idle time applied for the subsidies after idle time.

The measure covered all sectors of the economy and all workers (except budgetary institutions).

The total expenditure for 2020-2021 was EUR 640.2 million (SURE - EUR 516.25 million).

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (3 – Benefits for self-employed persons)

During the state of emergency and quarantine declared by the Government of the Republic of Lithuania, self-employed persons could apply for benefits.

Income support – EUR 257 per month in 2020 and EUR 260 per month in 2021 – was paid to all self-employed persons who ceased activity due to COVID-19.

Support was granted during the state of emergency and quarantine, plus two months after it ended in 2020. From 2021, support was granted during the state of emergency and quarantine, plus 1 month after it ended.

In 2020, 93,162 self-employed persons received benefits financed by SURE. These benefits were provided to every self-employed person who was eligible to receive support (no list of affected activities).

In 2021, benefits were received by 59,020 self-employed persons who were engaged in activities included in the list of activities and affected by COVID-19 restrictions (the list of such activities was published by the State Tax Inspectorate). Among restricted activities were tourism, hotels and restaurants and some services.

Total expenditure for 2020-2021 was EUR 243.8 million (SURE – EUR 219.63 million).

Evaluation findings

RELEVANCE OF SURE's OVERALL DESIGN

Stakeholder feedback and own assessment of the following aspects of SURE based on the needs and situation of the country:

- An economic instrument with a clear social purpose. The instrument fully corresponded to the needs of the country in terms of ensuring both more favorable borrowing conditions and targeting support for employment aspects. It provided a low-cost solution for preserving employment and also provided necessary support for businesses.
- Temporary nature of the instrument – support was provided during the most uncertain and difficult period. Despite the temporary nature of the support, the instrument allowed for the creation and testing of measures that ultimately became permanent (they are still valid and 'ready to use' during future crises).
- Low prescriptiveness (i.e., the lack of targeted support e.g., to sectors/ groups etc.), broad eligibility criteria and no detailed design specification. The flexibility provided allowed the Government to decide on the best suitable measures. Measures implemented covered all types of employees and companies.
- EU approach (rather than inter-governmental approach). Positively evaluated as an expression of EU solidarity.
- Innovative financial architecture based on common borrowing and a system of national guarantees. Positively evaluated as it provided the possibility to have more favourable borrowing conditions.
- Sufficiency of financial envelope, absence of pre-defined national allocations, concentration limit of max 60% on top 3. Positively evaluated. Concentration limit on top 5 would ensure more equality.
- Reasons not to include health measures in the mix of eligible measures – MoH used other financial instruments.

RELEVANCE OF SURE FROM A COMPARATIVE PERSPECTIVE

- **Relevance of SURE with respect to ESM PCS programme – Exploring the reasons behind the differential uptake between SURE and ESM (no ESM take-up). What factors influenced Member States' preferences? This will offer insight into the perceived relevance and attractiveness of each instrument.**
- **Relevance of SURE vs other EU actions aimed at creating fiscal room.**
- **ECB's 'pandemic emergency purchase programme' (PEPP).**

According to the information provided by the MoF:

- None of the EU Member States (including Lithuania) used the ESM PCS instrument because of the stigma related to borrowing from the ESM and potential negative reactions from the financial markets. In contrast, SURE did not have such possible negative effects and was widely used by all Member States, including Lithuania.
- SURE worked as one of the EU level measures aimed at creating fiscal space for Member States during the pandemic. It was complementary to such instruments as the ECB's PEPP, the European Investment Bank's EGF and the activation of the General escape clause under the Stability and Growth pact.

TEMPORAL RELEVANCE OF SURE SUPPORT FROM MS PERSPECTIVE

- **Why was SURE relevant and necessary from an MS perspective? Importance of SURE in easing fiscal or borrowing constraint in the face of deep uncertainty, providing a backstop**. SURE was relevant and necessary from an MS perspective due to the fact the crisis started quickly and there was a high degree of uncertainty. Overall burden on budget due to the pandemic was high and SURE provided some confidence, reduced tension, and provided more financial stability.

- **How did different pandemic waves affect the MS and timeliness of SURE support/speed at which financing was made available?** The first wave of the pandemic was the hardest and caused the most uncertainty. However, rapid decisions were taken and SURE support was provided in time.

- **Whether SURE remained relevant throughout the period of use – views on duration of support**. SURE remained relevant during the entire 2020-2021 period. Nevertheless, its impact was most significant at the beginning of the pandemic as later on the country could borrow under the same conditions in the market as well. The duration was sufficient.

DESIGN OF SURE SUPPORTED MEASURES

Stakeholder feedback on design of SURE measures supported the identification of any best practices

Coverage	In general, most stakeholders agreed that the scope of sectors covered and the size of companies covered as well as coverage of self-employed persons was adequate and appropriate. However, a few of them mentioned that the scope could have been narrower and support more targeted.
Duration	In general, all stakeholders agreed that the duration was appropriate, though one trade union mentioned that it could have been longer.
Compensation level (generosity of benefits)	There were no specific comments on the level of compensation; therefore, we may presume it was appropriate.
Activation conditions	There were no specific comments on the activation conditions; therefore, we may presume they were appropriate.
Any requirements such as employer co-payments	It was generally accepted that there were such requirements in place as this ensured better targeting and support for those in need.
Training component	Not relevant.
Ease of access – administrative simplicity	Ease of access might be evaluated as moderate – there was a set of requirements, but they all were not overly burdensome.
Speed of implementation	Perfect. Measures were implemented at a very high speed.
Communication and awareness raising	Stakeholders had no specific comments on the communication and awareness raising issues. They were deemed adequate and sufficient.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES:
Coverage of firms and workers

Number of firms and workers via measures financed by SURE

	2020	2021
Number of firms supported	25,083	25,044
Including SMEs	99.7%	99.9%
Share of firms supported (with reference to total business population)	27%	27%
Number of employees supported	231,719	229,405
Number of self-employed supported	93,162	59,020
Number of workers supported	324,881	288,425
Share of workers supported	24%	21%

Source: MS reporting
Note: Zero-employee firms are classified as self-employed. Firms with one or more employees are classified as firms.
SURE loan was used in 2020 and 2021 and there was no JRS spending in 2022.

1. Approximately 230,000 employees and 25,000 firms (most of them SMEs) were supported via measures financed by SURE. Numbers are based on final administrative data. The numbers concern all of the labour market measures. They also correspond to the main JRS to avoid double counting as support under the second JRS was granted only to those who received support under the first (main) JRS.
2. Approximately 93,000 self-employed in 2020 and 59,000 in 2021 received benefit for self-employed persons and were supported via SURE.
3. Approximately 24% of all employed persons in 2020 and 21% in 2021 were supported via JRS.
4. The breakdown by worker type – gender, vulnerability, skill levels, age – is not available.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Sectoral coverage

The three sectors which benefitted the most from SURE support (excluding the self-employed) in Lithuania were:

1. **WHOLESALE AND RETAIL TRADE AND REPAIR OF MOTOR VEHICLES AND MOTORCYCLES**. Retail sales of clothing in specialised stores particularly benefitted, with 29.9% of SURE expenditure allocated to this sector.
2. **ACCOMMODATION AND FOOD SERVICE ACTIVITIES**. Restaurants and mobile food service activities particularly benefitted, with 16.9% of SURE expenditure allocated to this sector.
3. **MANUFACTURING.** Manufacture of 'other' furniture particularly benefitted, with 11.4% of SURE expenditure allocated to this sector.

According to the evaluation of the Bank of Lithuania, the most affected sub-sectors (sectors whose revenues decreased the most during March-December 2020 when compared to March-December 2019) were:

- <u>In relative terms</u>: **Accommodation** (revenues decreased by –56.7%); Sports activities and amusement and recreation activities (–38,4%); **Food and beverage service activities** (–27.3%); Manufacture of wearing apparel (-13.4%), **Wholesale and retail trade and repair of motor vehicles and motorcycles** (-12%), Repair and installation of machinery and equipment (-10.1%).
- <u>In absolute terms</u>: **Wholesale and retail trade and repair of motor vehicles and motorcycles** (revenues decreased by EUR 431.5 million); **Food and beverage service activities** (EUR -210.4 million); Land transport and transport via pipelines (EUR –168.0 million); Warehousing and support activities for transportation (EUR –152.7 million); **Accommodation** (EUR –146.8 million).

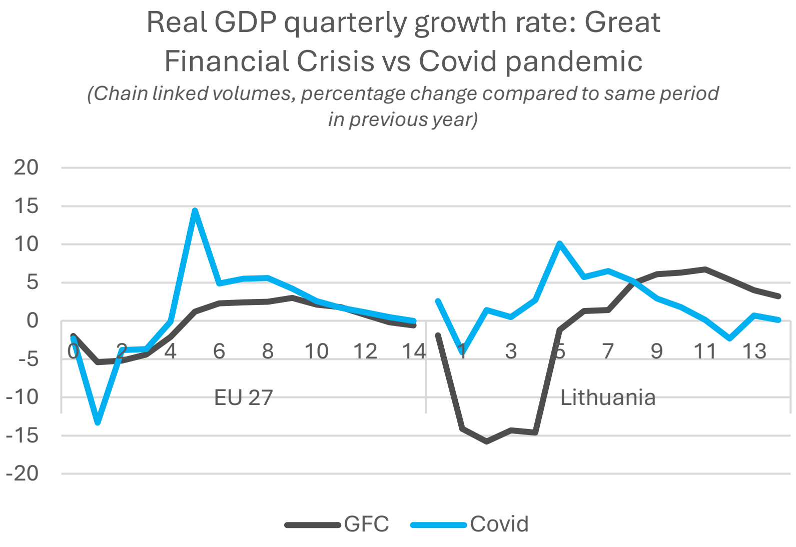
Information, presented above allowed to conclude, that there was a lot of congruity among the most benefitted and the most affected sectors.

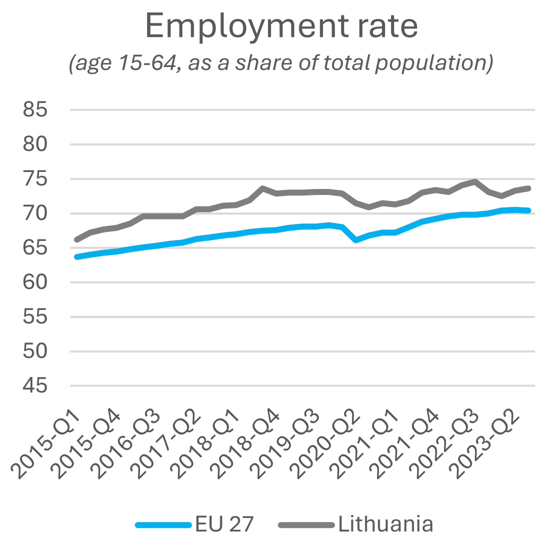
OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (1)

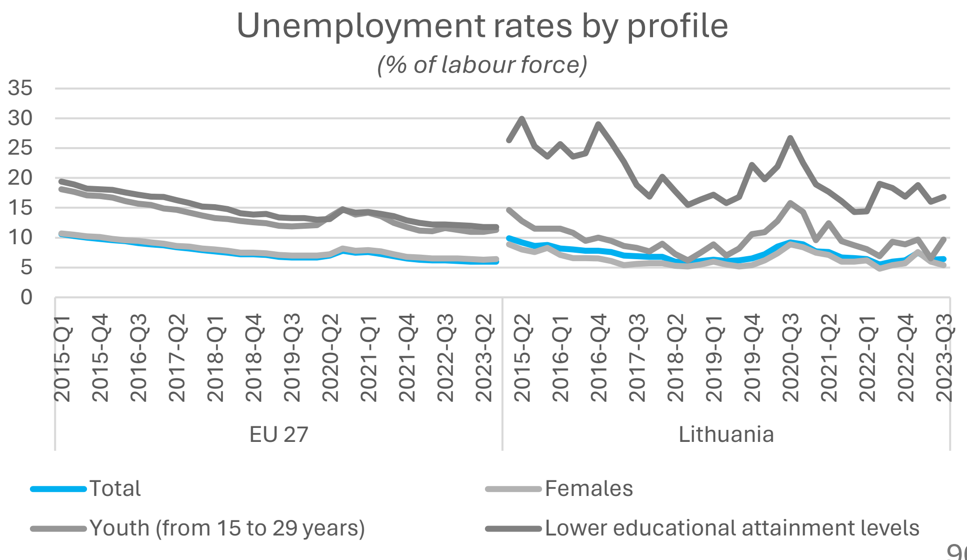
As mentioned above, the COVID-19 crisis was significantly less impactful on the Lithuanian economy when compared to the GFC. In 2020, the change in real GDP was negative and amounted to -1.3%. According to Statistics Lithuania, the change in GDP in 2020 was mainly influenced by the performance of hospitality and catering and the transport and storage sectors.

Accordingly, the drop in the employment rate in Lithuania was not very high – in 2020 it decreased by approximately 1,5 percentage points compared to 2019, and it had already recovered by mid 2021.

However, the impact on the unemployment rate was higher – the unemployment rate (in the 15-64 age group) reached 8.8 % in 2020 (an increase from 6.2% in 2019) and only in 2022, after falling to 5.9 %, did it reach pre-pandemic levels. Particularly high unemployment rates were recorded in the low education and youth groups. Higher unemployment rates were recorded in rural areas than urban areas.

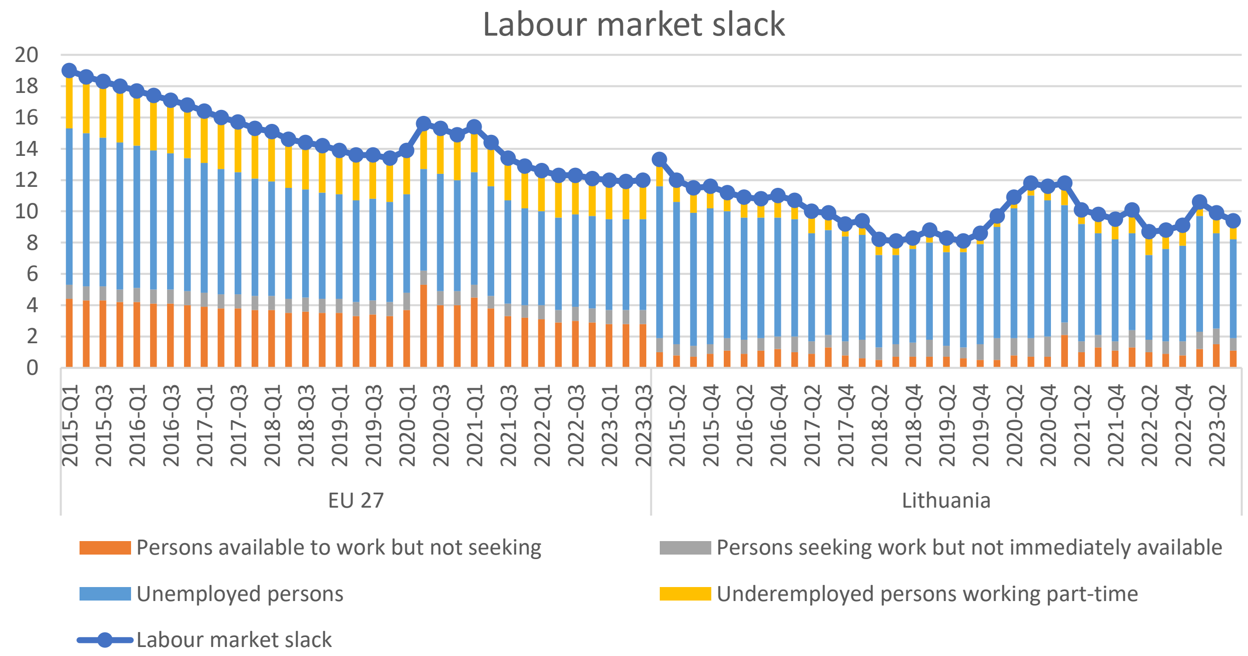


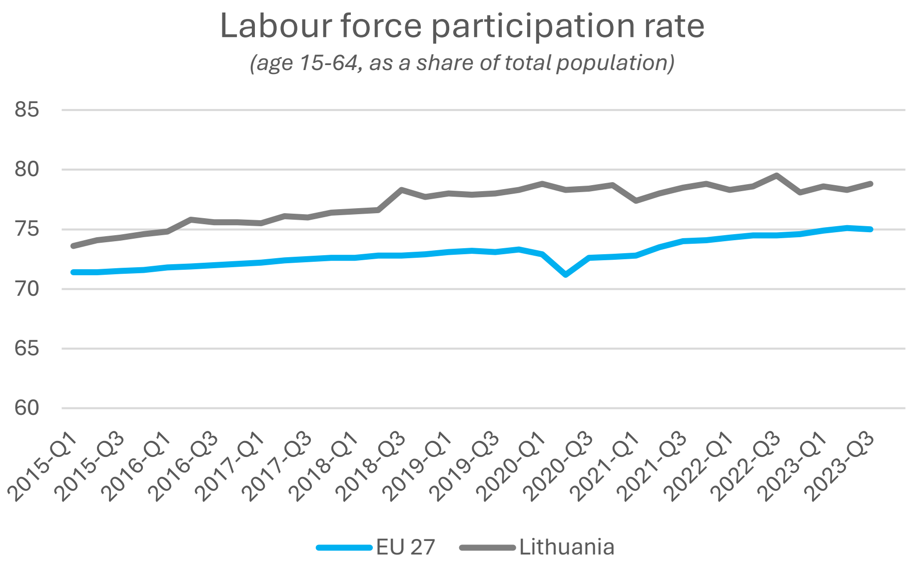




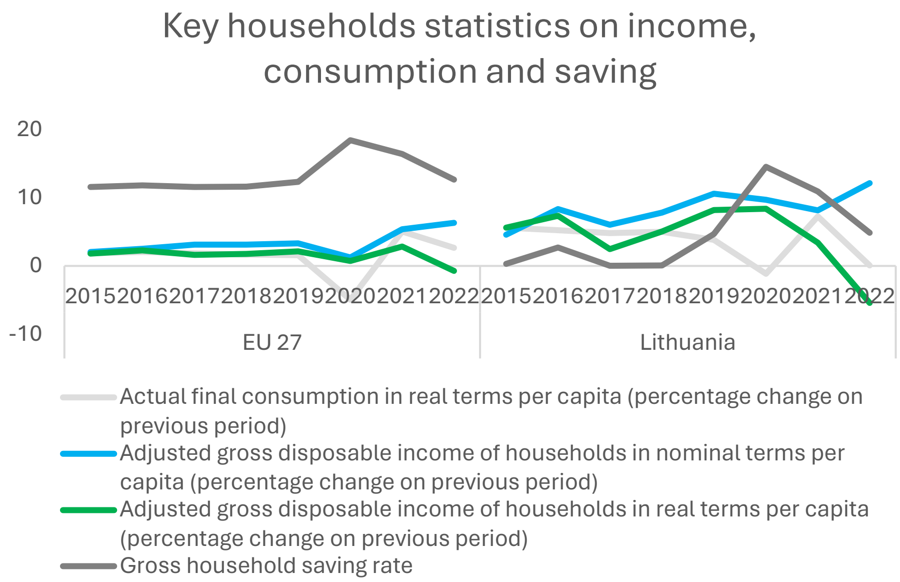
OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (2)

It is rather difficult to provide sound conclusions on the data presented without thoroughly analysing every component of the slack; however, we presume that the 2020 Q2 – 2021 Q2 labour market slack in Lithuania was determined by several reasons. First, the ‘real’ unemployment rate increased due to the impact of COVID-19. Second, some ‘artificial’ unemployment increased following the introduction of he so called ‘job search benefit’, that was available for unemployed persons registered at the PES. Another ‘phenomenon’ that might have had some impact on the slack concerned the relatively significant increase in the level of activity limitation (self-perceived long-standing limitations in usual activities due to health problems) in 2020-2021 (which subsequently decreased in 2022). Another feature of the Lithuanian labour supply was the relatively high share of non-qualified unemployed persons registered at the PES.

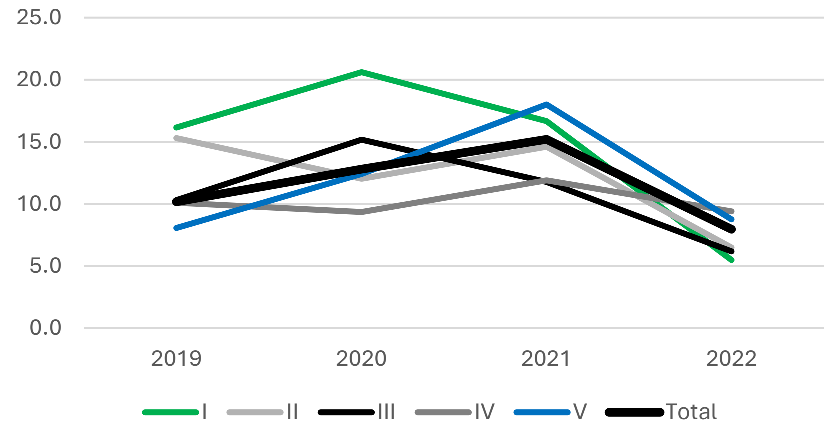




OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: protecting incomes



Change in disposable cash income per household member per quintile, %



No comprehensive national research has been carried out on the impact of STW schemes on incomes. However, one may conclude from the available statistics that there was no significant drop in households' disposable incomes during 2020-2021. On the contrary, household income increased and one interesting feature of this was that the most rapid increase during COVID-19 and during the post-COVID period was observed in the incomes of the poorest and the richest households. In this regard, from 2020-2021, the increase in household incomes was highest in the first and the fifth quintile. The largest increase in 2020 was recorded in the first quintile and this had positive impact on income inequality.

However, it is difficult to say how much these trends were influenced by the STW schemes in the absence of a deep evaluation. During this period, rapid minimum wage increase was also recorded and this likely had a major impact on the increase lower earners' incomes.

ADDITIONALITY OF SURE

Type of additionality	Indicators	Methods & sources
Input additionality - the unique financial advantages offered by SURE, which were unavailable to Member States from alternative financial sources. It underscores the distinctiveness of SURE financial support	Interest rate differential by beneficiary Member State- difference in interest rates between SURE financing and alternative sources Interest rate savings Comparison of loan maturities provided by SURE versus other potential sources Volume of financing accessed via SURE compared to other sources during the same period	Interest rate savings calculated by the European Commission Interest rate savings calculated by Member States (e.g. Spain, Italy) Survey – Ministries of Finance Country case studies (multi-method) Analysis of data sourced from national ministries/ statistical offices
Output additionality - the extent to which SURE enabled Member states to do something they would otherwise not be able to do	The extent to which availability of SURE support influenced Member States' decisions to: ▪ launch new JRS or health-related measures ▪ increase the coverage of their measures ▪ extend the duration of their measures ▪ enhance generosity Fiscal space created by SURE (avoiding expenditure cuts in other areas)	Stakeholder consultations Survey – Ministries of Labour and Finance Country case studies (multi-method) Analysis of data sourced from LMP and national sources
Impact additionality – the extent to which the observed impacts would not have materialised in the absence of SURE	Unemployment rate GDP rate Firm and worker level impacts	Before and after analysis Counterfactual impact analysis for macro level effects Literature review for micro level effects (firms, workers)

Input additionality. Interest rates on SURE loans were in line with or lower than the cost of sovereign borrowing. The weighted average maturity of SURE loans compared to other Lithuanian loans was shorter, but longer than the weighted average maturity of total Government debt. According to European Commission estimates, the total interest rate savings in the case of Lithuania was EUR 16,65 millions.

Output additionality. The main output additionality in Lithuania was related to the increased 'room for manoeuvre' and potential to cope with the negative impact of the pandemic. The availability of SURE provided the Government with financial flexibility to amplify its response to the crisis, improved the liquidity situation in the Treasury and contributed to the overall sustainability of public finances.

The most likely counterfactual scenario for Lithuania: Due to the fact the Government had applied a very restricted fiscal policy following the GFC, there was strong political will to support businesses and protect employment during COVID. All main measures had already been clearly defined by the end of April, though support was increasingly generous throughout 2020 (higher replacement rate), and wage subsidies were provided to help recovery after idle time as from 15 May 2020.

Had SURE not been available, the Government would have likely borrowed the funds needed from the markets. Although the availability of SURE financing might have played a role in decisions regarding the introduction of wage subsidy in May (which did not have a separate legal basis and hence, the visibility of this change is limited) and extension in duration and generosity of support.

EVIDENCE OF ANY UNINTENDED CONSEQUENCES

NEGATIVE

Potential delaying of firm restructuring. During the national seminar, representatives from the main national trade union organisation mentioned that there were some cases whereby very ‘weak’ or almost bankrupt companies received support which thereby delayed their restructuring/bankrupt procedures.

Loss of employees due to ‘transition’ to other companies. During the national seminar, representative from the main EO mentioned that cases had been seen in which employees had found a job during their furlough and were employed by another company.

Negative impact on inflation. Some stakeholders expressed the view that funding the measures might have a negative impact on inflation.

POSITIVE

Avoidance of hysteresis effect. By maintaining employment relationships, firms avoided the costs of re-hiring and re-training when the economy recovered; workers also avoided skills degradation.

Change of temporal measures to permanent ones. Measures implemented not only allowed for the creation and use of necessary JRS during the COVID-19 pandemic, but also allowed for the verification of new measures to better prepare for crises in the future.

Shift of activities from informal to formal sector. As government support was targeted at the formal sector, the COVID-19 pandemic fostered the formalisation of economic activity.

Increased experience and resistance for PES (and other authorities). On the one hand, all managing and implementing authorities encountered enormous workloads; however, on the other, they received invaluable experience.

COST AND EFFICIENY CONSIDERATIONS

According to the MoF, there were **no costs related to the negotiating guarantee, loan agreements and reporting**.

Challenges meeting reporting requirements. Among the challenges interviewees mentioned:

- Rather short deadlines for submitting reporting tables (bearing in mind that data had to be collected from different institutions, such as PES and MoL);
- Templates for reporting tables were changed many times and permanently required additional data;
- Though Lithuania had already stopped implementation of the SURE funded measures in 2021, the final, fifth report was only submitted in February 2023.

Set-up and administrative cost of establishing and running new STW. According to the estimates of the MoL and PES, approximately 40% of the PES workload during the pandemic was attributed to the administration of wage subsidies during idle time, wage subsidies after idle time and benefits for the self-employed. Therefore, MoL estimates that, from 2020-2021, approximately EUR 18.2 million from the whole PES wage fund was allocated to the administration of the mentioned benefits. Of this sum, EUR 771,700 was used to pay wages for additional allocations for the payment of supplements for the increased workload.

The **cost and reporting burden** was proportionate compared to benefits received.

Opportunity cost of SURE eligible measures. According to the MoL, selected JRS were the best possible solution.

AUDIT AND CONTROL SYSTEM

PES checks

As payments were made on a compensation basis (PES paid wage subsidies for the expenses recorded in the previous month), before assigning and paying wage subsidies, payment requests, documents, work activities of subsidised persons and data from other registers (taxpayers, register centre, farmers, etc.) were thoroughly checked and evaluated. If information/documentation provided did not satisfy the requirements, the subsidy was not paid and employers had to make the necessary corrections. As regards benefits for self-employed persons, the law established all the conditions and criteria that had to be met for the self-employed persons to receive their benefits. The law was amended by specifying requirements for receiving benefits. At the end of the pandemic, the law further tightened the conditions for self-employed persons to receive benefits: only self-employed persons in specific areas (economic activities) affected by the state of emergency and quarantine could receive benefits.

There were not many inspections made after the payments. Nevertheless, in some cases a) use of support outside the law (18 cases of non-compliance with the terms of the signed contract or other legal provisions) was identified; b) illegal work during short time work schemes was identified (126 enterprises had different irregularities or fraud and reimbursed approximately EUR 135,000).

Evaluations carried out by the National Audit Office and Bank of Lithuania

At the end of 2020, the National Audit Office prepared an evaluation report on the “Management of [the] Covid-19 crisis and emergency situation” and at the end of 2021 they prepared an evaluation report on the “Activities of the PES increasing employment”. A short review on the evaluation of the wage subsidies was also prepared by the Bank of Lithuania, with this review examining all wage subsidies and not only those financed by SURE. Therefore, their findings cannot be used for the assessment of measures financed by SURE.

ADDED VALUE OF SURE

From the survey, interviews and national seminar it can be concluded that:

- SURE undoubtfully sent a strong signal of EU support to beneficiary Member States and contributed to the stability of the EU – its signalling effect to financial markets was very important for Member States, including Lithuania. According to stakeholders, it played an extremely important role during the first months of the pandemic, especially as the financial landscape was very uncertain.
- SURE demonstrated the benefits of swift, coordinated and large-scale action at EU level and improved confidence in the EU's ability to respond to crises. All stakeholders underlined that this was probably the first case whereby such a large and unique instrument was created and agreed upon at such a great speed. This increased people's confidence in the ability of the EU to act fast and effectively in extreme situations.
- SURE facilitated knowledge exchange and collaborative learning. Measures financed by SURE were newly introduced in Lithuania. It was an interesting and meaningful exercise to compare these newly introduced measures with experiences and patterns used in other countries.

COHERENCE

The **measures implemented were complementary** to other national measures aimed at preserving employment. For example, employers receiving wage subsidies for their employees during idle time could also apply for, and receive, social insurance contributions and tax deferrals.

In addition to the benefits paid under SURE, self-employed persons also could apply for other measures: a) tax deferral, b) rental subsidies for the self-employed and c) reimbursement of marketplace fees.

To preserve the employment of parents with children, parents could receive certificates of incapacity for work and accordingly receive sickness benefit where relevant.

Complementarity with ESF. ESF was used in a complementary manner not just to enable MS to meet their public spending on STW (in the case of Lithuania for the payment of wage subsidies during furlough), but also to finance other measures to support labour market adaptation and thus preserve employment (e.g. ALMP measures: vocational training; employment under an apprenticeship employment contract; internship; recognition of competences acquired in the manner of non-formal education or self-education; non-formal adult education; mobility support; subsidised employment; subsidising of job creation).

OTHER ASPECTS

Visibility and awareness of SURE. According to the Ministry of Finance, they publicly announced all main steps concerning SURE funding. However, during the interviews conducted it became obvious that visibility and awareness of SURE among citizens and even among social partners in Lithuania was insufficient. While a lot of information was present in the media about the measures implemented and social partners did discuss various features of the measures, there was no information provided on the role of SURE in funding the measures. Only very small groups of people were aware of SURE per se. It is difficult to state with accuracy, but one could argue that both ministries – the MoF and the MoL - should have provided more information on measures such as SURE through their channels of communication.

SURE and the social bonds market. According to the MoF, there are no plans to issue social bonds and therefore SURE did not act as a role model, "as an international financial institution and a sovereign have completely different internal processes and expenditure specifics. For a single issuer, regardless of the type of bond, ensuring bond liquidity is always a challenge, thus there continue to be no plans for Lithuania to segment the market".

Conclusions and lessons learned

MAIN TAKEAWAYS

In general, there was a very **positive** evaluation of both the instrument itself and the measures implemented.

- On the instrument: proof of EU unity and solidarity, timely, easy to manage, lower cost of borrowing.
- On the measures: provided REAL support for companies and employees; helped to avoid fast reduction in employment; facilitated increase of job vacancies in 2021; fast implementation; change of temporary measures to permanent ones (mechanism in place even if EU loans not provided).

Some **shortcomings**/negative feedback:

- On the instrument: concentration limit could be maximum 60% on top 5 (instead of top 3) MS; low visibility and awareness of SURE among citizens and even social partners.
- On the measures:
  - Scope too wide: should be ‘narrower’, more targeted, more controlled; negative impact on inflation;
  - In some cases support was received by companies ‘unfairly’ (support was received by some companies already very ‘strong’ that did not suffer from the pandemic or received by companies that were too ‘weak’ or almost bankrupt); duration was too short;
  - ‘Loss‘ of employees during idle time due to ‘transition’ to other companies.

Interesting additional observations of stakeholders: “impossible to manage such huge flow of measures and funds without some ‘errors’ and losses (we presume that such ‘losses’ were less than 10%)”; PES experience: “on the one hand – enormous workload, on the other – invaluable experiences (digitalisation, etc.)”.

Conclusions and recommendations: comprehensive national evaluation needed, including evaluation of possibility to use more targeted approach ‘next time’; more active inclusion of social partners in decision making processes; focus on staff increase in managing institutions.

Methodological Annex

ACTIVITIES UNDERTAKEN

1. List of interviews conducted:
    - Ingars Zustrups, ECFIN
    - Inga Liubertė, MoL
    - Simona Narkeviciene, MoF
    - Daiva Rasciauskaite, MoF
    - Jolita Kraujaliene, PES
    - President, Lithuanian Industry Trade Union Federation
    - Researcher, Vilnius University
    - Researcher, Lithuanian Centre for Social Sciences
    - Head of Department, Confederation of Lithuanian Industrialists
2. Delphi survey panel members
3. List of social partners workshop participants
    - Meeting 31 January 2024 – MoF, MoL, PES, main national EOs and Tus, researchers
4. List of references and data sources

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

Country case study
Poland
April 2024

AGENDA

Context

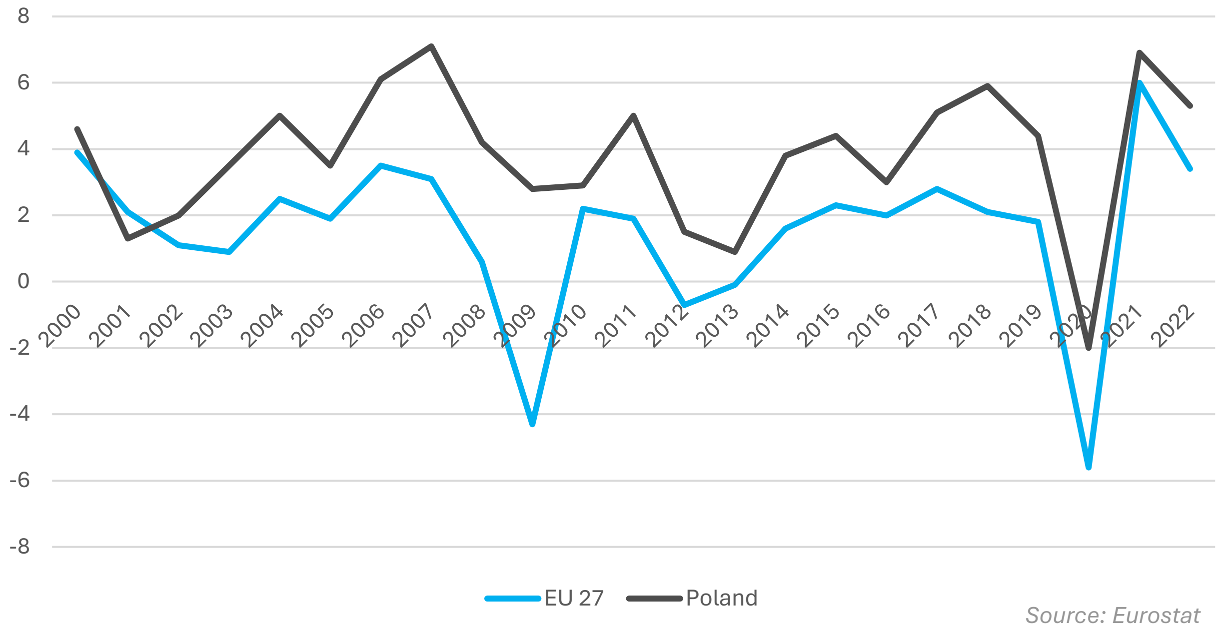
ECONOMIC SHOCK CAUSED BY COVID-19

The consequences of the pandemic on GDP

The crisis caused by the pandemic in Poland was reflected in the decline in real GDP recorded in 2020 (starting from 2021, the GDP level returned to an upward path, though this trend slowed in 2023: +6.9% in 2021, +5.3% in 2022 and 0.2% in 2023). The impact of COVID on the Polish economy was milder than many other EU countries. The changes recorded in Poland remained consistent with the general trend, though the country had a lower rate of decline and a higher rate of growth in the recovery period after the pandemic.

Annual real GDP growth rate

(Chain linked volumes, percentage change on previous period)



Source: Eurostat

The pandemic's influence on debt

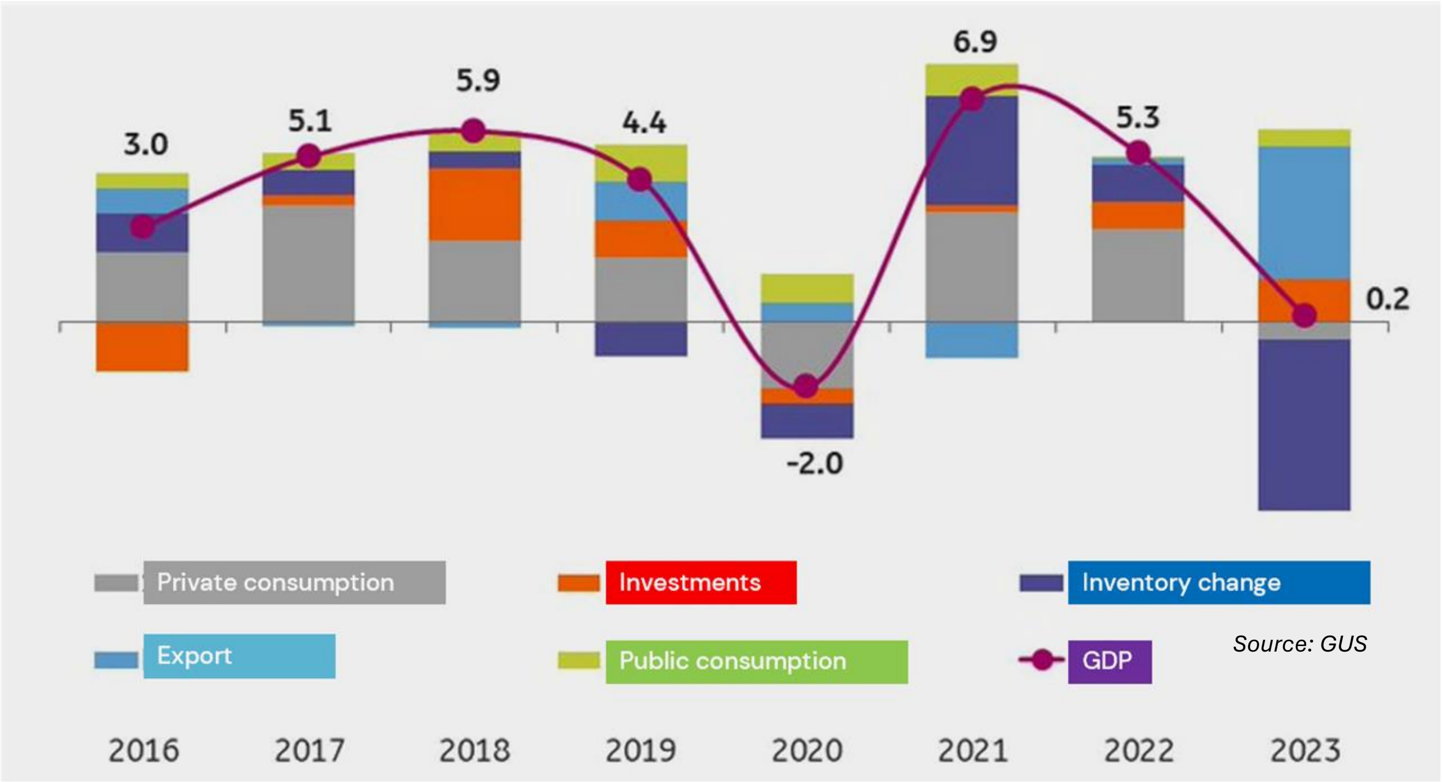
General government debt increased significantly in 2020, driven by a high deficit caused by the pandemic-driven recession (reflected in the slowdown of revenue due to reduced economic activity and significant expenditure on fiscal-type instruments implemented to fight the consequences of the pandemic e.g., non-refundable loans to companies, short-time work schemes, subsidies for businesses and allowances for parents. Finally, in 2020, the Government debt reached 57.1% of GDP, as compared to 45.6% in 2019. It then decreased to 53.8% in 2021 and to about 50.8% in 2022.

Source: data Convergence Report 2022, EC

ECONOMIC SHOCK CAUSED BY COVID-19

The consequences of the pandemic on the internal structure of GDP

The decline in GDP in the first year of the pandemic in Poland (2020) was primarily caused by a decline in private consumption. The next two main factors were the reduction in inventories and the decline in investment. In the following year (2021), the effects of economic reconstruction became visible, driven primarily by the increase in private consumption and the positive balance of inventories.



ECONOMIC SHOCK CAUSED BY COVID-19

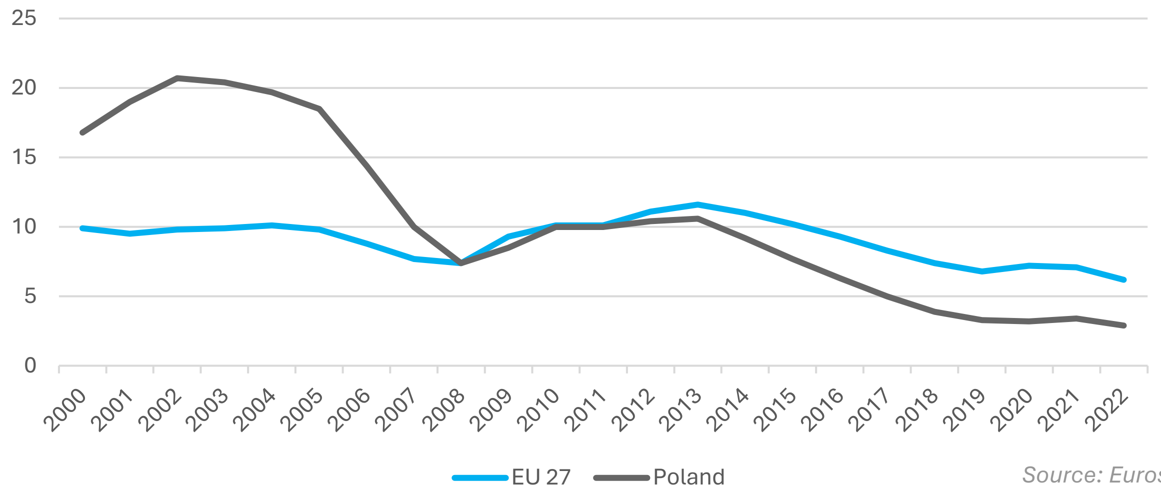
The consequences of the pandemic on the labour market

In Poland, the shock to the labour market was not significant when compared to other EU countries.

High demand for labour resources was already seen in 2015. Over time, the gap between the demand (high) for, and supply (low) of, qualified labour increased, which was reflected in the decreasing unemployment rate. The economy was increasingly experiencing maladjustments resulting from the lack of appropriate level of qualified labour.

Unemployment rate

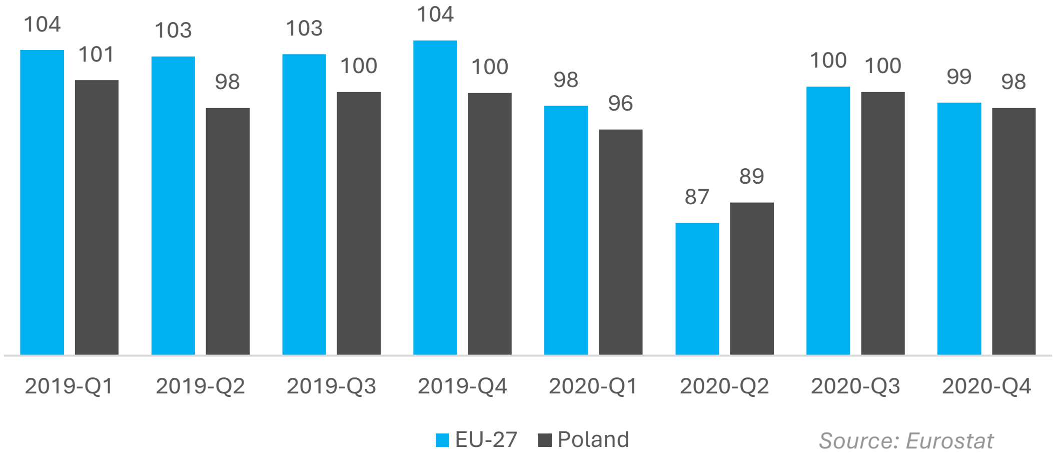
(% of labour force)



Source: Eurostat

Index of total hours worked

(2021=100)



Source: Eurostat

During the pandemic, Poland managed to keep the unemployment rate low, more than twice lower than the average in the EU. While unemployment rates have soared across Europe, the official Polish figures have hardly changed and remain the lowest in the EU according to Eurostat figures.

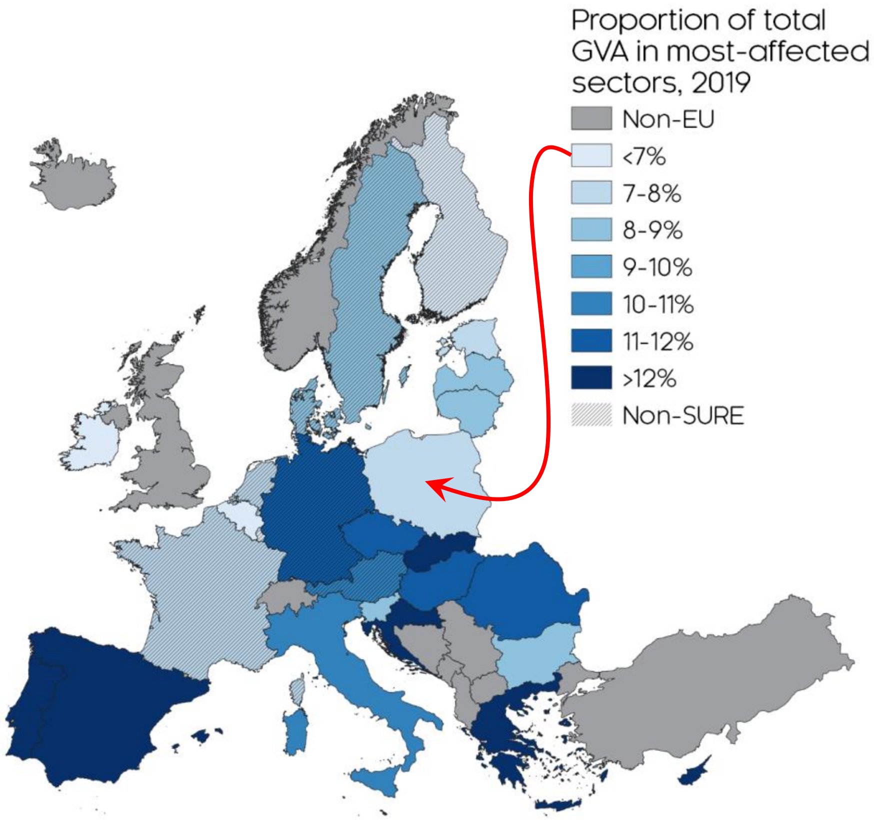
Workforce engagement in terms of total hours worked decreased, though remained throughout 2022 at levels comparable to the EU average.

ECONOMIC SHOCK CAUSED BY COVID-19

In Poland, several industries suffered significant setbacks due to the restrictions and changes in consumer behaviour brought about by the pandemic. The most affected sectors include:

- **Tourism and hospitality**: the whole tourism industry due to travel restrictions, border closures, and safety concerns.
- **Food and beverage services**: restaurants, cafes, bars, and other food and beverage establishments heavily impacted by lockdown measures and restrictions.
- **Entertainment and events**: the entertainment sector, including theatres, cinemas, concert venues, and sports arenas, due to restrictions on gatherings.
- **Retail**: traditional retailers faced challenges because of temporary closures, reduced consumer spending, and shifts in shopping habits.
- **Transportation**: the transportation industry, including airlines, public transit systems, and ride-sharing services due to travel restrictions and social distancing measures.
- **Education**: Schools, universities, and other educational institutions (challenges due to need to adapt to remote learning environments).

Consequences of the pandemic on the economy



Source: Eurostat national account / Interim Report as of 23 Nov. 2023, p. 17.

The map shows EU Member States by the proportion of total Gross Value Added in the most-affected sectors. As shown on the map, Poland belonged to the countries with the lowest exposure to the most-affected GVA sectors.

The industries most affected by the pandemic were accommodation and catering, trade/warehousing, transport and culture, and entertainment and recreation. In the second quarter of 2020, every 10th employee in these industries lost their job. The total share of employment in these sectors was 17.8% in 2019 (by 2020 it had dropped to 16.4%).

ECONOMIC SHOCK CAUSED BY COVID-19

Uncertainties and risks at the onset of the pandemic – the basis for SURE intervention

The SURE programme, launched in 2020, was met with interest by the Member States, including Poland. This was understandable, because at that time there was a lot of uncertainty regarding the duration of the pandemic and its long-term impact on the world economy. In this context, the possibility of acquiring support organised at the EU level was welcome. Long-term predictions about the effects of the pandemic concerned the following key areas:

- Significant decline in global and local GDPs and a prolonged economic recession (business closures and slowdown in economic activity).
- Increase in the unemployment rate and reductions in the number of working hours.
- Corporate bankruptcies, especially in sectors such as tourism, catering, entertainment and retail.
- Restrictions on the operations of specific sectors, such as airlines, hotels, restaurants, cinemas and other industries related to the movement and gathering of people.
- The pace of globalisation slowing down - the pandemic was supposed to trigger anti-globalisation tendencies resulting from the effects of interrupted global supply/value chains.
- Widely used fiscal stimulation and government interventions as key tools to counteract the effects of the pandemic.

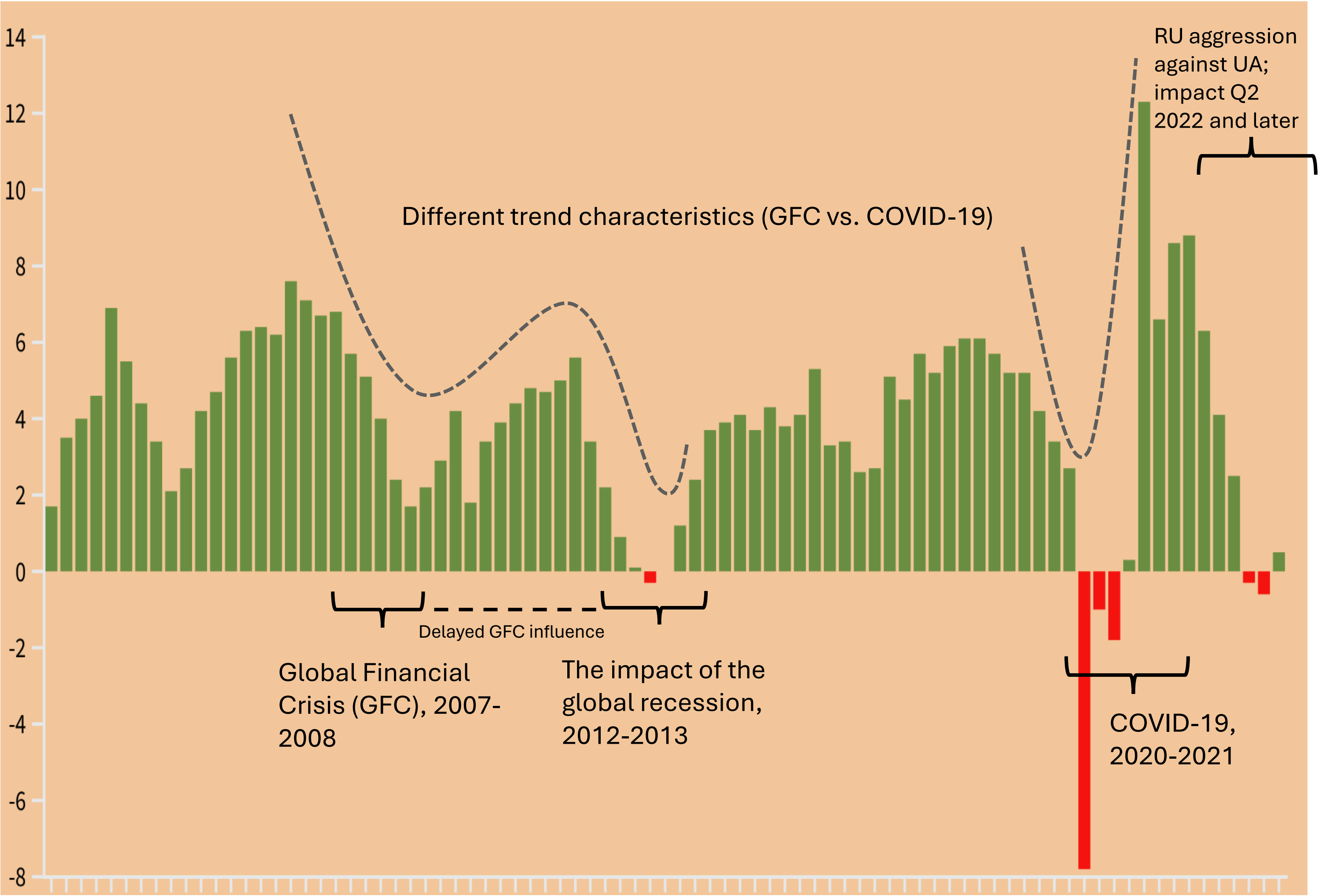
The SURE programme was an immediate response to mitigate the effects of the pandemic, reflecting some of the projected impacts outlined above. It had the goal of eliminating/reducing its impact.

ECONOMIC SHOCK CAUSED BY COVID-19 RELATIVE TO PREVIOUS CRISES (1)

The Polish economy proved to be highly resistant to global economic crises in the years preceding the outbreak of the pandemic.

This resilience was particularly evident during the Global Financial Crisis (GFC) of 2007-2008. Namely, in Poland, the effects of the economic crisis were felt to a much lesser extent than in other European countries. The increase in the value of GDP in Poland during this period made it an outlier in the European Union. According to the OECD, the growth rate of Polish GDP was also influenced by, among other factors, good use of EU funds and investments carried out in preparation for Euro 2012.

While the impact of the pandemic was more clearly felt than the GFC, its impact was not as marked as in some EU countries.



Source: GUS; https://strateg.stat.gov.pl/#/ & 300Gospodarka info portal

ECONOMIC SHOCK CAUSED BY COVID-19 RELATIVE TO PREVIOUS CRISES (2)

The different nature of the COVID-19 crisis

The impact on the economy and the labour market of COVID-19 was of a different nature when compared to (e.g.) the GFC crisis. In the case of the COVID-19 pandemic, the shock surfaced quickly, resulted in restricted demand and was economy-wide. However, once sanitary restrictions were lifted, the economy picked up rather quickly. Conversely, in the case of GFC, the shock was mainly of a financial-type – a downturn in the US housing market was the catalyst for the financial crisis that spread to the rest of the world through linkages in the global financial system. It had a much longer lasting (and in a way delayed) impact on the economy and the labour market.

Limited impact of the economic shock on the labour market

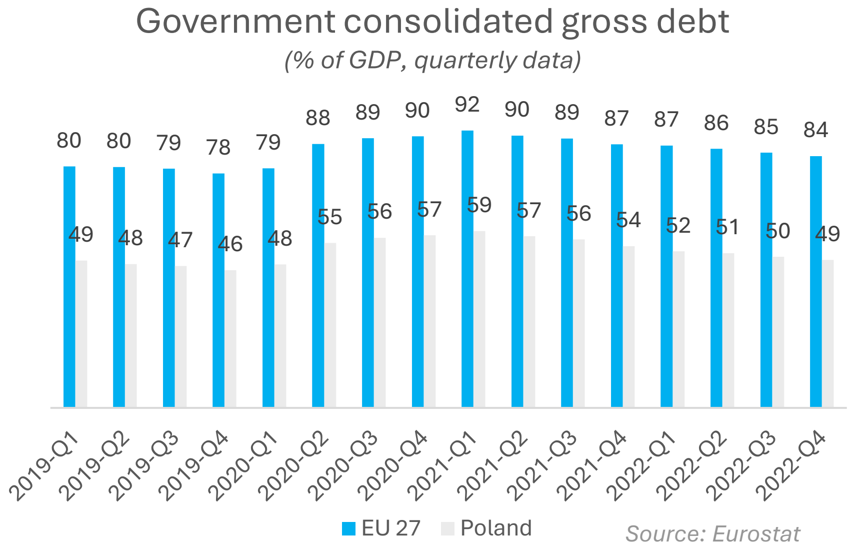
Comparing the effects of previous crises with the pandemic period in the sphere of employment indicates that, in Poland, the effects of COVID-19 in the sphere of employment were much less than previous crises. In fact, a similar situation also concerned other EU Member States (*Special report Support to mitigate Unemployment Risks in an Emergency (SURE), ECA 28.2022*).

Although the pandemic led to a significant decline in economic activity, this did not translate into an equivalent rise in unemployment rates, which were maintained at a small but acceptable level (bearing in mind, however, some differences in the situation of certain sectors of the economy).

The main reason for this limited impact was the good economic situation in Poland in the years preceding the pandemic. Prior to COVID, Poland had recorded a significant increase in the demand for labour, which remained unsatisfied in many sectors.

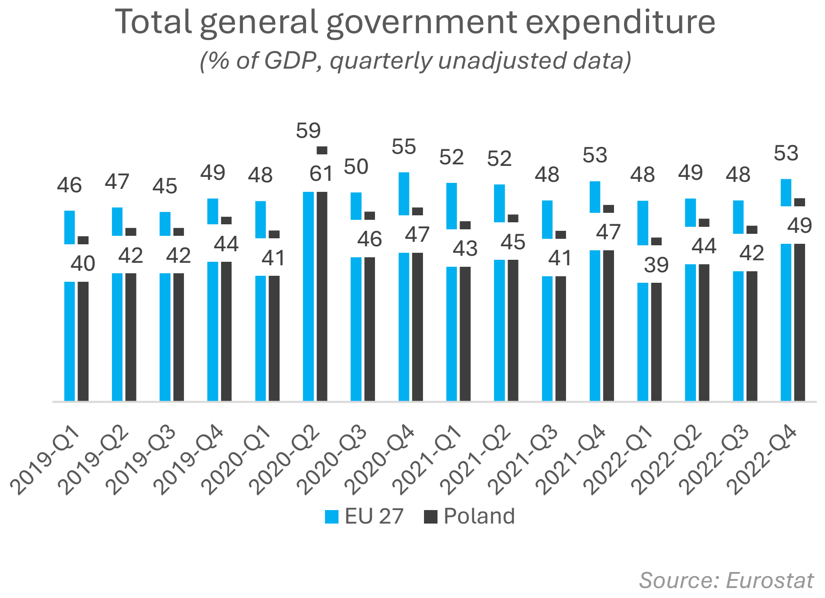
This positive effect resulted, at least to a certain extent, from the use of aid instruments in the field of employment, including the intervention of the SURE programme.

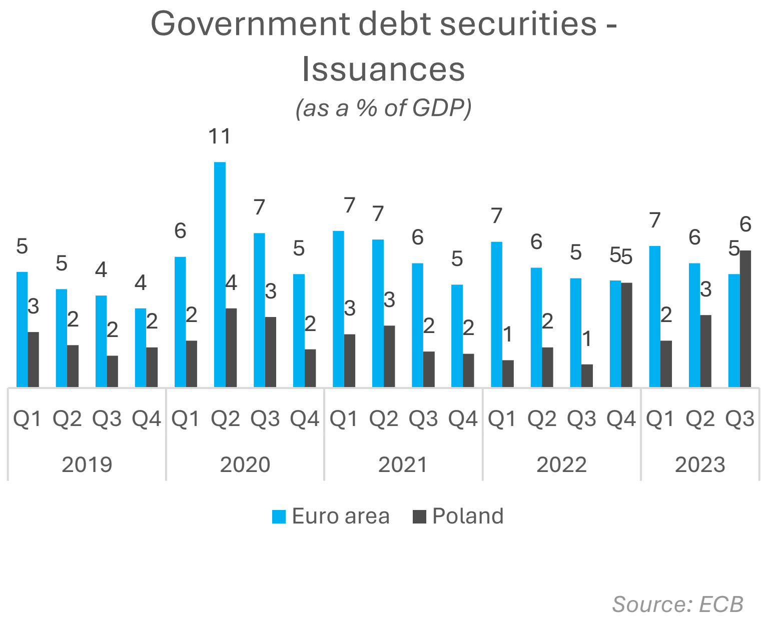
OVERALL FISCAL RESPONSE TO COVID



Fiscal consideration/results (foreign debt cost lowered):

- Poland’s fiscal capacity through 2020-2022 to respond to the pandemic crisis was not constrained (debt / GDP = 45.6% in 2019; 57.1% in 2020; 53.8% in 2021 and 49.3% in 2022). Funds from SURE supplemented the budget capacity in the sense that it was possible to limit the acquisition of funds from the market. Due to the favourable terms of the SURE loan, this led to budget savings estimated at approximately PLN 54 million per year (approximately PLN 810 million for a 15-year maturity debt).





Indicators showing trends in bond market issuances/ increase in public spending and public debt – the figures for Poland are much lower than the EU average.

EMPLOYMENT PROTECTION MEASURES (1)

1. The whole support system was designed within special aid packages (so called ‘Shields’).
2. There were 8 ‘Shields’ in total, with the first one was launched in April 2020, and the last one in May 2021.
3. The measures were mostly new as Poland had not particularly suffered from the 2008-09 Great Recession (technically no GDP decrease was observed).
4. There were some measures, however, which were used before, particularly in cases where individual firms or groups of them suffered particular problems for unforeseen reasons (flooding, economic difficulties in a given sector), such as preferential loans or reduction in social security contributions.
5. The key institutions involved in providing support included the Social Insurance Institution (ZUS), regional and local labour offices and the Polish Development Fund (special governmental agency dealing with the aid programmes).

EMPLOYMENT PROTECTION MEASURES (2)

SURE co-financed measures*:

1. Reduction in social security contributions.
2. Downtime benefit for self-employed persons and those working under civil law contracts.
3. Subsidies towards salaries and social security contributions of companies that use short-time work or voluntarily reduce working time or when the employees were continuously in employment.
4. Subsidies to self-employed persons without employees.
5. Loans convertible into subsidies granted to self-employed persons, micro-companies and non-governmental organisations for the amount actually converted into grants

Other measures not financed under SURE:

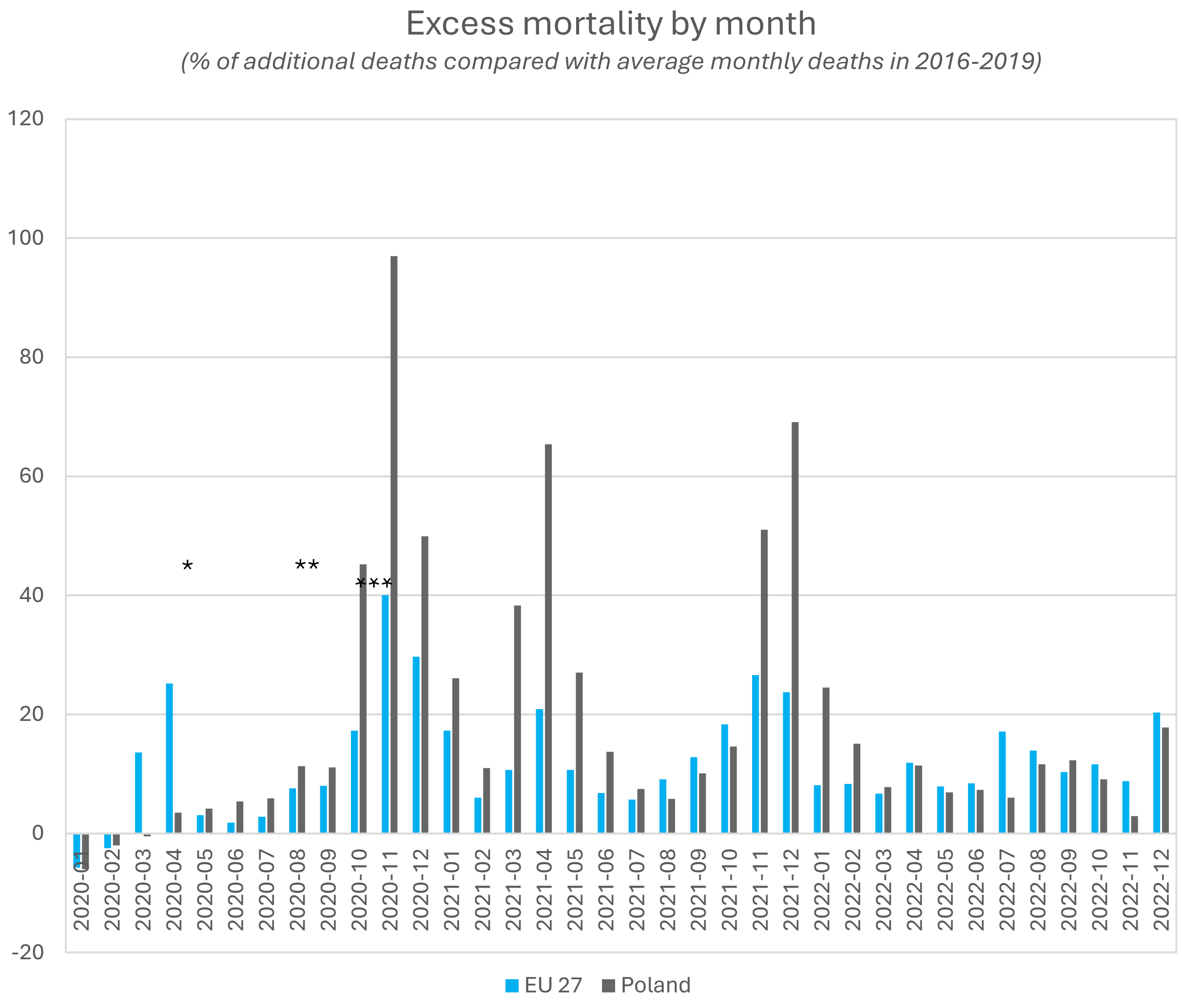
1. Grants and preferential loans directed to specific industries (education, culture, tourism, catering industry).
2. Subsidising the interest rate of loans used by the business suffering from COVID-19 related impacts.

* In most cases measures were financed from the State Budget, and then expenditures were partially or fully reimbursed from SURE.

SURE Implementation

TIMELINE OF KEY DEVELOPMENTS

1. Announcement of lockdowns – March 2020.
2. Announcement of SURE – 12 and 13 March 2020
3. Announcement of initial support (proposal for SURE Regulation on 2 April 2020) – April 2020.
4. Announcement of employment protection measures – April 2020 (new measures)*.
5. Approval of SURE (EU level) - May 2020.
6. Request for SURE (Poland) – August 2020.
7. Approval of SURE (Poland) – September 2020**.
8. Activation of SURE – September 2020***.
9. Loan disbursements – 1 tranche in 2020 (EUR 1 bn), 3 tranches in 2021 (EUR 7.3 bn) and 2 tranches in 2022 (EUR 3 bn).
10. Top-up requests – none.
11. End of SURE implementation in Poland – September 2023
12. End of temporary STW and related schemes/end of exceptional features for permanent schemes – July 2023.

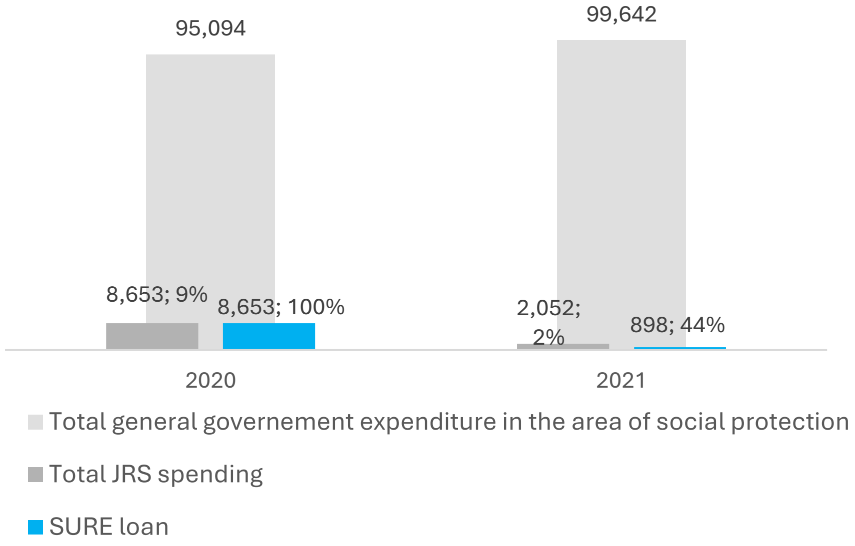


SURE LOAN: KEY FIGURES

SURE loan	
Of which top up	-
SURE loan amount (disbursements) as a share of annual GDP	0.2% (2020) 1.3% (2021) 0.5% (2022)
SURE loan amount used for labour market measures	EUR 9.6 bn (85%)
Years in which SURE loan was used	2020, 2021
Total JRS spending: 2020-2022	EUR 10.7 bn
Of which ESIF (ESIF funding was mostly used for grants and loans for SMEs, but it was different in individual regions – main sources of support were regional operational programmes and national operational programme Smart Growth).	-
Share of total JRS spending financed by ESIF	-
Share of total JRS spending financed by SURE loan	89%

SURE loan vs. JRS spending and public spending in the area of social protection

(by year, in EUR million and in %)



Source: ICF based on MS SURE reporting, LMP database and Eurostat

2022 not represented (no use of SURE in 2022, break in series for JRS spending data because of absence of LMP data and no data on public spending in the area of social protection)

- Poland originally applied for a higher loan, but because of concentration limits the original value (EUR 11.6 bn) was reduced to EUR 11.2 bn.
- The SURE loan represented a very considerable amount of all JRS spending and was funded with public resources.

MEASURES FINANCED BY SURE

- Subsidies were provided within STW schemes for salaries and social security contributions of companies that used short-time work or voluntarily reduced working time or when the employees were continuously in employment. In 2020, the amount of money earmarked for these measures came to PLN 18.6 bn.
- Support for the self-employed included exemptions from paying social security contributions, providing for expenses related to supporting self-employed people and furlough pay, as well as grants.
- Regarding health-related measures, support included payment of cash benefits to medical workers and a one-off cash benefit to other health care workers, as well as purchasing COVID-19 diagnostic tests.
- Almost all the measures financed under SURE were totally new measures, although in some cases they were based on the experience of some measures used in the past e.g. in cases of natural disasters (such as flooding).

SURE eligible measures basic information

Measure type	Count of measures	Spending on SURE eligible measures (EUR Million)	Share of spending
STW	2	3,790	33%
similar - wage subsidy	1	2,807	24%
similar - self-empl	3	3,189	28%
health-related	2	1,673	15%

Source: MS SURE reporting

MEASURES FINANCED BY SURE (2)

1. In total, 2,047,849 SMEs were supported under SURE in Poland*.
2. 3,319,234 jobs were supported by SURE**
3. 358,058 self-employed persons were also supported**.
4. No data on the sectors supported are available. In general, however, the coverage of measures has been evaluated as adequate. One of the issues raised, however, regarding SURE (as is the case for other state support programmes) was that there was an exclusion (for most measures) implemented for businesses which had used up their de minimis aid limit (State aid regulations).
5. No professional evaluation or analysis of the effect of support for companies (under SURE and from other sources) has been conducted.
6. Expenditures on combatting the effects of the pandemic in Poland were among the highest among European Union countries (3.8% of GDP in 2020, 1% of GDP in 2021).
7. During the implementation of appropriate support instruments, it seems that the support measures were not always designed and implemented in accordance with legal regulations (mostly not measures financed by SURE).
8. The shape of the support instruments was only consulted to a limited extent with key entities.
9. Some of the instruments were designed inappropriately and some of them did not contain appropriate criteria, thanks to which support would have reached entities actually affected by the effects of the pandemic. In many cases, there were no appropriate mechanism in place for monitoring and controlling the results of the support offered as well as characteristics of the beneficiaries of the support.

* Such a high number seems a bit doubtful, since it is very close to the total number of SMEs in Poland.

** Possible duplication as some jobs may have been supported more than once or under several instruments and therefore may have been counted several times.

Source: MS SURE reporting

SURE IMPLEMENTATION CHALLENGES

- In Poland, there were no major implementation challenges as far as spending money from SURE is concerned.
- Expenditures for the measures covered by SURE were, however, lower than originally expected. This was mostly caused by a faster recovery of the economy than was originally expected. After the GDP collapse in Q2 of 2020 (-9.1%), recovery in Q3 was observed (6.7%), followed by minimal growth in Q4 (0.1%). Polish GDP recorded a steady increase in 2021 (1.8-2.6%), visibly higher than the whole EU (0.6-2.1 %).
- Eventually, the Polish Government realised that it would be useful to widen the scope of SURE eligible measures in Poland, since (also thanks to the better situation than originally expected) spending on original measures financed by SURE were lower than expected.
- In this regard two additional measures related to the health sector were added to SURE scope.

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (1)

- The most common labour market scheme was the **exemption of entrepreneurs from social security contributions** at their request for 3 months.
- Originally the scheme was available at the beginning of the pandemic from March to May 2020.
- The measure was available for self-employed persons and microenterprises employing up to 9 employees (total exemption), including self-employed persons (up to a certain level of income), and enterprises employing 10 to 49 employees (50% exemption).
- The measure was very costly – total expenditures were equal to PLN 8.8 billion (EUR 1.9 bn)*.
- The mechanism was later extended, but only for the most vulnerable groups.
- This measure was evaluated by the entrepreneurs as being one of the best, also because its format was quite simple and they were quickly able to submit applications via the electronic form.
- One of the few disadvantages of this (but also other measures) was the fact that it was granted within the de minimis aid regime and thus companies which had used up their limit were not able to benefit from this measure.

* The data on expenditures are not fully consistent – the total cost could have been higher, even up to PLN 13 – 15 bn.

Source: ICF based on MS SURE reporting and other sources

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (2)

- **A One-off economic downtime benefit** for persons conducting sole proprietorship and persons performing work under civil law contracts.
- It was available for entrepreneurs who had experienced a downtime in business operations and a decrease in revenues.
- It was a benefit in the amount of PLN 2,080 or PLN 1,300 (for persons taxed on the basis of the so-called ‘tax card’), which was the compensation for the loss of income from business operations.
- It could potentially be claimed up to three times per person.
- As of 30 June 2021, expenditures for this measure amounted to PLN 6.4 bn, of which PLN 5.4 bn were for businesses and PLN 1 bn for persons working under civil law contracts*.

* This data is based on the National Audit Chamber, However, the data are not fully consistent – according to the SURE reports the total amount was a little smaller – PLN 5.52 bn.

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (3)

- **Salary compensation** for employees of companies partially or completely closed due to COVID-19.
- Employees of such companies could have their salary decreased to 50% of the original salary, though not reduced below minimum wage.
- Compensation was equal to 50% of the minimum wage.
- It was possible to receive compensation for 3 months only.
- This measure was eligible for companies in cases in which their decrease in sales was at least 15 or 25% (two different methods and time periods were used to assess eligibility).
- The total cost of this measure was equal to PLN 15.1 bn.

FOCUS ON HEALTH MEASURES FINANCED UNDER SURE

As spending on labour market measures was not as high as anticipated, two measures were proposed in November 2022:

- Financing the performance of PCR diagnostic tests in the laboratories that concluded contracts on performing diagnostic RT-PCR tests for SARS-CoV 2 with the National Health Fund.
- Granting additional monthly cash benefits for medical professionals and one-off additional cash benefits for other healthcare workers.

The rules regarding payment of both benefits changed over time, though the monthly benefit equalled 50-100% of workers' monthly salary, with the one-off cash benefit amounting to PLN 5,000 PLN (around EUR 1,100).

Measures	Total expenditures**	Of which refinanced within SURE*	Share of SURE funding
Cash benefits	10.3 bln PLN	5.13 bln PLN	49.8%
PCR diagnostic tests	4.3 bln PLN	3.86 bln PLN	89.7%

* - based on governmental reports
** - based on the date provided by the Ministry of Health

Evaluation findings

RELEVANCE OF SURE’s OVERALL DESIGN

Referring to experts’ assessments and opinions of respondents during individual interviews (representing administration and government agencies), as well as conclusions developed during the national workshop (including participants representing the most important employers’ organisations), the following features of the SURE programme should be highlighted:

- Clear, pro-social orientation of support gave a signal of determination by the Government to maintain the level of employment.
- The implementation of the SURE instrument made it possible to test a periodic special instrument for counteracting crises, which would be useful in the event of a need to respond to unpredictable socio-economic shocks in the future (a new, innovative method of financing, involving the European Commission and Member States).
- SURE's financial support reduced budgetary financing needs that would have had to be met in other ways (e.g. by obtaining funds on international markets, which would have been more expensive),
- The legal framework and overall design of the instrument was set-up as a very flexible solution, ensuring the possibility of allocating funds according to the needs specific to Poland's situation; moreover, bureaucratic reporting obligations have been greatly reduced with a view to good implementation and settlement of support flows).
- In the case of Poland, of particular importance was the need to address the intervention to the health sector, which for years had been struggling with deficiencies in terms of financing personnel and medical services; this support (financing PCR tests) was also very useful in the context of monitoring the development of the pandemic and returning to social activities while it was still ongoing.
- The design of the programme was assessed positively, due to the strong solidarity of the Union shown, also reflecting the EU's commitment to the Member States in mitigating the effects of the crisis - in Poland it enabled an increase in spending in specific areas (labour market and especially the health sector).
- The financial allocation for Poland was assessed as adequate, although, because of the concentration limit, the amount of loans for which Poland applied had to be slightly decreased. This was understandable, however, given the solidarity principle. The fact that the whole mechanism was not a part of the EU budget created some difficulties for the Member States, since additional MS guarantee was needed – in the case of Poland this was somewhat difficult from the technical/formal point of view.

RELEVANCE OF SURE FROM A COMPARATIVE PERSPECTIVE

Measures financed under SURE and from national public resources were supplemented by the support provided by EU Cohesion Policy funding which was redirected from existing operational programmes. Such support included:

- Reallocation of funding to support healthcare units participating in fighting the effects of the COVID-19 pandemic.
- Support to SMEs through grants and preferential loans mostly to support their financial liquidity.
- Lowering the interest rate and providing an additional grace period for some beneficiaries of loans granted from EU funds before the start of the pandemic.
- Using the European Social Fund resource for the salary compensation measure, as mentioned before.
- Relaxing formal regulations concerning the implementation of EU funded projects.

SURE support was generally evaluated as adequate to the needs of Poland, the only (but, given circumstances, fully justified) minor limitation was that it was operational only 5-6 months after the pandemic started.

It was also important for Poland, given the fact the country is not a part of the eurozone, as some mechanisms such as the European Stability Mechanism (ESM) were not available .

TEMPORAL RELEVANCE OF SURE SUPPORT FROM MS PERSPECTIVE

When defining the main elements regarding the relevance of SURE in Poland, attention should be paid to the following:

- Although Poland's fiscal capacity to respond to the crisis was not constrained at the beginning of the pandemic, the use of support under SURE resulted in increased financial capacity to counteract the pandemic (in 2020, it was unclear what the scale of the crisis might be), which constituted a kind of backstop instrument in case the most pessimistic scenarios materialised.
- The prompt response in the form of the SURE instrument ensured that, should the COVID-19 situation radically deteriorate, support measures were available to Poland as a safeguard.
- The availability of SURE did not influence the decision to implement STW and related measures; however, it made it possible to apply a wider scale of support, especially in light of the low cost of SURE financing, which resulted in a lower burden on the State's debt – in the 2021 budget, SURE was included as a source of specific expenses related to counteracting the pandemic.
- Another particularly important feature was the flexibility in deciding on the directions of use of the support according to specific needs – the EC and national authorities, through a process of dialogue, efficiently identified reasonable directions in terms of utilising the support to combat the pandemic (in the case of Poland the redirection of significant funds to the health sector is an example).
- The timeliness of the support was of secondary importance as financial resources were available and as such could be refinanced by SURE.

DESIGN OF SURE SUPPORTED MEASURES (labour market)

The design of SURE measures supported the identification of any best practices (basing prevailing qualitative opinions and comments from the survey's respondents (source: individual interviews and workshop)

Item/feature	Description
Coverage	There were no sectoral restrictions in instruments addressed to entrepreneurs and non-governmental organisations.
	Self-employed persons, all social cooperatives and, for companies employing up to 50 people.
	Self-employed (individual economic activity) - entrepreneurs not employing employees.
Duration	Various periods (month/several months).
	In some cases, continuous support available.
Compensation level (generosity of benefits): various levels, depending on reduction of turnover compared to reference periods; reduction in social security contributions for a given period. The value of available support was rated as moderate; on the other hand, it allowed the support to be directed to a very wide range of recipients (assessed as justified/acceptable, especially in the initial period of the pandemic).	
Activation conditions: depending on the pandemic's economic effects (decrease in business turnover – support eligibility and scale based on various thresholds, e.g. 30%, 50%, 80% reduction) and the formal/legal status of the applicant (future support beneficiary).	
Any requirements such as employer co-payments: no obligation of co-payments on the side of the support beneficiary.	
Training component: none.	
Ease of access – administrative simplicity: by design, formal procedures with a low level of complexity; nevertheless, various opinions received on their appropriate adaptation to the current conditions and the formal and legal status of the potential beneficiary.	
Speed of implementation: in majority of instances acceptable, no longer than several weeks.	
Communication and awareness raising: rather low quality and effectiveness of communication highlighted; no or very limited consultations with the community of potential beneficiaries (to some extent understandable in the initial period of the pandemic i.e. spring 2020, but later assessed as an important bottleneck of the support implementation system).	

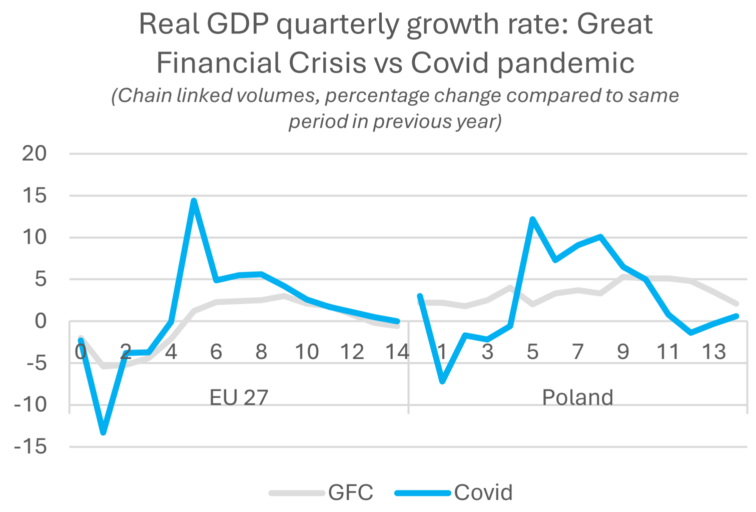
OUTPUTS, RESULTS AND IMPACTS OF HEALTH MEASURES

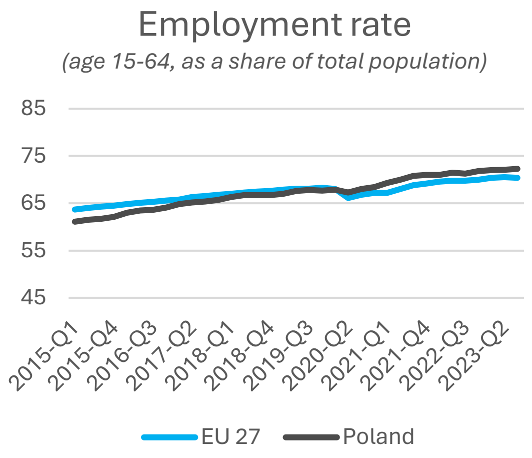
- Lack of complex analysis and data of the effects the measures had.
- Up to mid 2021, additional compensation for medical workers had been paid to 36,500 doctors, 54,000 nurses, 19,700 paramedics and 13,000 other medical personnel.
- Without additional compensation the problems in terms of having a lack of adequate medical personnel (which took place) would likely have been much more severe.
- As far as additional compensation for medical personnel is concerned, quite a high level of irregularities (probably also caused by lack of clarity and detailed regulations) was observed.

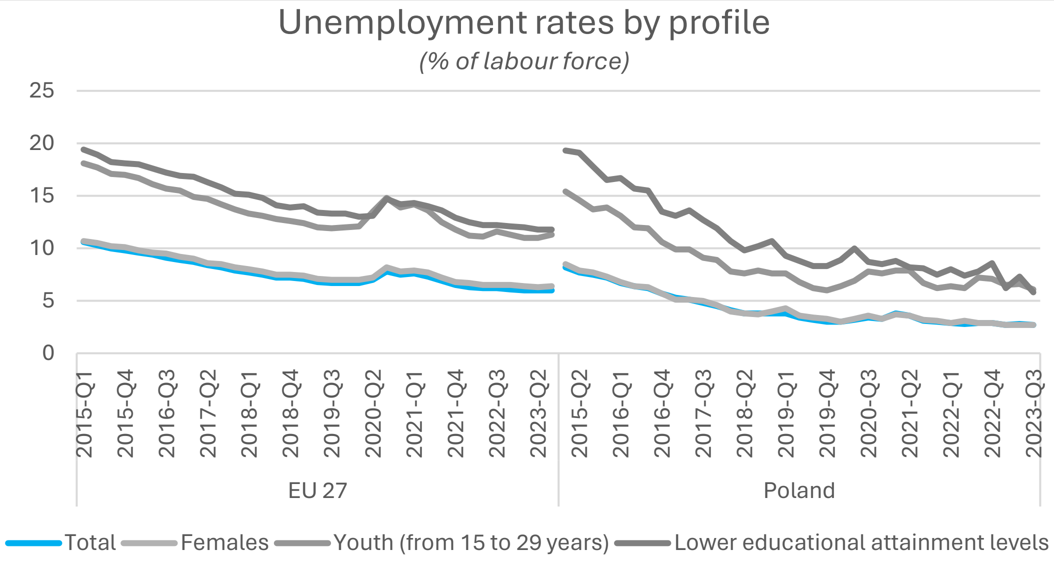
OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (1)

1. Poland experienced a rapid recovery from the crisis caused by the pandemic, which had effects stronger than those of the sovereign debt crisis. Both real GDP and employment indicators reached levels comparable to the EU average. In the case of the employment rate, the indicator even surpassed pre-pandemic levels, demonstrating a visible upwards trend.
2. Unemployment rates reached lower levels than those recorded before the pandemic. Furthermore, in the post-pandemic period, a continuing downward trend in the unemployment rate was seen.
3. Moreover, the unemployment levels are better than those of the EU average.

It can be reasonably be concluded that the SURE intervention had a relatively positive impact on the recorded unemployment level; however, one must bear in mind that unemployment indicators were already on a strong downward trend which started during the pre-pandemic period. Such a conclusion was supported during interviews with both public administration/governmental agency representatives, as well as with respondents representing business membership-based organisations during the national workshop (for at least several years now Poland has been experiencing shortages in the availability of a high qualified workforce, especially in industry and the service sector – this factor helped a lot in diminishing unemployment problems resulting from COVID-19).





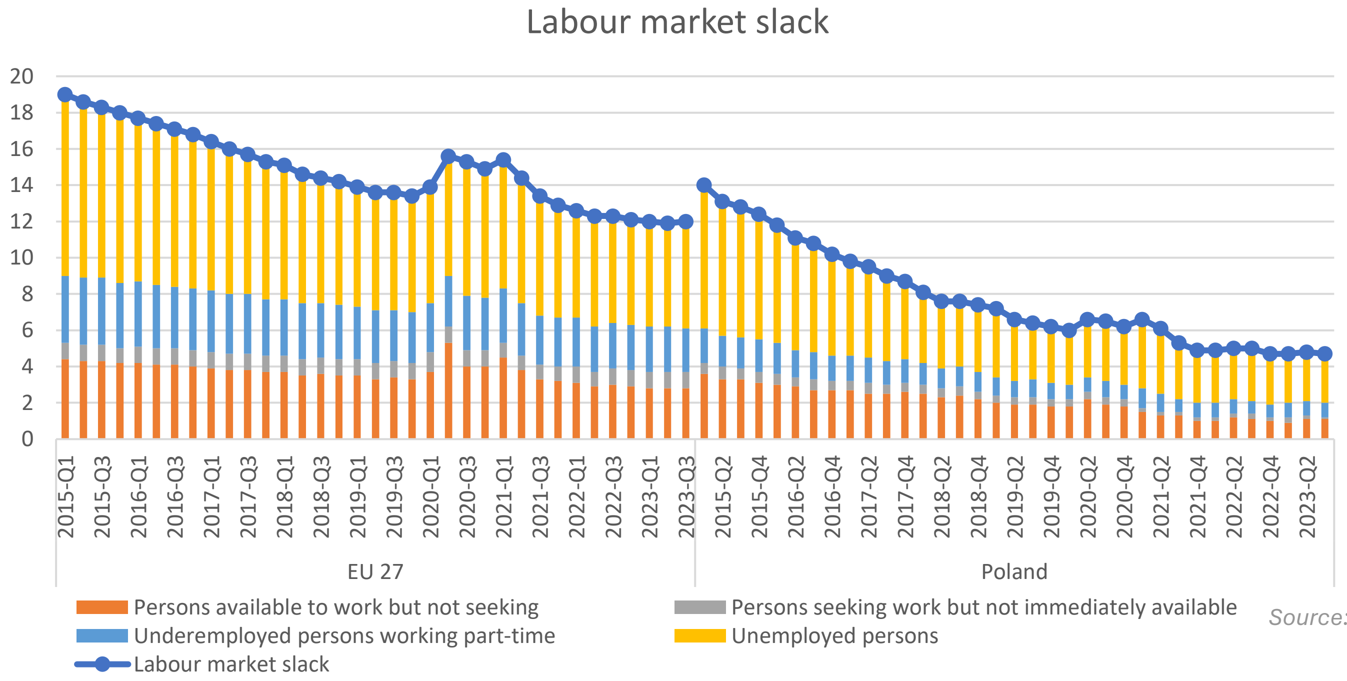


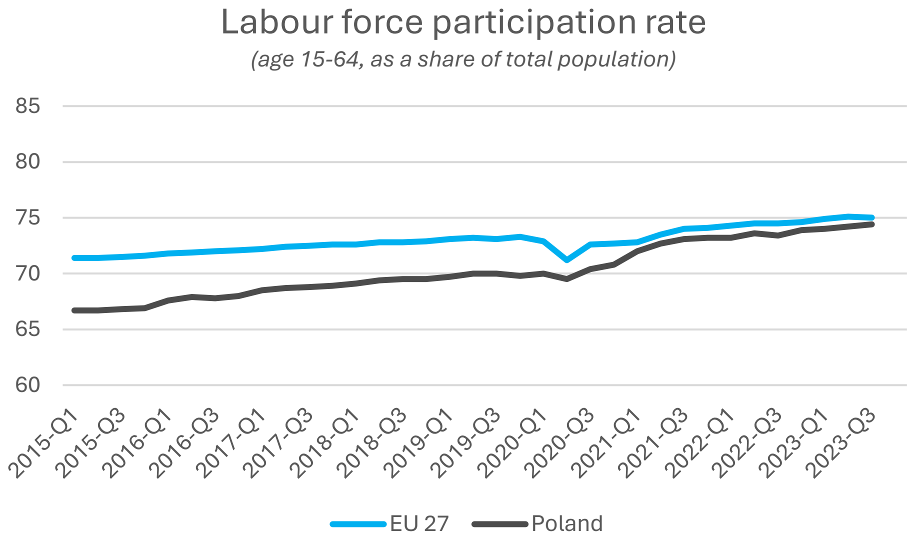
Source: Eurostat

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (2)

1. During the pandemic, changes in the labour market slack indicator were primarily driven by shifts in the unemployment rate, the number of underemployed individuals, and those available for work but not actively seeking it. A moderate-scale, negative change in the indicator occurred between Q2 of 2020 and Q1 of 2021, with its level significantly lower compared to the EU average.
2. Starting from Q2 of 2021, the labour market slack indicator has been on a downward trend, stabilising from the end of 2022.
3. A slight decrease in the labour force participation rate was observed between Q1 and Q3 of 2020, during the time of severe lockdowns. Subsequently, the indicator began to rise and has continued to grow steadily, indicating a visible positive/upward trend.

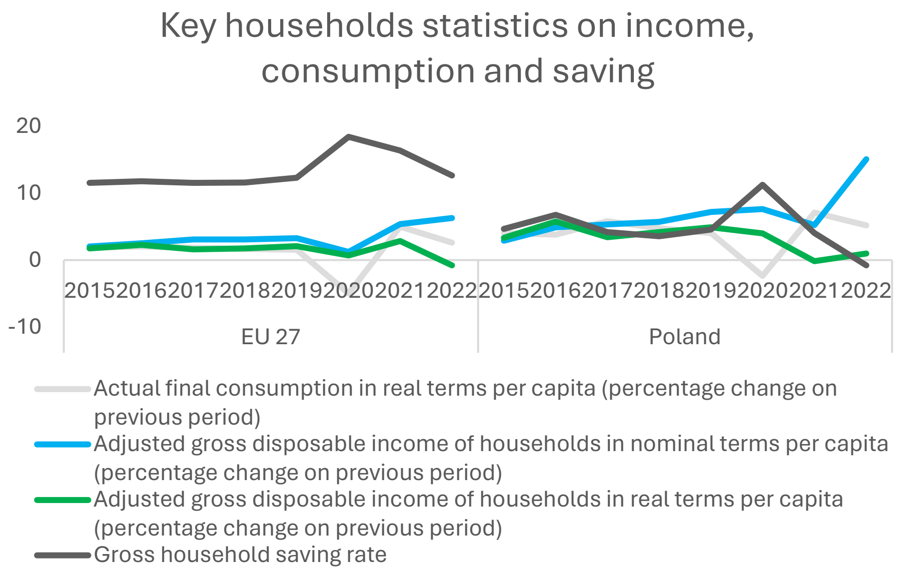
It can reasonably be concluded that the SURE intervention had a relatively moderate influence on labour participation levels and work activity rates. In the case of both indicators, a positive trend becomes evident from the beginning of 2015.





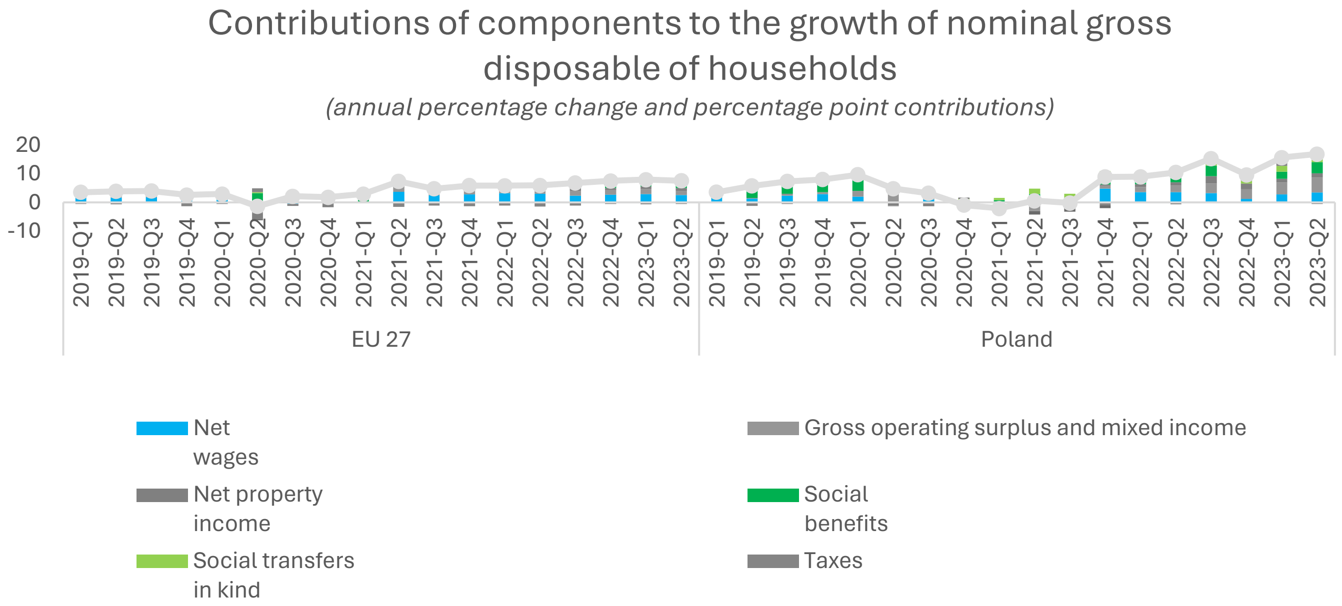
Source: Eurostat

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting incomes



- The period spanning 2020-2021 saw a decline in real disposable income compared to the pre-pandemic era. This decrease exceeded the EU average. Changes in nominal disposable income were less pronounced; the indicator continued to rise in 2020, then declined in 2021, before sharply increasing again in 2022. Therefore, it can be concluded that SURE support allowed for some reduction in the decline of disposable incomes, in parallel with the reduction of household savings. Undoubtedly, the impact of the support was very beneficial for this period. This conclusion was confirmed by interviews with public administration representatives.
- Both income metrics rebounded post-pandemic. Nominal disposable income experienced a significant surge in 2022, while real disposable income growth remained modest due to rising inflation.
- Private savings were drastically depleted during the pandemic but were swiftly replenished thereafter, notably in 2021.

- The period from Q1 of 2020 to Q3 of 2021 reflects a significant decline in the gross disposable income of households, primarily attributed to lowered social transfers and benefits at the onset of the pandemic.
- Subsequent quarters witnessed an increase in the value of components comprising the nominal gross disposable income of households. Towards the end of the pandemic, the primary factor contributing to the improvement of the situation was the net increase in salary revenues.



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ADDITIONALITY OF SURE

1. Input additionality was relatively high, interest rate savings are estimated as PLN 810 million for the whole 15 years' maturity.
2. It was also emphasised that the maturity of the SURE loan was evaluated as fitting very well into the range of maturities of debt financing used by the Polish budget.
3. Output additionality was rather limited, most probably as the majority of measures refinanced from SURE would have been implemented anyway – they were launched before the SURE loan signature.
4. It is possible, however, that SURE contributed to increased flexibility in the State Budget and created room to launch additional measures.
5. The innovative financial architecture underpinning SURE was also evaluated positively and it could potentially be useful in future.
6. It is quite difficult to assess impact additionality – probably it was also rather limited.
7. The most possible counterfactual scenario for Poland would be scenario D (lower bound), perhaps with some elements of scenario C (middle).

EVIDENCE OF ANY UNINTENDED CONSEQUENCES

NEGATIVE

- Support related to maintaining employment in the field of micro and small entrepreneurship was not conducive to the processes of restructuring business activity - it maintained the institutional structure, dominated in Poland by individual business activity (self-employment) and micro-enterprises, as a rule, characterised by lower productivity.
- The support hampered the processes of sectoral reallocation of labour resources - desirable due to the mismatch between demand and supply of labour (demand exceeding supply) that had been observed for a long time (even before the pandemic).
- The support in the field of the labour market strengthened the unfavorable phenomenon of inhibiting labour market mobility.
- The generally unfavorable phenomenon of "demanding" State aid for maintaining employment/lowly competitive and low-productivity micro-business activities has become stronger.

POSITIVE

- Thanks to labour market SURE support instruments, it was possible to prevent:
  - sudden and uncontrolled reduction of employment in the economy, leading to an overall economic crisis; and
  - reduction of subsistence sources for many households (in Poland, this was especially important due to the low savings rate of households).
- The support prevented the growing unfavourable social mood related to the effects of the pandemic from getting worse and reduced uncertainty as to the further consequences of the impact of COVID on the sources of income of a large part of population.
- To some extent, entrepreneurship has been maintained in the country, as expressed in people's readiness to run individual businesses.
- SURE's support had a positive fiscal impact due to providing the budget with long-term capital with a low cost of acquisition and favourable repayment conditions.
- The support prevented the disruption of B2B connections in the economy, limiting possible costs and the time taken to rebuild economic relations.

COST AND EFFICIENCY CONSIDERATIONS

Efficiency of SURE

- The costs associated with acquiring support and providing the required State Treasury guarantee to secure the SURE loan funds were completely irrelevant - the process was handled within standard administrative operations of the relevant departments of the Ministry of Finance.
- Respondents representing public authorities (respective departments of the Ministry of Finance, the Ministry of Family, Labour and Social Affairs, Social Insurance Institution) indicated that there were no particular challenges related to meeting reporting requirements - the SURE reporting system was not overly complicated.
- The savings resulting from the preferential financial costs of obtaining SURE support (compared to market conditions – as mentioned earlier amounting to approximately PLN 810 million for a 15-year maturity debt) fully justified the efforts to obtain SURE financing (the balance of benefits and costs rated as definitely positive).
- Based on the conclusions from the interviews, it is not possible to identify the opportunity cost of SURE - the programme's support offered refinancing for selected intervention measures for the labour market and the health sector – it was financing of a complementary nature regarding planned interventions in both of the supported areas.

Efficiency of supported measures

- The study revealed a lack of information concerning the incurred additional costs associated with supplementing the anti-COVID intervention with support from the SURE funds. Furthermore, there is a general absence of information on the costs of administering programmes/initiatives aimed at counteracting/eliminating the adverse effects of the pandemic – this indicates a low quality of public management information systems regarding cost aspects.

AUDIT AND CONTROL SYSTEM

1. The audit and control system seemed to be organised in a similar way as applied to other expenses financed with the State Budget, except for special EC requirements as related to the SURE mechanism.
2. All expenditures were thoroughly checked, with some audit activities also planned for 2024.
3. The Social Insurance Institution (ZUS) has developed special software to identify irregularities; it was also using information provided by whistleblowers.
4. In general, the scale of problems and fraud observed was similar to that of other aid programmes and was thus quite limited.
5. The number of problems and errors (on the basis of reports issued by the Supreme Audit Chamber) with regard to compensation for medical workers was slightly higher, however – these mostly concerned payments of compensation to workers not entitled to get support– i.e. not dealing directly with COVID-19 patients. This was chiefly the consequence of not having clear enough legal acts/decisions provided by the Health Minister, who used rather ambiguous language on certain occasions. Unfortunately, no detailed data on characteristics of these irregularities and how these problems were solved is available.

ADDED VALUE OF SURE

In terms of the added value created, the SURE programme:

- Sent a strong signal in terms of the European Commission's readiness to support the Ministry of Finance in crisis situations (improved confidence in the EU's ability to respond to crises).
- Allowed for testing (and demonstrated the feasibility of) the implementation of the rapid response instrument in crisis situations, with a positive effect when it came to ensuring the economic and financial stability of the Member States.
- In the case of Poland, it ensured the possibility of flexible adjustment of anti-crisis support streams to specific national needs, while at the same time constituting a source of additional financing for the implementation of instruments supporting the labour market and the health sector.
- The system of guarantees provided by the Member States has proven successful, leading to strengthening cohesion and cooperation within the European Union.

Negative aspect

- In Poland, the programme failed to be promoted as a European Union mechanism for counteracting the pandemic (the programme is practically unknown to the wider public), this was partially caused by purely political reasons.

COHERENCE

- The assessment of the coherence of the SURE intervention in Poland can be considered only as a derivative of the support measures specified in legal acts related to counteracting the pandemic, in particular the Act of 2 March 2020, on specific solutions related to the prevention, counteracting and combating of COVID-19 and other diseases infectious diseases and crisis situations caused by them (Journal of Laws of 2023, item 1327).
- Specified in the above-mentioned law were measures which included several dozen solutions - the SURE programme was used to refinance expenses related to the main ones with regard to limiting the unfavourable effects of the pandemic on the labour market and strengthening the health sector.
- The support measures listed in the anti-pandemic law covered a large number of issues and, in principle, it can be said that the coherence and completeness of the support have been maintained.
- In general, SURE (co)financed measures were fully complementary to the measures financed only from the national resources. While such measures had a non-repayable character (grants), several other measures based on national resources or EU Cohesion Policy resources also included preferential loans directed to specific industries or subsidising the interest rate of loans.

OTHER ASPECTS

- In Poland, improving the visibility and people's awareness of the SURE programme was not a priority - the information addressed to a wider audience about the content of the programme and its goals was insufficient (lack of effective visibility and awareness building instruments) - on the other hand, it is quite difficult to promote a loan instrument, which is a part of the State Budget. One of the important reasons for this situation was the approach of the United Right Government at the time, which was not willing to widely promote support for the European Union.
- There were only a few articles on SURE in the press, mostly appearing in 2020 after the mechanism was launched.
- Discussions on SURE also took place in the Polish Parliament, mostly in relation to the approval of implementation reports.
- The SURE financing mechanism, however, did not stimulate any significant discussion on the role of such mechanisms in future.
- So far, no national evaluations showing the results of the programme in its intervention spheres have been carried out; likewise, no formulating conclusions regarding the use of similar instruments in the future have been drafted.
- There was no experience in issuing social bonds in Poland (although a mechanism itself is known and several analyses were prepared with a view to using such a mechanism), so it is hard to formulate meaningful ideas on using SURE social bonds as a model.

Conclusions and lessons learned

MAIN TAKEAWAYS

1. Better information and promotional activities designed to inform people about SURE (or similar initiatives) are required.
2. A better prepared information campaign on support measures available and relations between them, in addition to one setting out the State aid implications, is needed.
3. It is now clear it would have been much better to define the main goals of the support and then decide which goals were the most important – saving jobs (generally) or only concentrating the support on key industries.
4. There should be a better monitoring system of the support's short and long-time effects in place.
5. An evaluation system to assess the overall effectiveness of the intervention should also be set up.

Methodological Annex

ACTIVITIES UNDERTAKEN

1. List of interviews conducted and list of social partners workshop participants
2. List of references and data sources

Please see Annexes to main report

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

Country case study
Portugal
April 2024

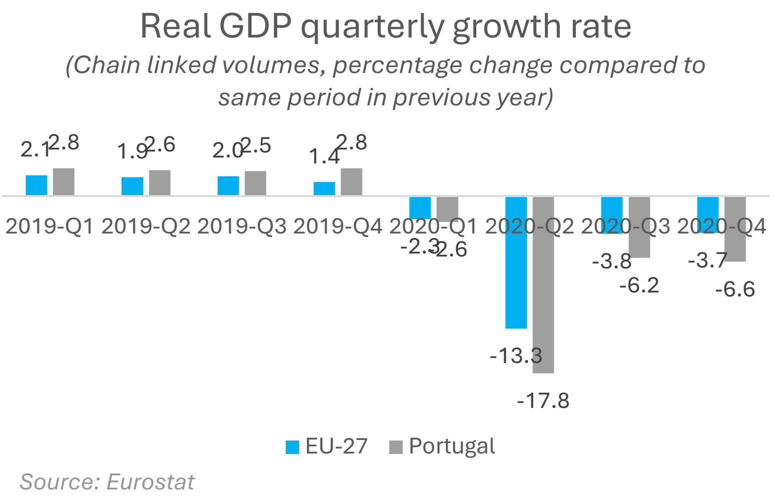
AGENDA

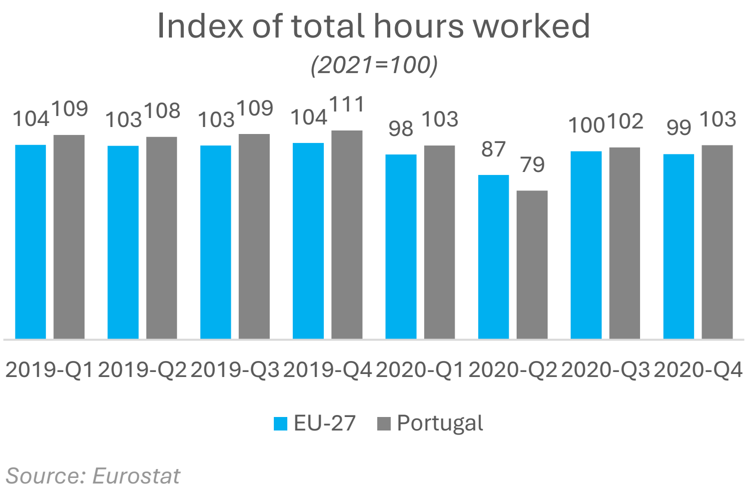
Context

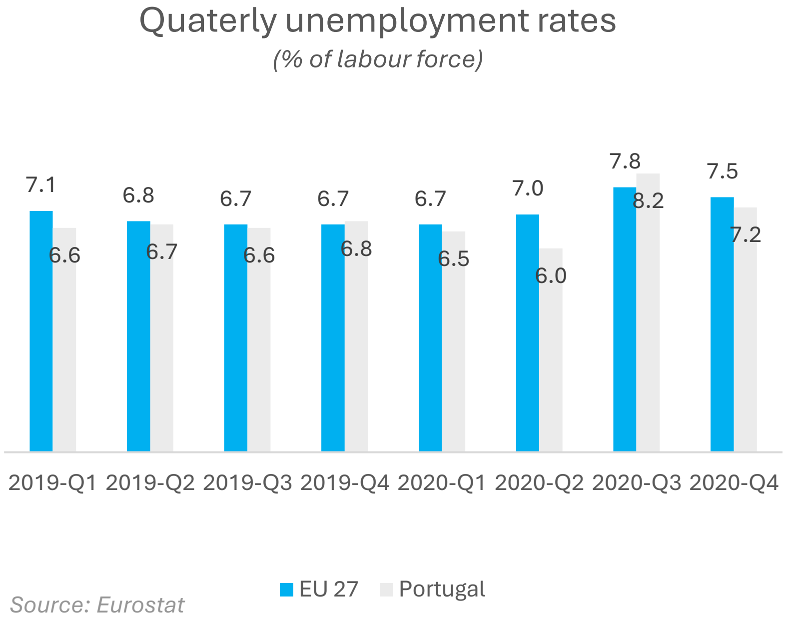
ECONOMIC SHOCK CAUSED BY COVID-19

1. The Portuguese economy was profoundly impacted by the pandemic, with Portugal witnessing one of the most substantial declines in real GDP among the EU-27 countries. By the first quarter of 2021, Portugal's real GDP was 9.1% lower than its level before the onset of the pandemic.
2. The most significant impact was observed in the second quarter of 2020, with the real GDP plunging by 17.8% (compared to the same period in the previous year) and the total hours worked also falling -11.4% in 2020 (from 111h in Q4 of 2019 to 103h in Q1 of 2020, 79h in Q2 of 2020, 102h in Q3 of 2020 and 103h in Q4 of 2020).

A marked shock with significant repercussions on labour markets







3. The unemployment rate initially decreased at the beginning of 2020 but then rose by 1.4pp and 0.4pp above pre-pandemic levels in the last two quarters of 2020, respectively.
4. At the onset of the pandemic, there was significant uncertainty as regards its impact on the labour market and economy.
5. Portugal was one of the EU-27 countries with the largest exposure to the most-affected GVA sectors (13%) and most-affected employment sectors (17.6%) (interim report), with a significant share of the decrease in the real GDP accounted for by a drop in net exports (see ECB). In addition, Portugal (together with Spain and Italy) implemented significantly more stringent measures when compared to the other EU-27 countries. [1]

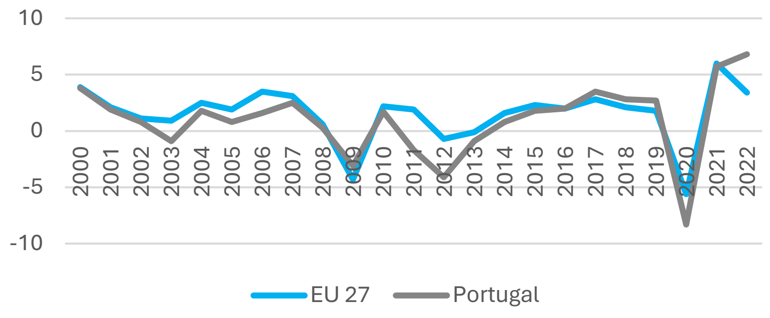
[1] https://www.ecb.europa.eu/pub/economic-bulletin/focus/2021/html/ecb.ebbox202105_03~267ada0d38.en.html

ECONOMIC SHOCK CAUSED BY COVID-19 RELATIVE TO PREVIOUS CRISES

1. The shock caused by COVID-19 was of a different nature than shocks triggered by previous crises. The shock caused by the COVID-19 pandemic was temporary, demand-driven and economy-wide.
2. The decline in Portuguese output at the beginning of the pandemic was considerably more significant than during the onset of the Global Financial Crisis (GFC). The initial drop in real GDP due to the pandemic was nearly three times larger than the initial drop experienced during the GFC.
3. Conversely, the decrease in employment following the onset of the pandemic (2019-2020) was less pronounced when compared to the decline experienced during the onset of the GFC. Similarly, the increase of unemployment rates imposed by the pandemic was substantially milder than the one observed during the GFC.
4. However, the recovery of the output levels, employment and unemployment rates to pre-crisis levels was significantly faster in the case of the pandemic than when compared to the GFC.

Annual real GDP growth rate

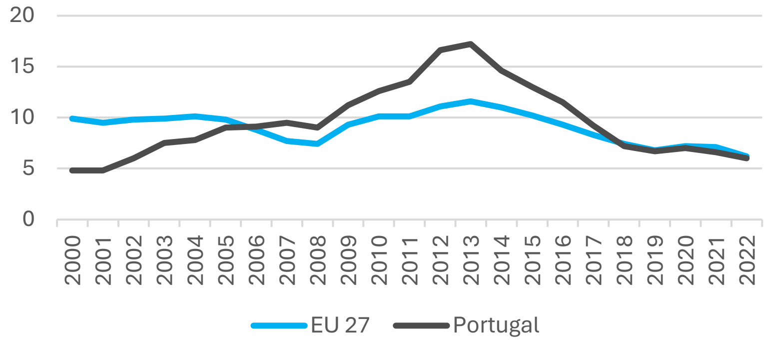
(Chain linked volumes, percentage change on previous period)



Source: Eurostat

Unemployment rate

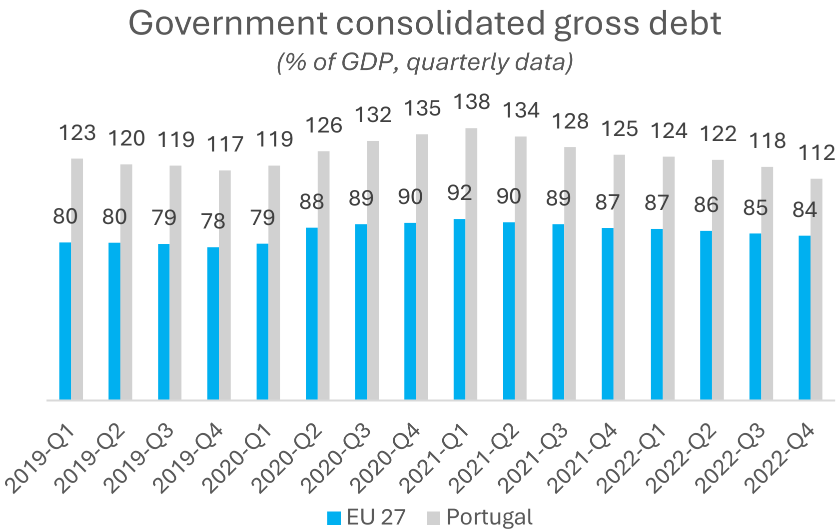
(% of labour force)

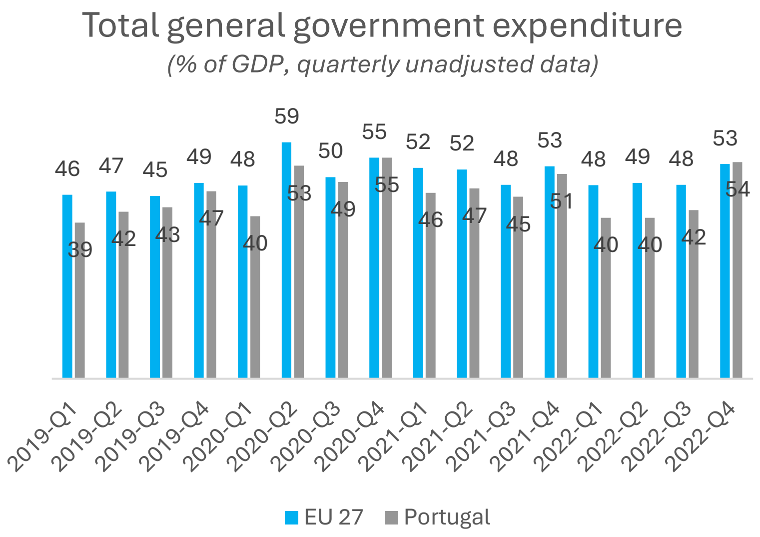


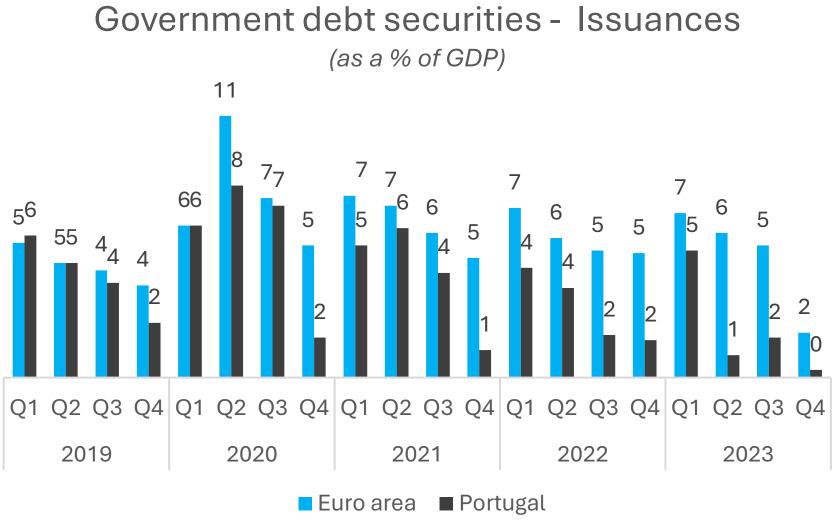
Source: Eurostat

OVERALL FISCAL RESPONSE TO COVID (1)

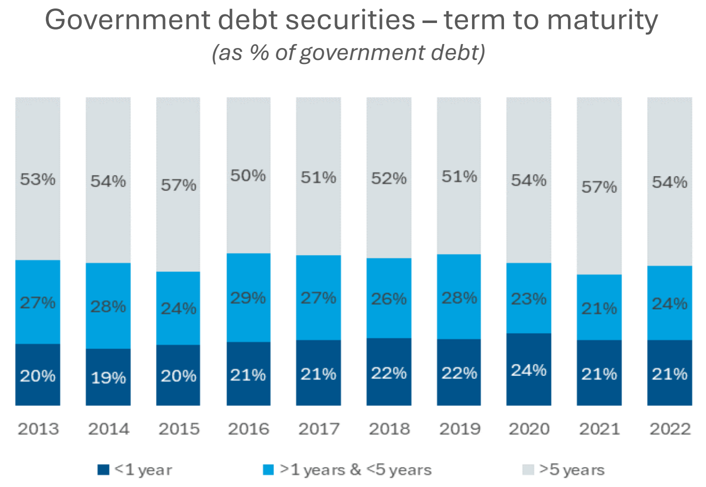
- The arrival of the pandemic inverted the downward trend of the Portuguese gross debt (as a percentage of GDP) that had started in 2017.
- General government expenditure (as a percentage of GDP) also increased in the last three quarters of 2020.
- In mid 2022, both the gross debt and government expenditure had returned to pre-pandemic ranges.
- The issuance of government debt securities increased in 2020 but reverted to pre-pandemic values in 2021.







Source: Eurostat



Source: ECB

Employment Protection Measures

Following the onset of the pandemic, the Portuguese Government implemented various measures to support the economy and preserve jobs, aiming to facilitate a gradual recovery of economic activity. In light of the worsening pandemic situation in late 2020 and early 2021, the Government extended a suite of measures aimed at sustaining the economy and safeguarding employment.

Employment measures co-financed by SURE

- Support to partially cover employees' gross wages pertaining to the hours not worked because of a temporary interruption of work or reduction of normal working time (existing, with some new modifications).
- Cover of employers' social security contributions related to employment contracts with a temporary interruption of work or reduction of normal working time (new measures).
- Top-up and vocational training regarding employees' income in short-time work schemes (new measures).
- Financial support to protect employees' income when staying at home to take care of children up to 12 years old (new measures).
- Support to trainers, Cultural and Art Workers, self-employed persons, informal workers and managing partners (new measures).
- Exceptional support for the resumption of business activities (new measure).

Ancillary health measures co-financed by SURE

- Testing workers in nursing homes and childcare facilities (new measures).
- Sickness allowances for workers in prophylactic isolation (existing measure for some situations and new for others).
- Purchase of personal protective equipment for hospitals, line ministries, municipalities, the Azores and Madeira (new measure).
- School hygiene campaigns (new measure).
- Performance bonus for health care workers (new measure).

Complementary measures not co-financed by SURE

Other fiscal measures:

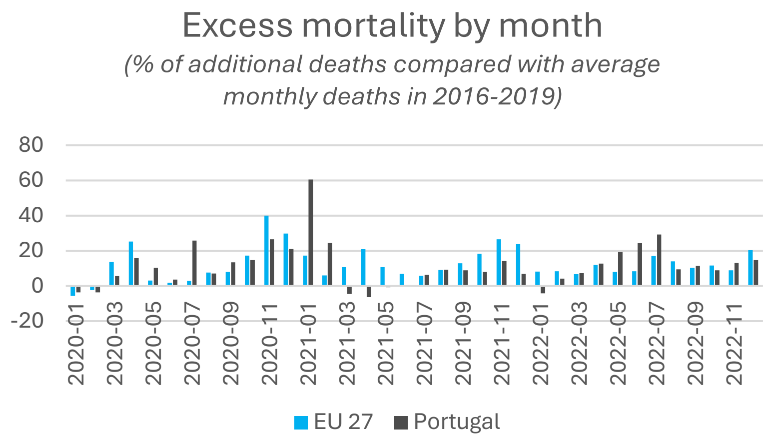
- Unemployment benefits: increase and extension
- Minimum Social Income: increase and extension

Monetary and macro-financial measures with direct impact on households' disposable income:

- Moratorium on bank loan repayments for households and companies
- Relaxation of some aspects of consumer credit measures

SURE Implementation

TIMELINE OF KEY DEVELOPMENTS



1. Announcement of lockdowns – March 2020
2. Announcement of initial support – March 2020, July 2020
3. Announcement of employment protection measures – March 2020
4. Announcement of SURE – 13 March 2020
5. EC proposal on SURE – 2 April 2020
6. Approval of SURE (EU level) - May 2020
7. Request for SURE (Portugal) – August 2020 (revision to add additional measures in January 2022)
8. Approval of SURE (Portugal) – September 2020
9. Activation of SURE – September 2020
10. Loan disbursements – December 2020, May 2021, March 2022, April 2022
11. Top-up requests – one in Autumn 2022
12. Extensions of temporary STW and related schemes – May 2020, June 2020, July 2020, December 2020, January 2021, February 2021, October 2021
13. End of temporary STW and related schemes/end of exceptional features for permanent schemes – September 2022.

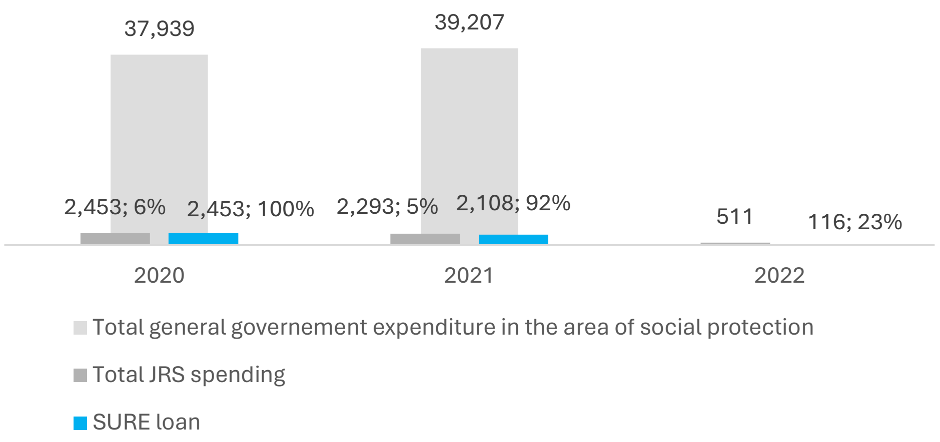
SURE LOAN: KEY FIGURES

1. SURE funded JRC schemes in Portugal. The SURE loan amounted to EUR 6.2 billion, with 75% allocated to funding 17 labour market policy measures and the remaining 25% being directed towards financing 10 ancillary health-related measures between 2020 and 2022.
2. The annual disbursements represented 1.5%, 1.1% and 0.3% of GDP in 2020, 2021 and 2022 GDP, respectively.
3. As a result of the pandemic, Portugal spent a total of EUR 5.3 billion in job retention schemes, with 89% of the funding sourced from SURE and 4% from ESIF.

SURE loan amount	EUR 6.2 bn
Of which top up	*EUR 300 m (4%)*
SURE loan amount (disbursements) as a share of annual GDP	1.5% (2020) 1.1% (2021) 0.3% (2022)
SURE loan amount used for labour market measures	EUR 4.7 bn (75%)
Years in which SURE loan was used	2020, 2021, 2022
Total JRS spending: 2020-2022	EUR 5.3 bn
Of which ESIF	*EUR 185 m*
Share of total JRS spending financed by ESIF	*4%*
Share of total JRS spending financed by SURE loan	89%

SURE loan vs JRS spending and public spending in the area of social protection

(by year, in EUR million and in %)



Source: ICF based on MS SURE reporting, LMP database and Eurostat.

Note for 2022: break in series for JRS spending data (no LMP data) and no data on public spending in the area of social protection.

MEASURES FINANCED BY SURE (1)

1. Portugal implemented 27 measures that were eligible for funding under SURE (which funded JRS schemes), spending a total of EUR 6.8 billion over 2020, 2021 and 2022. The SURE loan covered EUR 6.2 billion (or 92% of the total expenditure).
2. 17 policy measures were directed at safeguarding employment, supporting the incomes of employees through STW schemes, assisting self-employed workers, informal workers, etc., and fostering the resumption of business activity. Total expenditure for these measures amounted to EUR 4.4 billion, with 98% financed by a SURE loan.
3. 10 policy measures were focused on addressing the health situation, involving a total expenditure of EUR 2.3 billion, of which 80% was covered by SURE. These measures included testing workers, the procurement of protective equipment, carrying out campaigns, and providing bonuses for health workers.
4. Most of the co-financed measures were newly introduced and temporary in nature. More than one-third of the SURE loan was allocated to finance a simplified layoff scheme, while 13% was dedicated to supporting the resumption of business activities.

SURE eligible measures basic information

Measure type	Count of measures	Spending on SURE eligible measures (EUR Million)	Share of spending
STW	6	2,770	41%
similar - wage subsidy	4	906	13%
similar - self-employed	4	626	9%
similar - other	5	769	11%
health-related	3	945	14%
health-related in the workplace	5	710	11%

Source: MS SURE reporting

MEASURES FINANCED BY SURE (2)

A significant amount of both expenditure and use of the SURE loan occurred in 2020 (48%) and 2021 (47%).

In September 2021, Portugal reported lower total public expenditure on measures provided in the respective Council implementing decisions (CIDs) than the amount granted by the Council under SURE. These issues were swiftly addressed by amending Portugal's original Council Implementing Decision in January 2022 to include additional eligible measures. To utilize the full amount granted in 2020, the amending CID added three eligible measures, which had already been implemented and were eligible to be financed under SURE.

Target	Description	#	New measure?	Temporary ?	Expenditure 2020	Expenditure 2021	Expenditure 2022	Expenditure Total	SURE loan 2020	SURE loan 2021	SURE loan 2022	SURE loan Total
Employment	Support to partially cover the employees gross wage pertaining to the hours not worked because of a temporary interruption of work or reduction of normal working time	3	Some elements only	Some elements only	999	953	55	2,007	999	953	23	1,975
	Cover of employer's social security contributions related to employment contracts with a temporary interruption of work or reduction of normal working time	2	Yes	Yes	493	211	-	704	493	211	-	704
	Top-up and and vocational training to employee´s income in short-time work schemes	2	Yes	Yes	61	7	-	68	61	7	-	68
	Financial support to protect the income of employee's income when staying at home to take care of children up to 12 years old	1	Yes	Yes	83	51	8	142	83	51	-	134
	Support to trainers, Cultural and Art Workers, self-employed, informal workers and managing partners	5	Yes	Yes	312	304	17	634	312	304	-	617
	Exceptional support for the resumption of business activities	2	Yes	Yes	368	340	119	826	368	340	85	792
	Labour support measures Azores and Madeira	2	Yes	Yes	32	48	-	80	32	48	-	80
	Total employment measures	**17**			**2,349**	**1,914**	**199**	**4,462**	**2,349**	**1,914**	**107**	**4,371**
Health	Testing workers in nursing homes and childcare facilities	2	Yes	Yes	61	91	-	151	61	91	-	151
	Sickness allowances for workers in prophylactic isolation	2	Partially	Some elements only	104	193	376	673	104	193	185	482
	Purchase of personal protective equipment for hospitals, line ministries, municipalities, Azores and Madeira	4	Yes	Yes	345	334	8	687	345	334	-	679
	School hygiene campaigns	1	Yes	Yes	16	-	-	16	16	-	-	16
	Performance bonus for health care workers	1	Yes	Yes	145	390	265	801	145	390	-	**536**
	Total ancilliary health measures	**10**			**671**	**1,008**	**648**	**2,327**	**671**	**1,008**	**185**	**1,864**
TOTAL		**27**			**3,020**	**2,922**	**847**	**6,789**	**3,020**	**2,922**	**292**	**6,234**

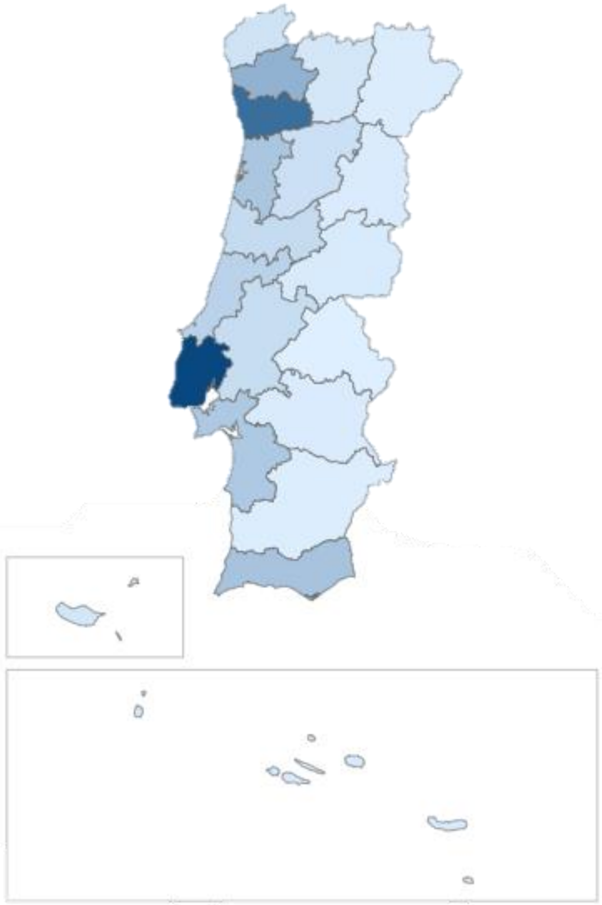
FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (1)

A. Layoff simplificado (simplified layoff scheme) - Extraordinary support for the maintenance of employment contracts

This labour measure was introduced in Portugal in March 2020 in response to the extraordinary circumstances resulting from the COVID-19 pandemic. It enabled companies to temporarily suspend employment contracts or reduce working hours for their employees in a simplified and streamlined manner. While there was already an existing provision to support layoffs in the Portuguese Labour Code, the "layoff simplificado" offered broader access, wider coverage, and increased benefits through more flexible and simplified procedures.

- Benefits: the “layoff simplificado” ensured, that, regardless of whether the scheme applied to the reduction of the normal working period or to the suspension of the employment contract, workers were entitled to receive the amount of 2/3 of their gross wage, up to 3 times the National Minimum Wage. Social Security covered 70% of the payment and the other 30% was provided by the employer. Firms were exempted from paying employers’ Social Security contributions.

- Eligibility: companies facing a business crisis due to activity cessation, order suspension or cancellation, or a decrease in turnover of at least 40% compared to the corresponding period in the previous year.

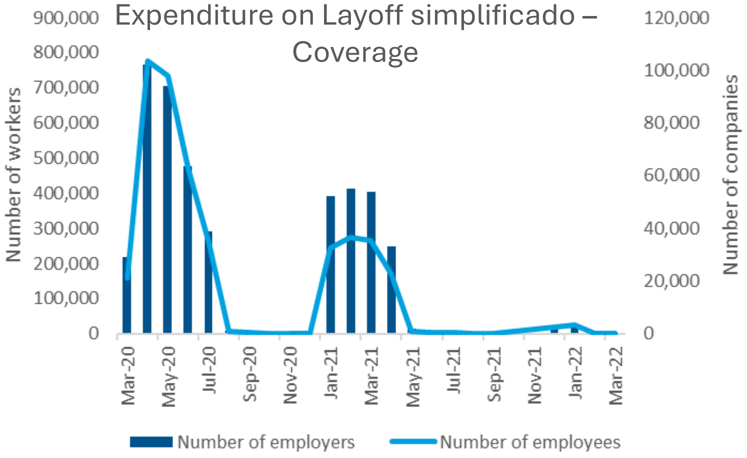


Source: ICF based on MS SURE reporting and other sources

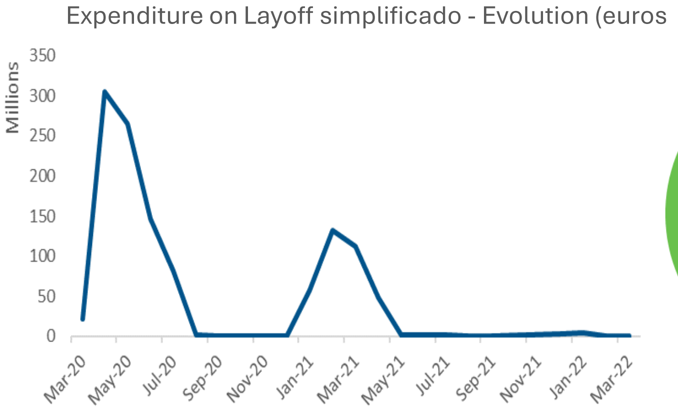
FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (2)

A. Layoff simplificado (simplified layoff scheme) - Extraordinary support for the maintenance of employment contracts

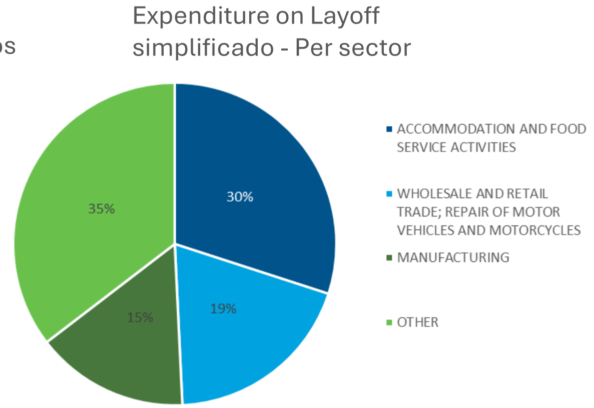
1. The measure underwent several adjustments and adaptations between 2020 and 2021, ultimately supporting almost 1 million workers and more than 120 thousand companies.
2. The total expenditure on the measure amounted to approximately EUR 1.2 billion, with 99% of the funding being financed under SURE.
3. Of the workers covered by the measure, 78% had their contracts suspended, while the remaining experienced a reduction in working hours. Furthermore, 58% of the workers were women.
4. Regarding the companies involved, 82% had 10 or less employees, and the majority operated primarily in the Accommodation and Food Service Activities sector (35%)
5. The simplification of procedures and the approval of requests necessitated significant changes to the IT systems of the Social Security department, along with the establishment of protocols with various entities to automate the verification process for eligibility requirements.



Source: Portuguese Social Security



Source: Portuguese Social Security



Source: ICF based on MS SURE reporting and other sources

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (3)

B. Temporary public support for maintenance of employment contracts through the temporary interruption of work or reduction of normal working time (recovery regime)

Financial assistance was provided to companies experiencing a business crisis, coupled with a temporary reduction in regular working hours, in the aftermath of the imposed mobility restrictions. This measure had the goal of preserving employment, facilitating a gradual recovery of economic activity, and incrementally reinstating workers' salaries. This assistance featured solutions tailored to the specific characteristics of the business crisis scenarios. Consequently, the support options varied based on the severity of revenue losses incurred by the companies and was adapted over the duration of implementation.

- Benefits: 70% of the remuneration compensation applied in cases where there was a reduction in the normal working period equal to or less than 60% (with a revenue decline ranging from 25% to less than 75%); b) 100% of the remuneration compensation was granted when there was a reduction in the normal working period of more than 60% (with a revenue decline equal to or greater than 75%). In instances where the revenue decline reached or exceeded 75%, the employer was eligible for additional support equivalent to 35% of the remuneration owed for the hours worked. The total of this additional support combined with the support for the payment of remuneration compensation could not surpass triple the minimum wage. There was also a temporary partial or total exemption from Social Security contribution payments for micro, small, and medium-sized companies.

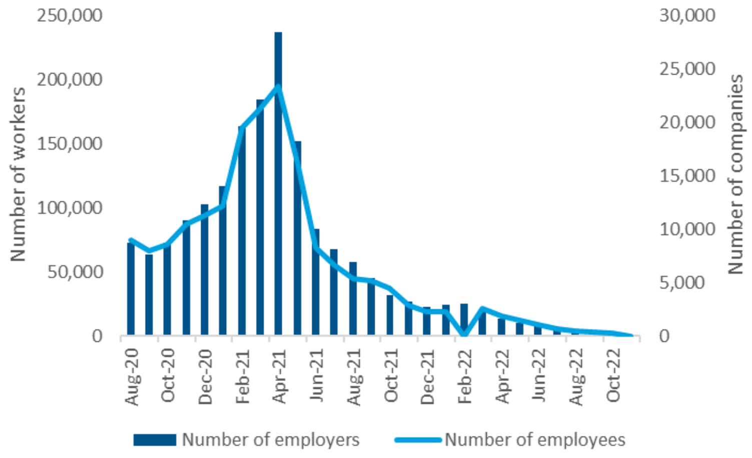
- Eligibility: employers impacted by the COVID-19 pandemic and experiencing a business crisis, regardless of whether they had utilised the simplified layoff scheme. A business crisis was defined as a situation where there was a decrease in turnover equal to or exceeding 25%.

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (4)

B. Temporary public support for the maintenance of employment contracts through the temporary interruption of work or reduction of normal working time (recovery regime)

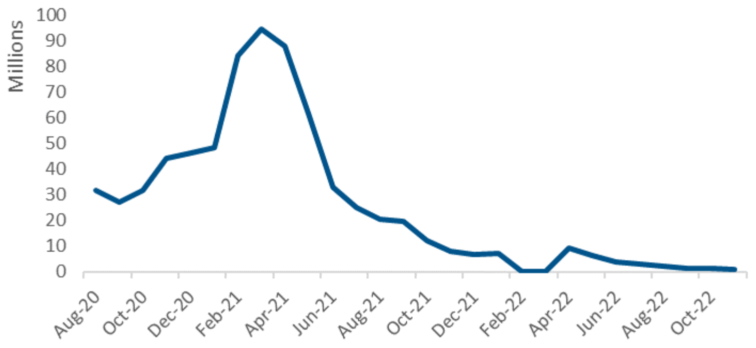
1. The measure supported over 350,000 workers and almost 45,000 companies.
2. Total expenditure for the measure amounted to over EUR 700 million, with 97% of the funding being financed under SURE.
3. Regarding the companies involved, 81% had 10 or fewer employees, and the majority operated primarily in the Accommodation and Food Service Activities sector.

Coverage



Source: Portuguese Social Security

Expenditure (euros)



Source: Portuguese Social Security

FOCUS ON SELECTED LABOUR MARKET MEASURES FINANCED UNDER SURE (6)

C. Exceptional support for the resumption of business activities

- **Aim**: To uphold job stability and mitigate unemployment risks for workers employed by businesses grappling with a crisis stemming from the COVID-19 pandemic following the conclusion of extraordinary measures like the "simplified layoff" or special training programmes. This initiative aimed to provide employers with assistance as they reintegrated their workforce into standard work routines and restored regular business operations.
- **Benefits**: one or two minimum wages per worker supported by the "layoff simplificado" in a one-off payment or paid in instalments for 6 months; obligation to maintain employment while receiving the benefit and for 2 months thereafter. From 2021, this benefit was only available for microenterprises.
- **Eligibility**: Companies that benefited from one of the following measures:
  - ✓ Extraordinary support for maintaining employment contracts
  - ✓ Extraordinary training plan.

	Number of people	Number of employers	Support (euros)
2020	448,933	48,961	284,145,178
2021	560,354	84,735	410,609,081
2022	173,821	39,266	115,794,388
TOTAL	**757,729**	**101,576**	**810,548,646**

Source: Portuguese Social Security

FOCUS ON HEALTH MEASURES FINANCED UNDER SURE

Portugal also requested around 1.9 billion of SURE funds to finance ancillary health measures. These measures were in the CID from the start and were considered by the Portuguese authorities as key to supporting the resumption of economic activity and reducing unemployment risks.

Short description	Eligibility conditions/coverage	Existing / extension / new scheme	Permanent / Temporary	Description	Expenditure (million euros)	SURE
Testing workers in nursing homes and childcare facilities	All staff without conditions	New	Temporary	National plan for testing all the staff of nursing homes and childcare facilities to ensure the safety of workers and of the re-opening of the institutions.	22.95	100%
Prophylactic isolation allowance to protect workers	Determined by the Health Authority	New	Temporary	All workers in prophylactic isolation were entitled to an allowance of 100% of their reference remuneration	414.93	72%
Protection of Healthcare workers in Primary, Hospital and Long-Term care	All healthcare workers	Extension	Temporary	To provide individual protective equipment to all healthcare workers, to minimise the risk of contamination of these professionals	266.51	100%
Personal Protective Equipment for line ministries	All Public Administration workers	Extension	Temporary	To provide individual protective equipment to all workers, to minimise the risk of contamination	259.72	100%
Personal Protective Equipment	All workers in local authorities	Extension	Temporary	To provide individual protective equipment to all workers, to minimise the risk of contamination	132.06	95%
Personal Protective Equipment	All workers in the Autonomous Regions	Extension	Temporary	To provide individual protective equipment to all workers, to minimise the risk of contamination	28.38	100%
Test all patients	All patients of the national health service that were scheduled for surgery, or any exam or invasive procedure	Extension	Temporary	To ensure the highest level possible of safety to all healthcare workers, to minimise these professionals' risk of contamination	128.52	100%
School hygiene campaign	Public schools across the country	New	Temporary	A nationwide school hygiene campaign to ensure the safe return to work of lecturers, staff and students	16.11	100%
Sickness allowance for workers who cannot go to work due to COVID-19	Temporary incapacitation certificate was communicated by the Health authorities to the Social Security	Extension	Permanent	Progressive allowance on the basis of duration of the disease: up to 30 days (55% of referenced remuneration); 31-90 days (60%); 91-365 days (70%); +365 days (75%).	257.69	70%
Special compensation for healthcare workers that were in the forefront of the pandemic, hiring of professionals	All health workers that were directly involved in the fight against Coronavirus.	New	Temporary	Temporary hiring of health professionals and extra-hours paid to health professionals 2020: One-off compensation (50% gross wage) to health workers; 2021: Monthly compensation (20% of gross wage with a maximum of 219,4 euros) to health workers	800.55	67%

Evaluation findings

RELEVANCE OF SURE's OVERALL DESIGN (1)

Stakeholders consulted generally agreed that:

- The **focus** of the instrument on safeguarding employment was well-suited. They emphasised that, while serving a social objective, it mitigated the potentially severe economic impacts of the crisis by preserving jobs and income. The **health-related measures** funded were significant as they played a role in protecting wages, as well as ensuring that workers maintained their jobs and the safety of the workplace was also upheld. They also reduced contamination and facilitated the return to work for individuals and allowed children to resume schooling.
- The **temporary scope**, encompassing both duration and start/end dates, of the instrument was deemed sufficient. This was especially notable as other supplementary tools were accessible to provide support in the recovery process.
- The lack of stringent **requirements**, extensive eligibility criteria, and absence of detailed design specifications were important elements for the success of the instrument. These aspects facilitated a swift and tailored design to Portugal's socio-economic situation, involving social partners and other pertinent stakeholders, alongside the prompt implementation of measures by the Portuguese Government. A few experts, however, mentioned that some additional conditionality could have been of added value, mostly in terms of pre (such as assessing potential deadweight) and post evaluation of impacts.

RELEVANCE OF SURE's OVERALL DESIGN(2)

Stakeholders consulted generally agreed that:

- The **EU approach** played an important role in guiding and reassuring the Portuguese Government regarding the measures to be implemented (type and scale). A few experts highlighted that short-term emergency support for a common shock, in which moral hazard is quite unlikely, works reasonably well.

- The innovative **financial architecture** based on common borrowing was appropriate.

- The **financial envelope** was adequate; however, some experts indicated that a pre-allocation of the funds per Member State could have been beneficial.

- SURE was more attractive than the **ESM PCS programme** as it did not have any stigma associated with it.

TEMPORAL RELEVANCE OF SURE SUPPORT FROM MS PERSPECTIVE

Why was SURE relevant and necessary from an MS perspective?

- While Portugal was in a relatively good budgetary situation (as compared to the previous decades), its debt levels were still high in 2019 (116.60% vs 78 % across the EU-27) and there was a relative fear of increasing debt (and the accompanying stigma and social consequences).
- There was no stigma attached to SURE in comparison to other instruments. Most Member States were utilising SURE, and governments were viewed as efficient and effective when using SURE financing.
- Given the unprecedented nature of the crisis, SURE played an important role in reassuring the Portuguese Government regarding the measures to implement (type and scale).
- The terms of SURE were more advantageous than what Portugal could have secured at the time, and this remained true later on, especially considering the increasing inflation and interest rates.
- SURE remained pertinent throughout its period of use by enabling swift responses to pandemic waves. Its conclusion was fitting, given the presence of complementary programmes better suited to support the recovery process.

DESIGN OF SURE SUPPORTED MEASURES

Stakeholder feedback on the design of SURE measures supported the identification of any best practices

Coverage	Scope of Sectors covered	Adequate
	Size of Companies covered	Adequate
	Coverage of self-employed	Adequate
Duration	Initial duration	Adequate
	Extension of duration	Adequate
Compensation level (generosity of benefits)		Adequate
Activation conditions		Adequate
Any requirements such as employer co-payments		Adequate
Training component		
Ease of access – administrative simplicity		At the outset, it was challenging as things were uncertain and constantly evolving. However, the processes were subsequently simplified.
Speed of implementation		Not as prompt as desired at the onset of the crisis.
Communication and awareness raising		There could have been improvements, especially as there was occasional confusion regarding changes to requirements.

OUTPUTS, RESULTS AND IMPACTS OF HEALTH MEASURES

- No quantitative evidence on benefits from health measures.
- Low awareness of the role of SURE in the context of health-related measures
- Generally considered adequate and cost-efficient as they protected workers, reduced contagion, and enhanced the health response to the crisis. This consequently facilitated the return of workers to their jobs and enabled children to resume schooling.
- No specific weaknesses identified.

OUTPUTS, RESULTS AND PACTS OF LABOUR MARKET MEASURES: (1)
Coverage of firms and workers

Number of firms and workers via measures financed by SURE

	2020	2021	2022
Number of firms supported	110,183	81,774	2,776
Including SMEs	*99.5%*	*99.7%*	*99.6%*
Share of firms supported (with reference to total business population)	27%	20%	1%
Number of employees supported	899,206	535,695	18,924
Number of self-employed persons supported	278,091	238,968	125,908
Number of workers supported	1,177,297	774,663	144,832
Share of workers supported	18%	11%	0.4%

1. Measures financed by SURE supported up to 27% of the firms in Portugal between 2020 and 2022. 99.5% of these firms were SMEs.
2. Approximately 18% of the active population in Portugal was supported by measures co-financed by SURE, with the majority being female and aged between 40 to 49 years old.
3. Around 42% of self-employed persons were supported by the measures between 2020 and 2021 and, in 2022, about half still benefited from this support.

Source: MS reporting

Note: zero-employee firms are classified as self-employed. Firms with one or more employees are classified as firms.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Sectoral coverage (1)

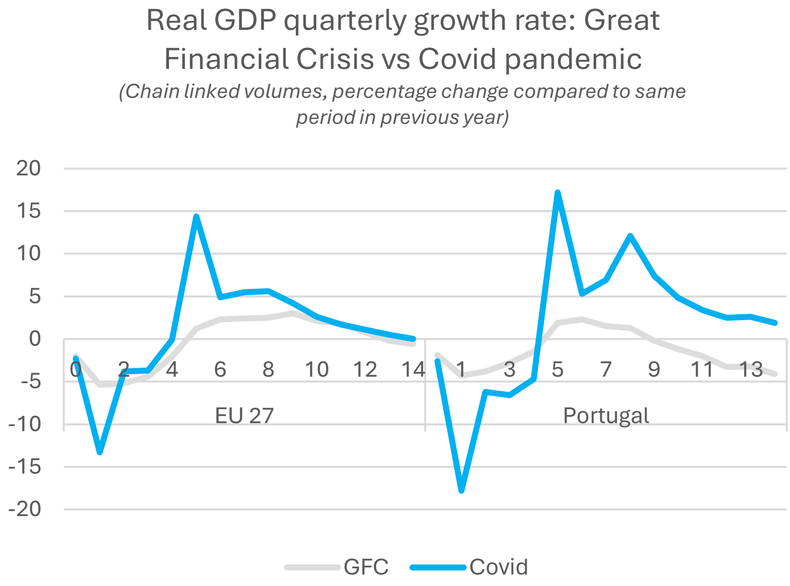
Generally, stakeholders agreed that the sectoral coverage was adequate.

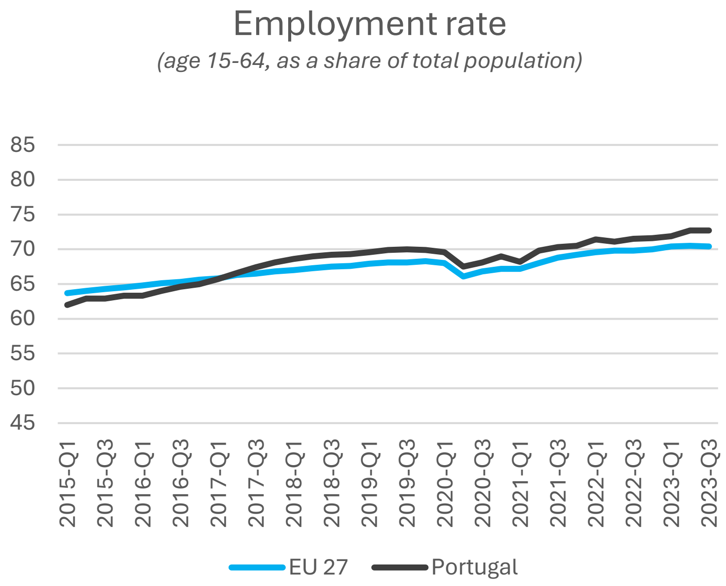
- The eligibility criteria for measures and the measures themselves did not differentiate between sectors, except for workers in the fields of Culture and Arts, health, and public administration.
- As a result, financial support was primarily allocated to sectors that experienced the most significant decline in Gross Value Added (GVA). These sectors largely comprised which required people to gather and were crucial for the Portuguese economy.

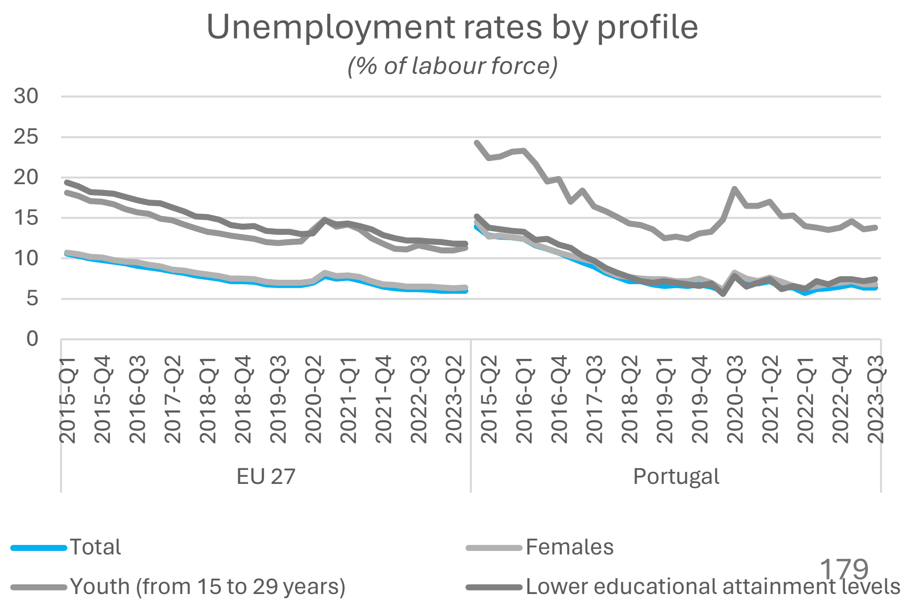
Sector		Loss in GVA (volume 10^6 euros)	Ranking volume of SURE support (two main labour measures)
I	ACCOMMODATION AND FOOD SERVICE ACTIVITIES	-5004	1
H	TRANSPORTATION AND STORAGE	-2468	5
G	WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	-1455	2
C	MANUFACTURING	-1401	3
N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	-883	4
R	ARTS, ENTERTAINMENT AND RECREATION	-448	6
D	ELECTRICIT Y, GAS, STEAM AND AIR CONDITIONING SUPPLY	-324	7
S	OTHER SERVICE ACTIVITIES	-269	8

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES:
Protecting jobs (1)

1. Portugal experienced a relatively swift recovery from the crisis, particularly when compared to the GFC.
2. Real GDP, unemployment rates and employment rates all subsequently recovered to pre-pandemic levels.
3. The rise in the number of declared workers observed in 2021 suggests that some of the informal work that existed before the pandemic has now been integrated into the formal system.
4. More than 100,000 jobs were saved in 2020 due to the measures financed by SURE.

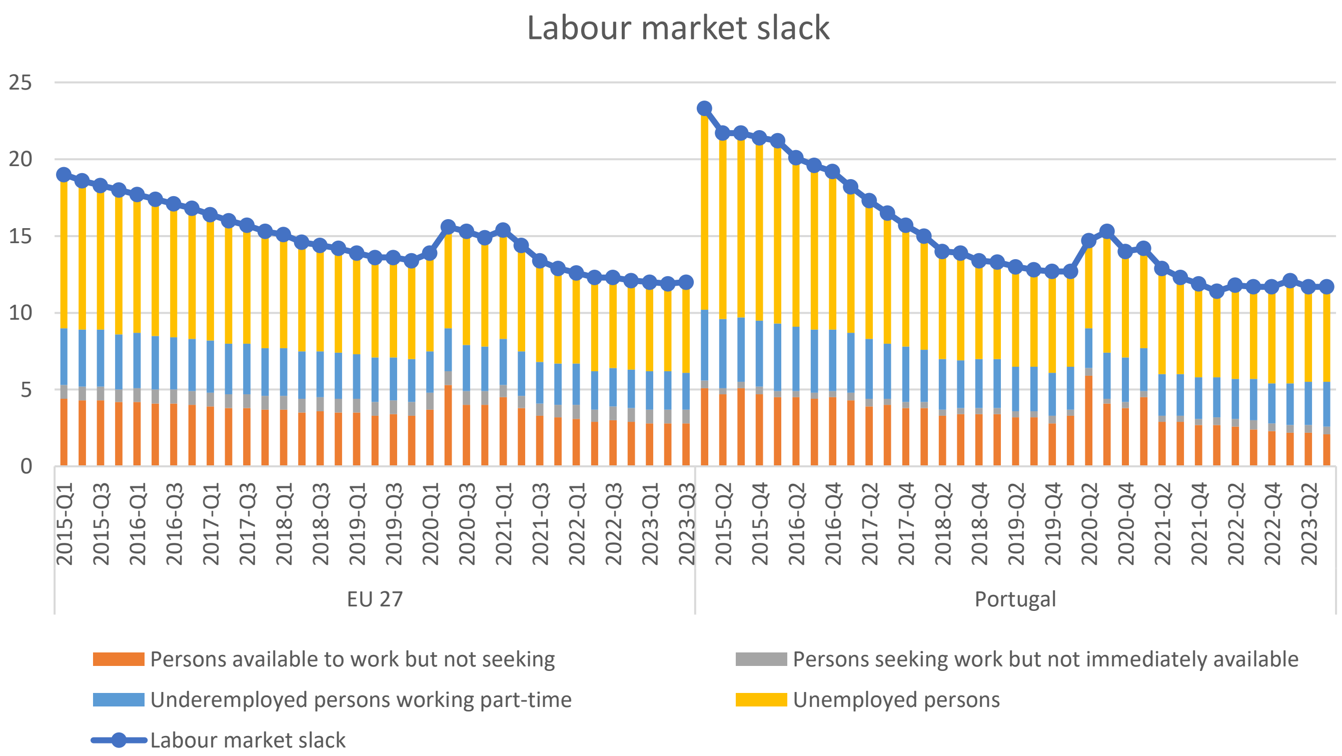


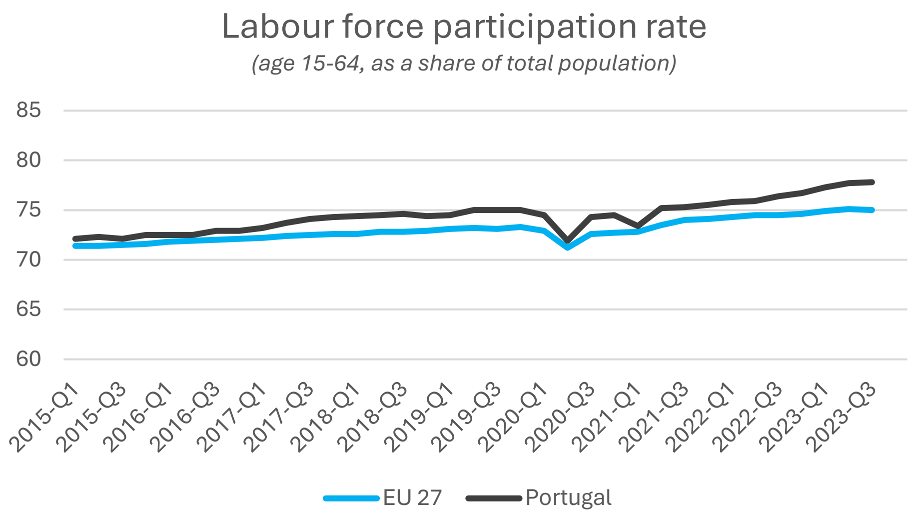




OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (2)

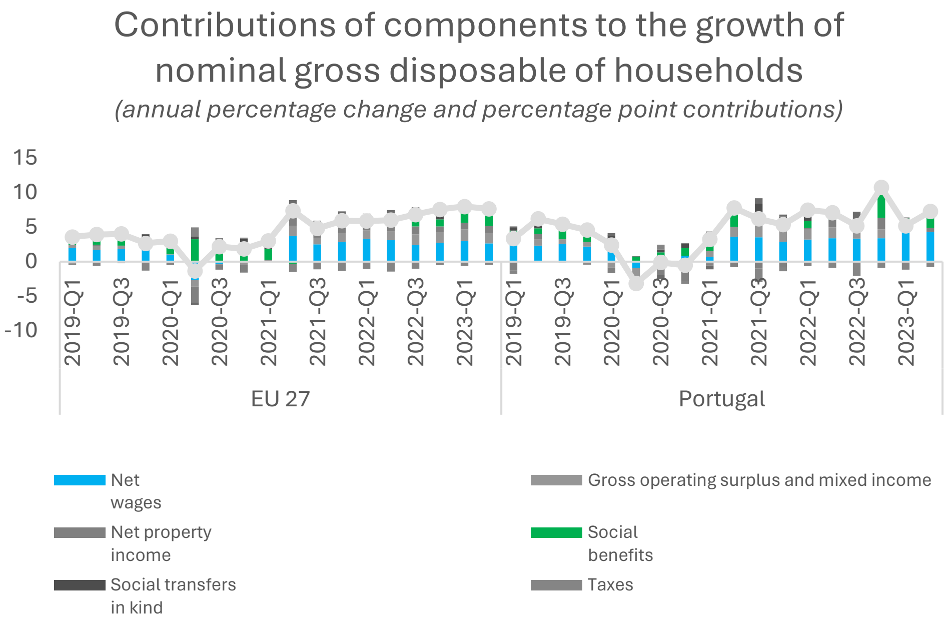
1. In 2020, the number of individuals available for work but not actively seeking employment significantly increased, reversing the downward trend observed in the preceding years.
2. This effect, rather than the increase in unemployment, was the primary cause for the changes in the labour market slack observed in 2020.
3. However, the above-mentioned trends that were present before the pandemic – regarding both persons available to work but not seeking employment and the labour market slack - resumed in the second quarter of 2021.

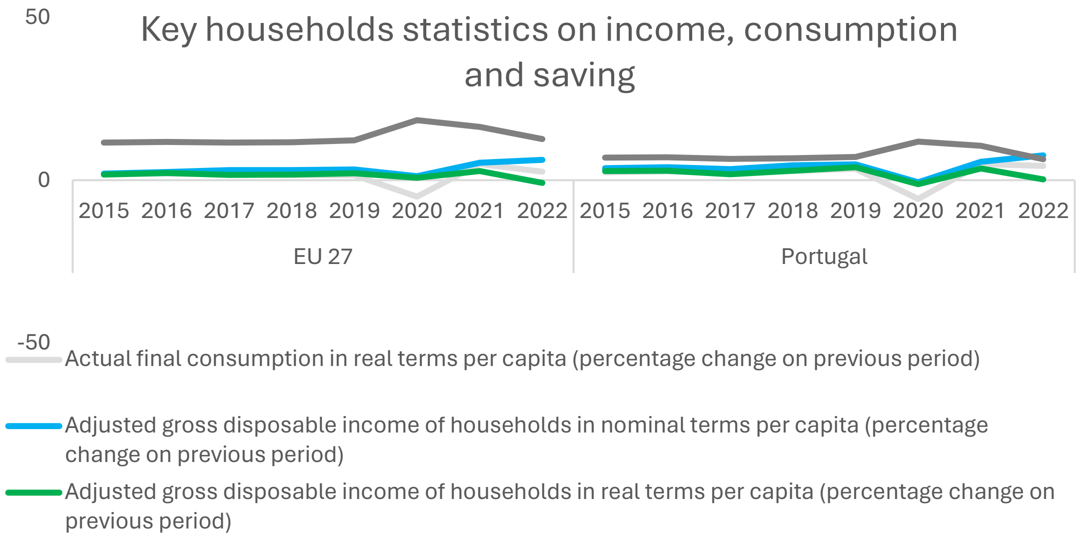




OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES:
Protecting incomes

- There was a decrease in both real and nominal disposable income in 2020 compared to the pre-pandemic period, with this reduction being more pronounced in Portugal when compared with the EU-27 average.
- In 2021, disposable income, in both nominal and real terms, saw a substantial increase. However, in 2022, although nominal disposable income continued to grow, there was a significant decline in





- The pandemic resulted in a more significant decline in market income for low-income households.
- However, the measures implemented by Portugal had a cushioning effect and led to a lower decrease in disposable income for financially constrained households compared to the reduction experienced by wealthier households. [1]

[1] https://joint-research-centre.ec.europa.eu/system/files/2022-11/JRC128996_Monetary%20compensation%20schemes%20during%20the%20COVID-19%20pandemic.pdf

ADDITIONALITY OF SURE

1. The amounts disbursed, timing and maturity, standardisation of the loan agreements, and repayment conditions were adequate to the needs of Portugal.
2. SURE led to interest savings of around EUR 420 million, or about 6.8% of the total amount disbursed (EC estimates). This was considered one of the most important benefits of SURE by the Portuguese authorities. Regarding the term to maturity of the SURE loan, no significant advantage was identified when compared to the average term to maturity of government debt securities issued pre-pandemic.
3. While the volume of financing from other sources could have been similar, the advantageous conditions allowed Portugal to borrow more than would have been able to in the absence of SURE.
4. The most likely counterfactual scenario for Portugal is:
   - Middle (counterfactual – some SURE substituted): a scenario in which MS substituted some SURE funds but not all with funds from different sources.
   - Informal workers would have not been covered by the measures.
   - Self-employed workers would have not been covered to the same extent.
   - Other JRS and health measures would have been taken (might not have been so generous).
   - Other measures not financed by SURE would have not been implemented or the allocated amounts would have been lower.

EFFICENCY

EVIDENCE OF ANY UNINTENDED CONSEQUENCES

- No major negative consequences mentioned.
  - However, a few experts highlighted that maybe there were deadweight losses and a slowdown of reallocation towards new firms and industries following the structural shock of the pandemic.
- Positive:
  - Provided reassurance to Portugal on the measures to be adopted.
  - Shift of activities from informal to formal sector.
  - Improved relations/cooperation between ministries, governmental organisations and social partners.
  - Expedited the digitalisation and automation of processes in the Portuguese Social Security, leading to a transition to a more agile approach towards the development of solutions.
  - Increased awareness of the need to improve the communication of measures to the population.

COST AND EFFICIENCY CONSIDERATIONS

- The costs incurred by Portugal in negotiating guarantee/loan agreements and reporting were negligible.
- No challenges meeting reporting requirements.
- No information regarding the administrative cost of enlarging and enriching already existing SURE eligible schemes.
- Reporting burden was proportionate compared to benefits achieved/compared to other similar interventions.
- No opportunity cost of SURE eligible measures identified.

AUDIT AND CONTROL SYSTEM

- Data indicates a very low scale of error and fraud in Portugal according to reports issued by the Court of Auditors of Portugal.

COHERENCE

- Portugal designed a comprehensive package of measures in a coherent manner to the extent possible considering the constantly changing situation and the unprecedented nature of the crisis.
- The measures financed by SURE were fully complementary with other national initiatives.

ADDED VALUE OF SURE

- SURE exemplified a cohesive strategy adopted by EU Member States in response to a common, external shock in the form of the COVID-19 pandemic.
- SURE conveyed a message of EU solidarity and demonstrated the efficacy of risk-sharing, thereby bolstering the EU’s stability.
- SURE underscored the benefits of prompt, synchronised, and large-scale actions at the EU level, based on an innovative financial framework. This has laid the groundwork for the potential establishment of analogous (permanent) schemes in the future.

Conclusions and lessons learned

MAIN TAKEAWAYS

What could have been done better or differently?

At national level:

- Swifter implementation of measures at the onset of the crisis.
- Better coordination with Ministry of Health.
- Streamlining the package of measures and improving communication with the population at large and businesses could have alleviated confusion. The frequent changes and adaptations to the measures contributed to uncertainty.
- Conducting an ex-post evaluation of the impacts of the measures.

At EU level:

- Improving the visibility of the scheme among citizens and companies.
- Enhancing the dissemination of lessons learned among various Ministries of Labour (MoL), which could be achieved by establishing mechanisms such as a dedicated Working Group.
- Implementing more stringent requirements in terms of evaluation by the Member States of the impacts of the measures (and consequently collecting the necessary data for this purpose) is necessary.
- Having the scheme already in place could have reduced the time between the onset of the crisis and the reimbursement of the funds.

Methodological Annex

ACTIVITIES UNDERTAKEN

Consultation instruments

- 2 Targeted surveys (Ministry of Labour, Ministry of Finance)
- 11 Semi-structured interviews with (DG ECFIN – PT DESK, MoF, MoL, Social Security, Court of Auditors of Portugal, Institute for Employment and Vocational Training, Union confederation – CGTP, Employers Confederation - CIP)
- 5 Delphi survey experts (academics)

List of references and data sources

- European Commission (desks and reports), Eurostat, ECB
- Banco de Portugal (National bank of Portugal)
- Tribunal de Contas de Portugal (Court of Auditors of Portugal)
- Segurança Social (Social Security of Portugal)
- INE (Statistics Portugal)

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

Country case study
Spain
April 2024

AGENDA

Context

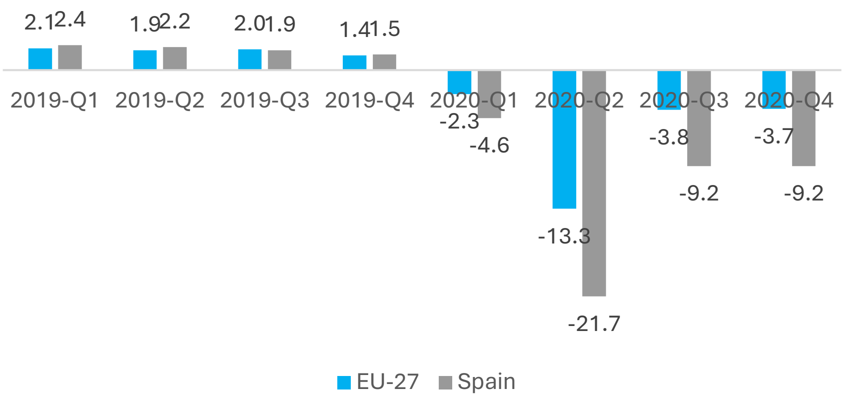
ECONOMIC SHOCK CAUSED BY COVID-19

A marked shock with significant repercussions for labour markets

- Spain suffered the largest contraction in GDP of all EU countries, with GDP contracting by 21.7% (y-o-y), while the annual growth rate of GDP in 2020 was -9.2%.
- In comparison, the cumulative drop in GDP during the Global Financial Crisis (GFC) was -8.9%.
- Total hours worked responded similarly to GDP. While the rise in unemployment was much smaller than during the GFC (+2.2pp vs + 18.6pp), this feature was commonly attributed to the use of short-time work schemes (STW).
- Nevertheless, nearly 1 million, mostly temporary, jobs were lost in March 2020.
- Spain experienced strong employment growth between 2014 and 2019, but at the onset of the pandemic employment was still 3.6% below, and unemployment 6.85pp above, their respective pre-GFC peaks in 2007.

Real GDP quarterly growth rate

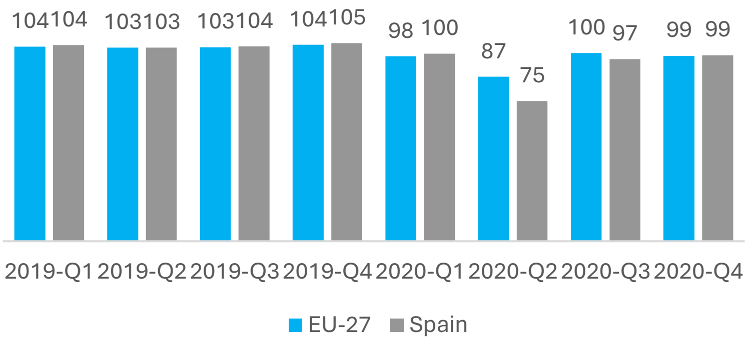
(Chain linked volumes, percentage change compared to same period in previous year)



Source: Eurostat

Index of total hours worked

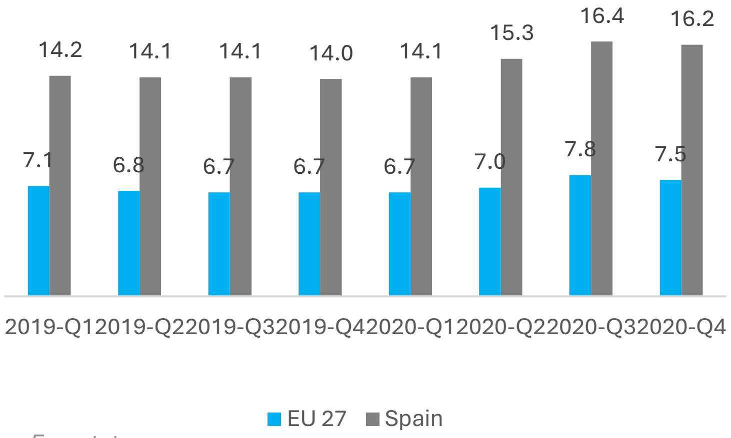
(2021=100)



Source: Eurostat

Quarterly unemployment rates

(% of labour force)



Source: Eurostat

ECONOMIC SHOCK CAUSED BY COVID-19

A marked shock with significant repercussions for labour markets

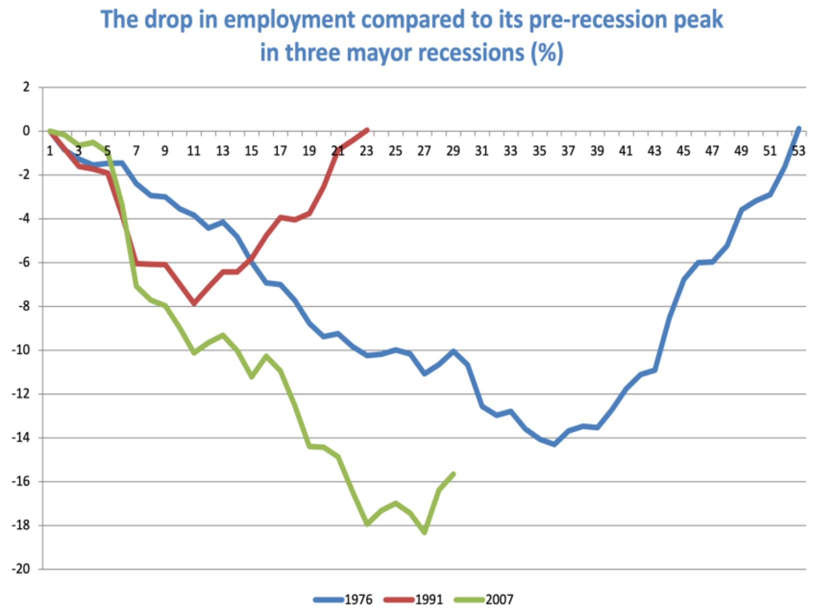
- The comparatively large decline in GDP is a reflection of Spain's **service-oriented economy**. The sectors most affected by lockdowns and travel restrictions, including retail trade and food and accommodation services, make up a larger proportion of its GDP and employment than in most EU countries.
- A significant share of the persistent drop in these activities was due to cross-border travel bans; tourism activities account for as much as 11.6% of Spanish GDP. The number of foreign tourists dropped by almost 80% in 2020 and did not fully recover until late 2022.
- In addition, the high cyclical volatility of the Spanish labour market is a structural problem. In past recessions, the unemployment rate reached levels above 20 per cent on three occasions. No other country tends to see more jobs lost per percentage point drop in GDP than Spain (e.g. IMF 2010). Most experts attribute this lack of resilience to the dual structure of employment protection and the resulting high proportion of temporary jobs.
- The far-reaching labour market reform of 2012 did not address this problem. Indeed, at the onset of the pandemic, the share of temporary jobs was 26.1%, the second-highest level in Europe.
- Finally, despite two reforms (2010, 2012) that aimed to promote their use, short-time work schemes (STWs) played a residual role before the pandemic. At the height of the GFC no more than 60,000 workers were included in an STW in any given month.

Source: Eurostat

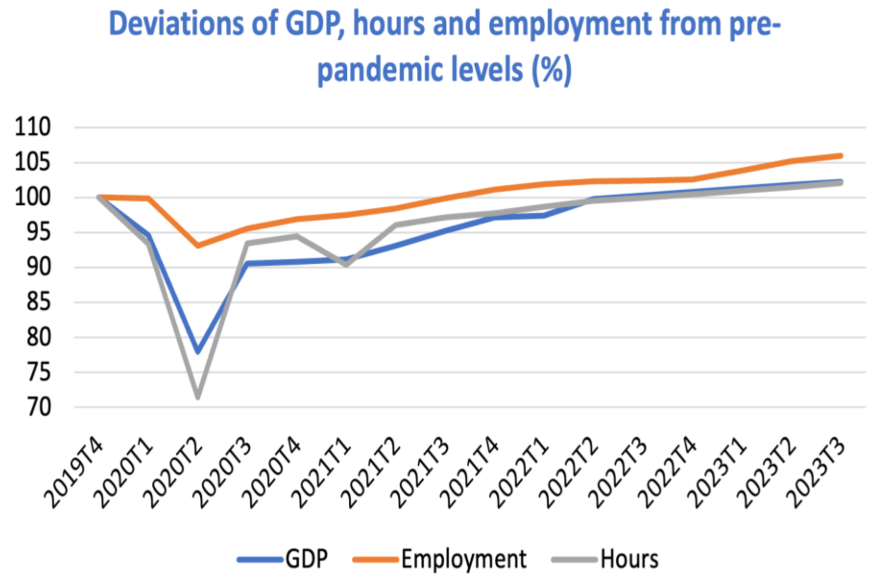
ECONOMIC SHOCK CAUSED BY COVID-19 RELATIVE TO PREVIOUS CRISES

UNPRECEDENTED RECOVERY OF EMPLOYMENT

- The Spanish economy recovered much quicker from the pandemic than from previous crises.
- This is the first time since the early 1980s that employment has fallen by less than GDP. Between Q4 of 2019 and Q4 of 2020, GDP and employment fell by 9.2% and 3.1%, respectively. By way of comparison, during the GFC, GDP fell by 8.9% while employment fell by 18%.
- The recovery followed an asymmetric-V pattern. Aggregate employment recovered its pre-pandemic level in Q4 of 2021, while GDP and aggregate hours completed the recovery of their pre-pandemic levels in Q3 of 2022, later than most EU countries.



Source: own elaboration using LFS (EPA) data, INE

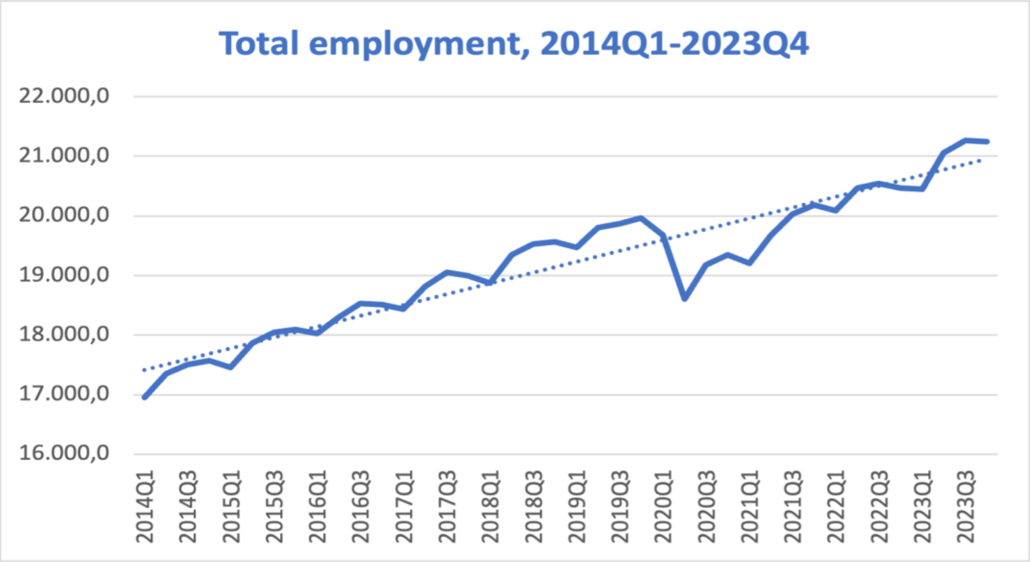


Source: own elaboration using LFS and quarterly national account data, INE

ECONOMIC SHOCK CAUSED BY COVID-19 RELATIVE TO PREVIOUS CRISES

STRONG POST-PANDEMIC GROWTH

- Spain experienced comparatively strong employment growth in the post-pandemic period.
- Currently, there is virtually no trace of the pandemic in Spain's employment figures. According to the latest data, employment is 6% above its pre-pandemic level in Q4 of 2019, an absolute historic record.
- However, employment growth clearly outpaced the growth in GDP and hours, as in many other European countries.



Source: own elaboration using LFS (EPA) data, INE

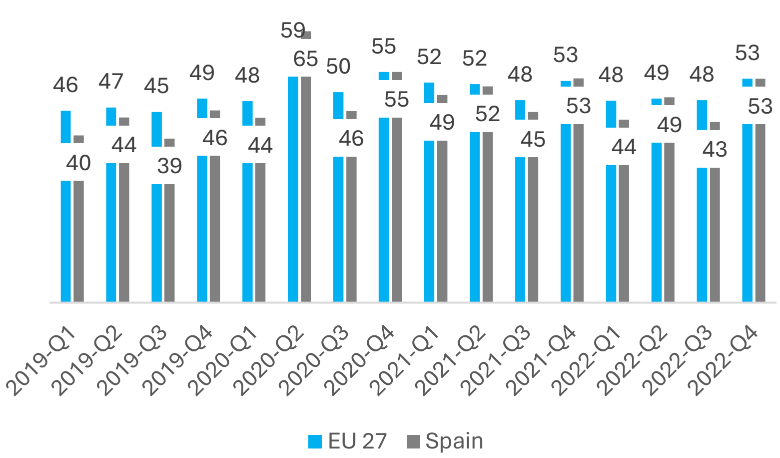
OVERALL FISCAL RESPONSE TO COVID (1)

UNPRECEDENTED FISCAL EFFORT

1. The pandemic led to a 27pp increase in the debt-to-GDP ratio between Q4 of 2019 and Q1 of 2021.
2. Besides job retention schemes, the emergency support included support to firms through guaranteed loans at favourable conditions. The so-called ICO loans addressed both liquidity and solvency problems. RDL-8 of March 2020 introduced liquidity support for up to EUR 100 billion. RDL25/2020 created a second line of guarantees to support and sustain investment for up to EUR 40 billion. The maturity of these loans was extended several times.
3. Direct subsidies to firms to cover fixed or non-labour costs of firms and to strengthen the solvency of firms were introduced later than in many other EU countries. RDL/5 of March 2021 introduced solvency support for a total of EUR 7 billion, with EUR 2 billion of this solvency support reserved for firms in the Balearic and Canary islands.

Total general government expenditure

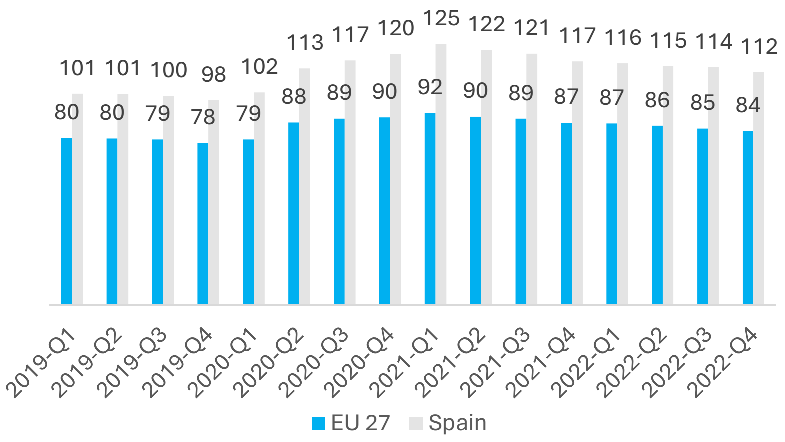
(% of GDP, quarterly unadjusted data)



Source: Eurostat

Government consolidated gross debt

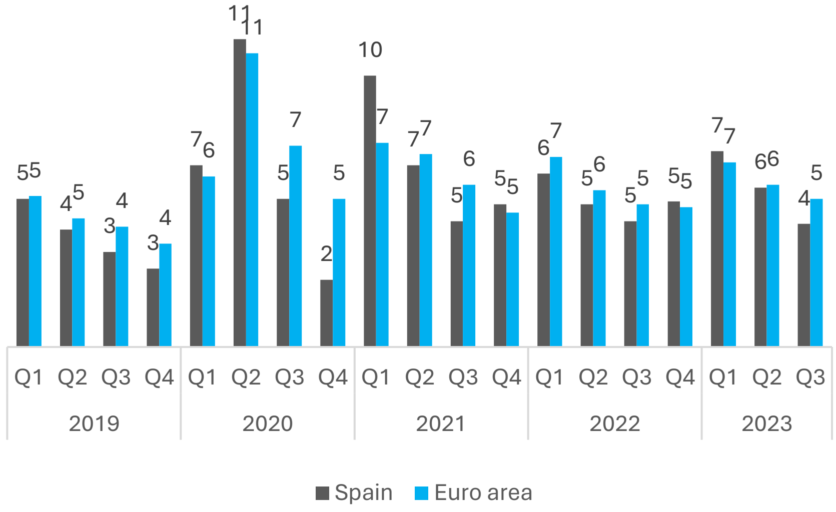
(% of GDP, quarterly data)



Source: Eurostat

Government debt securities - Issuances

(as a % of GDP)



Source: ECB

OVERALL FISCAL RESPONSE TO COVID (2)

COMPARATIVELY LOW LEVELS OF STATE AID

1. The 2022 Annual Report by Spain's Competition Authority (CNMC) offers a comparative analysis of the fiscal impact and State aid during COVID based on data extracted from the *State Aid Scoreboard* of the EC.

2. The report quantifies the total value of COVID-support measures during 2020 at EUR 53.17 billion (4.5% of GDP). In relative terms (% of GDP), this is the fourth-largest figure among the EU-27 plus the UK.

3. However, the corresponding figures for State aid are significantly lower. In 2020, regular State aid amounted to 1.46% of GDP. But only 34.7% of this State aid, equivalent to 0.51% of GDP, corresponded to COVID-measures. In relative terms, Spain ranks 22nd out of 28 countries (EU27 + UK) in this regard.

4. The comparatively large difference between the nominal amount of support and State aid reflects the reliance on guarantees rather than direct subsidies.

Source: Eurostat

EMPLOYMENT PROTECTION MEASURES

RDL8/2020 of March 17 introduced the main employment protection measures for salaried workers and self-employed persons. Specifically:

1. The measures extended the existing Short-Time Work Arrangements (*Expediente de Regulación Temporal de Empleo*) as regulated in Art. 47 of the Workers' Statute to cover all employees of firms that were either forced to interrupt their activity or suffered a severe contraction in turnover. The short-time work schemes included all contract types, including the so-called seasonal permanent workers.

2. The measures also included a novel benefit for self-employed workers building on the regulation of an existing benefit for the permanent cessation of activity. This so-called *prestación extraordinaria por cese involuntario de actividad para trabajadores autónomicos* (PECATA) covered all self-employed persons who were forced to interrupt their activities or who suffered a reduction of at least 75% in turnover compared to the average of the previous semester.

3. Both the STWs and the benefit for cessation of activity included generous social security rebates. For small firms, the measures initially covered 100% of their salary costs.

4. A specific sickness benefit for individuals with COVID-19 who had to remain at home (preventive confinement) or were unable to reach their work due to commuting restrictions was also introduced.

All four measures were financed under SURE and no other major employment protection measures were introduced during the pandemic.

SURE Implementation

TIMELINE OF KEY DEVELOPMENTS

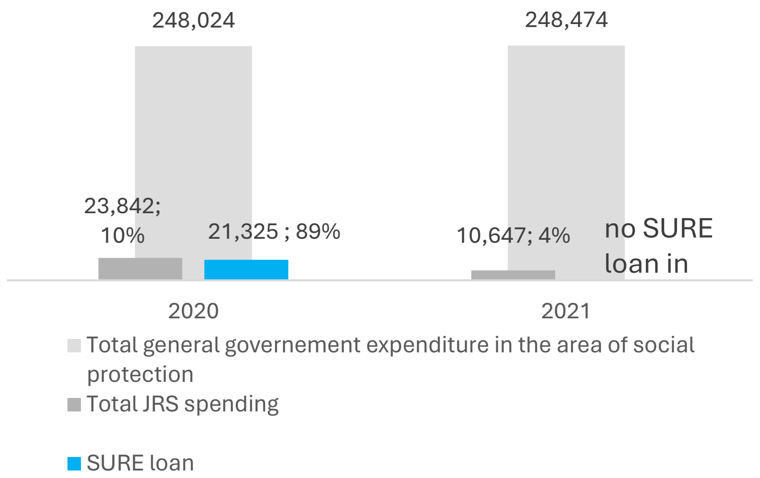
1. Announcement of lockdowns/first State of Alarm announced – 14 March 2020. RD 463/2020
2. Announcement of employment protection measures: new or enhancements – 17 March 2020. RDL 8/2020. Initial duration linked to duration of the State of Alarm.
3. Announcement of SURE - April 2020
4. Approval of SURE (EU level) - May 2020
5. Final date of first State of Alarm - 21 June 2020
6. Request for SURE (Spain) – 3 August 2020
7. Approval of SURE (Spain) – 25 September 2020
8. Activation of SURE – September 2020 (Council Implementation Decision 2020/1347)
9. Second State of Alarm – 25 October 2020
10. Loan disbursements – First disbursement on 27 October 2020
11. Top-up requests – Not applicable
12. End of Second State of Alarm – 9 May 2021
13. Extensions of temporary STW and related schemes - Slide 216-217
    1. 12 May 2020: extension until 30 June 2020
    2. 26 June 2020: extension until 30 September 2020
    3. 29 September 2020: extension until 31 January 2021
    4. 12 January 2021: extension until 31 May 2021
    5. 27 May 2021: extension until 30 September 2021
    6. 28 September 2021: extension until 28 February 2022
14. End of temporary STW and related schemes/end of exceptional features for permanent schemes on 28 February 2022 (economic effects up to May)

SURE LOAN: KEY FIGURES

SURE loan amount	EUR 21.3 bn
Of which top up	-
SURE loan amount (disbursements) as a share of annual GDP	0.9% (2020) 0.9% (2021)* (no disbursement in 2022)
SURE loan amount used for labour market measures	100%
Years in which SURE loan was used *(note: SURE loan disbursements in 2021 were used to finance 2020 expenditures)*	2020
Total JRS spending: 2020-2022	EUR 37.8 bn
Of which ESIF	*EUR 2.7 bn*
Share of total JRS spending financed by ESIF	*7%*
Share of total JRS spending financed by SURE loan	60%

SURE loan vs JRS spending and public spending in the area of social protection

(by year, in EUR million)



Source: ICF based on MS SURE reporting, LMP database and Eurostat

2022 not represented (break in series for JRS spending data and no data on public spending in the area of social protection)

MEASURES FINANCED BY SURE

Council Implementation Decision 2020/1347 of 25 September 2020 authorised Spain to finance six measures:

1. The short-time work scheme as provided for in Royal Decree Laws (RDL) 8/2020, 18/2020 and 24/2020.
2. The accompanying exemptions from social security contributions, restricted to STWs due to *force majeure*.
3. The extraordinary benefit due to 'cessation of activity' for the self-employed persons plus the accompanying social security contributions exemptions, as provided for in the same three RDLs.
4. The support scheme for permanent seasonal workers regulated in RDL15/2020.
5. The partial exemption of employers from payment of social security contributions to support "employment conservation in the tourism sector," regulated in RDLs 7/2020 and 25/2020.
6. Health benefits for workers absent due to COVID-19, as provided for in RDLs 6/2020, 13/2020 and 27/2020.

SURE eligible measures basic information

Measure type	Count of measures	Spending on SURE eligible measures (EUR Million)	Share of spending
STW	2	20,696	59%
similar - wage subsidy	1	316	1%
similar - self-empl	1	10,436	30%
similar - other	1	3,645	10%

Source: MS SURE reporting

COVID STWs

Relevance

The short-time work scheme (STW) was the main employment retention scheme implemented during the pandemic. In April 2020, it covered more than 3.5 million workers in Spain. The total amount requested and granted for this measure (between October 2020 and May 2021) absorbed 43% of the total envelope assigned to Spain. This number increases to 63% if one includes the authorised spending on the associated social security contribution exemptions (see below)

STWs have been a part of the labour code since the 1980s but, as mentioned previously, they had hardly played any role as a mechanism to mitigate the impact of recessions on employment prior to COVID, either because firms preferred alternative measures (mostly dismissals or non-renewals of fixed term and temporary contracts) or because of the need for deep structural change and sectoral reallocation of labour as during the GFC. Indeed, during the GFC the regulation of STWs was reformed on two occasions to foster their adoption, but to no avail. This contrasts with the enormous and rapid adoption of this mechanism during the pandemic.

Historical data on the use of STWs shows that the sum of partial and complete STWs active did not apply to more than 60,000 workers in any given month during the time period from 2001-2019.

Source: ICF based on MS SURE reporting and other sources

COVID STWs

Basic characteristics

An STW (*Expediente de Regulación Temporal de Empleo*) is a standard short-time work scheme. In Spain, it can involve either a reduction in working hours (partial) or the suspension of a contract (complete).

COVID measures

During the pandemic, the Spanish authorities made the entry conditions to avail of STWs more flexible. In addition, they strengthened the associated protection of firms and workers through the creation of a specific regime of STWs due to reasons of *force majeure* linked to COVID-19 (henceforth STWs FM). As a result, all workers included in an STW were entitled to a benefit and not just the ones who would qualify for regular unemployment benefits. The benefits are equal to 70% of their social security reference wage (*base de cotización*) with a maximum of EUR 1,098.09 per month, which may be increased to EUR 1,254.96 or EUR 1,411.83 per month, depending on the beneficiary's number of dependent children. In the case of a partial reduction in hours, the worker receives a benefit that is proportional to the reduction in hours. Finally, regarding an STW FM, the employers are entitled to a complete or partial exemption from social security contributions. The initial exemptions were set at a 100%-level for firms with less than 50 employees and 75% for firms with more than 50 employees.

Legal basis

STWs are regulated in Art. 47 of the Workers' Statute. In regular times, firms can activate an STW in case of a temporary reduction in personnel needs due to economic, technical, organisational or productive (ETOP) causes. Concerning an STW ETOP, the workers are entitled to a contributory unemployment benefit under the same conditions as registered unemployed persons. In exceptional circumstances (*force majeure*), the firm may be entitled to social security payment exemptions. **Real Decreto-Ley 8/2020** of 17 March 2020 introduced important temporary changes to this regulation to guarantee access to all firms and workers who were directly affected by the declaration of the State of Alarm on 14 March 2020.

Source: ICF based on MS SURE reporting and other sources

Basic regulation (I)

Main features of the COVID STWs

1) **STWs FM**: All contract suspensions or working time reductions that were a direct consequence of COVID-19 and the declaration of the State of Alarm were considered as arising from a situation of *force majeure* (FM).
2) **Worker protection** was strengthened in four areas: (1) Any employee who was included in an STW was entitled to an unemployment benefit, irrespective of whether he or she complied with the vesting period for regular UI benefits (2) Receipt of the benefit did not affect a person's future entitlements to regular unemployment benefits (3) The replacement rate was fixed at 70% throughout the pandemic; no drop to 50% after six months as in the case of regular UI benefits (4) Additional child benefits.
3) **Social security payments exemptions:** 100%-exemptions for firms with up to 50 employees and 75% for larger firms. This applied exclusively to STWs FM (the vast majority).
4) **Permanent seasonal workers:** The Royal Decree-Law 15 (April 21) extended the protection of workers by including individuals with a permanent seasonal contract who were inactive when the State of Alarm was declared.

Basic regulation (II)

5) **Coverage:** All firms whose activities were directly affected by the pandemic or the declaration of the State of Alarm could apply for an STW FM, with the exception of so-called 'essential activities' (healthcare, supermarkets, distribution). The causes that are explicitly mentioned in RDL8/2020 include "temporary closure of public premises, restrictions on public transport and, in general, on the mobility of persons and/or goods, lack of supplies that seriously impede the continuation of the ordinary course of business, or in urgent and extraordinary situations due to the contagion of the workforce or the adoption of preventive isolation measures decreed by the health authority, which are duly accredited". For those firms who could not apply for an STW FM, the authorities simplified access to regular STWs ETOP.
6) **Duration:** The initial regulation linked the duration of the STWs COVID to the duration of the State of Alarm (Art. 3 RDL 9). RDL 18/2020 (May 12) removed this link by extending the regulation to 30 June 2020. Five further renewals subsequently extended the COVID regulation to 26 February 2022.
7) **Salary costs:** Firms were not obliged to top up the benefit payments to their employees on STW. For small firms, this implied that an STW FM covered the entire wage costs during the initial months of the pandemic.
8) **Approval:** By Law, STWs FM were subject to administrative approval by the (regional or national) labour authorities. RDL8 stipulated a maximum time limit of five days. If no reply was received by that time, the application was deemed accepted (*silencio administrativo positivo*). However, this acceptance was subject to subsequent verifications by SEPE (benefits) and TGSS (social security payments exemptions). Furthermore, all firms had to include a sworn declaration (*declaración jurada)* in their application package, thereby authorising the authorities to reclaim any unwarranted benefits. To simplify procedures, the firms filed a single request for benefits on behalf of all their employees.
9) **Payments:** The benefits were paid directly by SEPE to employees.

Source: ICF based on MS SURE reporting and other sources

ADDITIONAL MEASURES AND RULES (I)

From a comparative perspective, Spain's regulation imposed very stringent restrictions on firms. The stated objectives were to avoid an inadequate use of government subsidies, but there may have been a tradeoff between the stringent nature of the legislation and take-up. In some cases, the sanctions obliged firms to return the total amount of subsidies received during the pandemic. The most important restrictions were the following:

1) A prohibition to lay off any employee on an STW.
2) A prohibition to recruit additional staff while some or all employees were on an STW.
3) A ban on overtime work while part of the staff was still on an STW.
4) A prohibition to pay dividends to shareholders. Firms that did so and firms with subsidiaries in tax havens were excluded from STWs.
5) A compromise to continue the employment of all employees until six months after the end of an STW, defined as the date at which the first employee resumed work.
6) A general ban on fair dismissals for economic motives related to the pandemic affected all firms, irrespective of whether they initiated an STW or not.

Source: ICF based on MS SURE reporting and other sources

ADDITIONAL MEASURES AND RULES (II)

The original design of the regulation of the STWs COVID was based on the presumption that restrictions would be in place for a short period of time. As the pandemic evolved and the need for support became more persistent than expected, the authorities included new measures: 1) to incentivise firms to prompt the return of their employees as quickly as possible; 2) to foster the voluntary mobility of workers in firms with STWs to firms without STWs; 3) to stimulate the participation in training activities of the workers on STWs, either to increase their productivity at their current employer or to improve their chances to find an alternative job in case needed. The measures in 1) involved differentiation in the generosity of social security contributions exemptions (see below). Regarding 2) and 3), the most relevant measures were:

1. **Compatibility between benefits and paid work:** Starting in October 2020, the authorities allowed for compatibility between the benefit associated with STW and the earnings from a part-time work at a different firm with no workers on STW. Until then, an individual's benefit was reduced in proportion to the time worked at a different firm. This measure was introduced to promote the *voluntary* mobility of workers from firms that may have needed to downsize to firms with a need for additional staff. This measure partially offset the fact that the entitlement to benefits was not conditional on an active job search, as is the case for regular unemployment benefits.
2. **Training:** The pre-COVID regulation did not include any requirement or stimulus for investments in training, re-skilling or upskilling of the workers on STW. To foster the productive use of time not worked, the Government introduced two measures. First, the workers on STW were granted priority access to training programmes of the national public employment services SEPE. Second, from October 2021 onwards, firms received more generous social security contribution exemptions if their workers engaged in training activities. One of the aims was to foster digitalisation.

Source: ICF based on MS SURE reporting and other sources

Extensions

Decree (date)	Expiration date	Main changes
18/2020 (May 12)	June 30, 2020	• Firms receive more generous exemptions for the workers who return to work than those who continue on STW. For both categories, the exemptions are less generous than the ones granted to firms without active employees.
24/2020 (June 26)	September 30, 2020	• Gradual reduction in the generosity of the exemptions for firms without active employees. • Strong incentives for workers returning to work. The exemptions gradually became more generous for firms with active employees than those without; in addition, the Decree set out larger exemptions for active workers rather than for furloughed workers. • A procedure to transform STWs FM to STWs ETOP ahead of their planned expiration (suppressed in the subsequent Decree).
30/2020 (September 29)	January 31, 2021	• Automatic extension of existing STWs FM, but from October onwards the exemptions were limited to heavily affected sectors and firms in their value chains. • New types of STWs FM for impediment or limitations of activity due to new restrictions imposed by the health authorities. • Compatibility between benefits and part-time work at other firms not subject to restrictions. • All workers on STW obtain priority access to occupational training activities.
2/2021 (January 12)	May 31, 2021	• Automatic extension
11/2021 (May 27)	September 30, 2021	• Automatic extension
18/2021 (September 28)	February 28, 2022	• Firms with STWs FM created in March 2020 have to file a new application if they wish to continue • Training subsidies and more generous exemptions for furloughed workers who engage in training activity

Social security contribution exemptions

Basic characteristics and legal basis

This measure was inextricably linked to the STWs FM. Art. 47 ET provides the legal basis for stronger protection in the form of complete or partial social security contribution exemptions in case of *force majeur*. From October 2020 onwards, the authorities temporarily extended these provisions to the STWs FM that were converted into regular STWs ETOP.

Generosity

The initial exonerations covered 100% of the mandatory social security contributions of small firms with less than 50 employees and 75% of the social security contributions of the firms with 50 or more employees. The authorities maintained relatively generous exonerations in case of *force majeure* until the end of the pandemic, especially for firms that were forced to suspend or reduce their activities due to restrictions imposed by the authorities. For the rest of the firms, both the structure and the generosity of exoneration schemes changed on numerous occasions.

Frequent changes

While the initial exonerations only varied by firm size, the subsequent changes in the regulations introduced variations across sectors (based on incidence and persistence of the STWs), across firms within the same sector (depending on whether the firm had prompted some workers to return to work or not) and even between employees of the same firm (between active and furloughed employees). Table X summarises the evolution of the scheme of exonerations. It illustrates the considerable complexity of the rules. Importantly, firms with an STW FM initiated in March 2020 stopped receiving social security payment exemptions at the end of September unless the firm belonged to a subset of "ultra protected sectors" – these were sectors with a high incidence of STWs in March 2020 and a low percentage of workers who had returned to their jobs. Firms outside these sectors with close economic ties to firms in ultra-protected sectors could also apply for exonerations.

Table X: Social security contribution exemptions

RDL8/2020 March-April	RDL18/2020 May-June	RDL24/2020 July-September	RDL30/2020 October-January	RDL2/2001 February-May	RDL11/2021 June-September	RDL18/21 October-February
•**Small firms** •100% •**Big firms** •75%	•**No active workers** •**Small firms** •100% •**Big firms** •75% •**Some active workers** •**Small firms** •(A) 85-70% •(I) 60-45% •**Big firms** •(A) 60-45% •(I) 45-30%	•**EXISTING** •**No active workers** •**Small firms** •70-60-50% •**Big firms** •50-40-25% •**Some active workers** •**Small firms** •(A) 60% •(I) 35% •**Big firms** •(A) 40% •(I) 25% •**NEW** •**Small firms** •(A) 60% •(I) 80% •**Big firms** •(A) 40 •(I) 60	•**EXISTING** •**CNAE/value chain** •**Small firms** •85% •**Big firms** •75% •**NEW** •**Impediment** •**Small firms** •100% •**Big firms** •90% •**Limitations** •**Small firms** •100 – 80% •**Big firms** •90-70%	•**CNAE/value chain** •**Small firms** •85% •**Big firms** •75% •**Impediment** •**Small firms** •100% •**Big firms** •90% •**Limitations** •**Small firms** •100 – 80% •**Big firms** •90-70%	•**CNAE/value chain** •**Small firms** •(A) 95% •(I) 85,85,70% •**Big firms** •(A) 85% •(I) 75-75-60% •**Impediment** •**Small firms** •100% •**Big firms** •90% •**Limitations** •**Small firms** •85-75% •**Big firms** •75-65%	•**CNAE/value chain** •**No training** •<10: 50% •≥10: 40% •**Training** •80% •**Impediment** •**Small firms** •100% •**Big firms** •100% •**Limitations** •**No training** •<10: 50% •≥10: 40% •**Training** •80%

Source: Own elaboration. CNAE and value chain refer to the STWs in “ultra protected sectors” and activities in their value chains. Small firms refer to firms with less than 50 employees, while large firms refer to firms with at least 50 employees. (A) refers to workers who have been activated, while (I) refers to inactive workers who continue in STW.

Extraordinary benefit due to cessation of activity

Prestación extraordinaria por cese de actividad de trabajadores autónomos (PECATA)

Ad-hoc benefit for self-employed persons with or without personnel who had to interrupt their activity due to the declaration of the State of Alarm or whose turnover decreased by at least 75% compared to the average monthly turnover during the previous semester.* The benefit was set at either 70% of the individual's (self-determined) social security contribution income base or 70% of the minimum contribution base if the individual had not contributed sufficiently long to qualify for this benefit under normal circumstances. In addition, the beneficiaries were exempt from the payment of social security contributions. Although this extraordinary benefit was ended on 30 June 2020, the authorities introduced similar, albeit less generous, benefit schemes that were successively extended up to the end of February 2022. In most cases, the self-employed persons were partially exempt from social security contributions for another three months once they lost the entitlement to the benefit.

Relevance

This is the single most relevant measure for self-employed persons. In the period March-June 2020, approximately 1.5 million self-employed persons received this benefit. The total amount requested and granted for this measure amounted to EUR 6.2 billion and actual spending on this measure throughout the pandemic amounted to EUR 10.4 billion.

* For some specific activities a different reference period applies.

Extraordinary benefit due to cessation of activity

Existing regulation

The legal basis for the contributory benefit for cessation of activity was introduced in 2010 (Ley 32/2010), and its regulation was substantially reformed in 2015. The latter reform maintained its voluntary character and weakened the pre-requisites for the receipt of the benefit. The benefit is designed to protect the self-employed in case of involuntary cessation.

Real Decreto-Ley 8/2020

PECATA is regulated in Art. 17 of RDL 8/2020. Compared to the regular benefit for cessation of activity, PECATA has more flexible entry conditions and offers more generous benefits. In particular, no vesting period is required and the duration of the benefit is the same for all recipients. Another coincidence it shares with the regulation on the STWs is the extension of the benefit to seasonal self-employed persons, known under the acronym of PETECATA.

Further to the general social security regime for self-employed persons (RETA), the beneficiaries also include the self-employed in the specific regimes for agriculture (SETA) and maritime activities (RETM).

Extensions and renewals

Real Decreto-Ley 24 (26 June 2020)

i. Suspension of the extraordinary benefit (PECATA). Instead, this Decree granted access to the ordinary benefit for the cessation of activity to firms which suffered a reduction in turnover during the third quarter of 2020 of at least 75% compared to the same quarter in 2019 provided that their average monthly income during this period was lower than 1.75 times the statutory minimum wage. The replacement rate of this benefit, known under the acronym of POECATA, was 70% and the beneficiaries were exempt from payment of the primary social security contributions (*contingencias comunes*).

ii. Art. 10 extended the coverage of this benefit to the self-employed devoted to seasonal activities (PETECATA).

iii. End date: 30 September 2020.

Real-Decreto-Ley 30 (29 September 2020)

i. Reintroduced the extraordinary benefit for cessation for those who were forced to interrupt their activities due to restrictions imposed by the authorities. A replacement rate of 50% and 100%–exemption from social security contributions.

ii. Access to the same benefit during 4 months for those who suffered a 50% reduction in turnover in the fourth quarter of 2020 and whose income was lower than the statutory minimum wage.

iii. Extension until the end of January 2021 of the ordinary benefits generated under Art 9 of RDL/24.

Extensions and renewals

Real Decreto-Ley 2/2021

i. Extended the extraordinary benefit plus the benefit for seasonal workers under the same conditions up to 31 May 2021.

ii. Extraordinary benefit for those who did not meet the conditions for an ordinary benefit and who had a taxable income in the first quarter below that of the same quarter in 2020. This benefit was compatible with earnings from activities as a self-employed person up to the limit of 1.25 times the statutory minimum wage.

Further extensions of the extraordinary benefit:

Real Decreto-Ley 11/2021 - End date: 30 September 2021

Real Decreto-Ley 18/2021 - End date: 28 February 2022

The next Figure illustrates the evolution of the benefits during 2020.

Main types of benefits

March-June 2020

RDL8/2020

PECATA

Self-employed with or without entitlement to regular benefit CATA (Art. 17)

July-September 2020

RDL24/2020

POECATA

Self-employed entitled to CATA and who received PECATA (Art 9.1)

PETECATA

Seasonal self-employed (Art. 10)

October-January 2020

RDL30/2020

Extension POECATA

Self-employed entitled to CATA and who received POECATA (DA4)

POECATA II

Self-employed entitled to CATA who received PECATA but not POECATA (DA4)

PETECATA II

Art. 14

PECANE I*

Suspended activity due to mobility restrictions (Art. 14)

PECANE II*

Self-employed without entitlement to CATA or benefits regulated in Art 14 or DA4

Source: Reproduction of 'Esquema 2' on page 9 of Tribunal de Cuentas (2022)

* Programmes with economic effects until May 2022.

The acronym CATA refers to "cese de Actividad de trabajadores autónomos", or cessation of activity of self-employed workers

Recipients and mean benefits by type of benefit

Type of benefit	Total cost (EUR millons)	Recipients (person * months)	Mean Benefit (EUR)	Minimum Benefit (EUR)	Maximum Benefit (EUR)
PECATA	3,732.6	5,674,197	657.81	501.98	1,098.9
POECATA	414.9	415,930	997.63	501.98	1,098.9
PETECATA	3,5	5,557	629.52		
PECANE I & II	99,7	249,730	399.31	377.74	472.2
PETECATA II	1,2	1,427	827.82		
POECATA II + EXTENSION POECATA	653,0	609,825	1,070.75	501.98	1,098.9
Total	4,904.9	6,956,666			

Source: Reproduction of Table 3 in Tribunal de Cuentas (2022). The benefit figures exclude child allowances. With two or more children the maximum limit was EUR 1,411, except in PECANE I & II. The latter benefits were calculated on the basis of the mean social security reference base and exclude child allowances.

Evaluation findings

RELEVANCE OF SURE’s OVERALL DESIGN

Stakeholder feedback and own assessment of the following aspects of SURE:

- **An economic instrument with a clear social purpose:**
  - The pandemic threatened the stability of our economies. The common view of stakeholders is that the pandemic would have caused an unprecedented reduction in employment and destruction of firms without effective and large-scale support on the part of the authorities.
  - SURE addressed this need and is perceived as an essential instrument, at least with regard to the initial stages of the pandemic, particularly as it guaranteed that all Member States could deploy an adequate safety net, regardless of their fiscal position.
  - Most stakeholders referred to the contrast between the EU’s response during the pandemic and the austerity imposed during the GFC. While austerity is perceived as a factor that deepened and prolonged the economic impact of the GFC, SURE is seen as a useful instrument that contributed to the quick recovery of employment and is viewed as an important example of solidarity at the EU level.

RELEVANCE OF SURE's OVERALL DESIGN

Stakeholder feedback and own assessment of the following aspects of SURE:

- **Temporary nature of the instrument:**
  - Most stakeholders stressed the urgent need for the fast implementation of measures at an unprecedented scale. From this perspective, it was natural to opt for a temporary instrument. However, several stakeholders explicitly referred to the convenience of a permanent instrument even if they recognised the associated differences in views among EU Member States.
- **Low prescriptiveness (i.e., the lack of targeting for support e.g., to sectors/ groups etc.), broad eligibility criteria and no detailed design specification:**
  - This is perceived as a useful factor that allowed Member States to adapt their programmes to local needs and to optimise their design and/or limit the required legal changes given the existing labour market regulations.
- **EU approach (rather than inter-governmental approach):**
  - Among the stakeholders who were directly involved in the implementation of SURE, this is perceived as an aspect that facilitated the rather quick – by EU standards – implementation.

RELEVANCE OF SURE's OVERALL DESIGN

Stakeholder feedback and own assessment of the following aspects of SURE:

- **Innovative financial architecture based on common borrowing and a system of national guarantees:**
  - For years, the Spanish authorities have called for the creation of risk-free assets at the EU level and the (partial) mutualisation of debt. These measures also seem to have broad support among the population. Seen from this perspective, it is no surprise that the stakeholders unanimously valued the first large-scale joint emission of public debt.
  - The system of national guarantees is unknown to most stakeholders. But those who knew about its existence stressed the fact that it strengthens solidarity – as all Member States had to provide guarantees and not just the beneficiaries of SURE – but they also mentioned the fact that it contributed to delays in the implementation of SURE.
- **Sufficiency of financial envelope, absence of pre-defined national allocations, concentration limit of max 60% in 3 top MS:**
  - Given that SURE loans need to be repaid and involve little or no cost to non-beneficiaries (provided that all beneficiaries comply with the scheduled payments), some stakeholders would have preferred a needs-based approach. The latter would imply neither an ex ante limit nor predefined national allocations. Alternatively, again in their view, loans could have been assigned on the basis of objective indicators of the economic impact of the pandemic. By way of example, some of these stakeholders referred to the allocation mechanism used in NGEU.

RELEVANCE OF SURE FROM A COMPARATIVE PERSPECTIVE

Relevance of SURE with respect to ESM PCS programme:

- Once again this is an issue known to insiders only. Financial considerations seemed to have played little or no role in the decision not to draw on ESM PCS. Instead, reference was made to the fear of stigma effect associated with ESM loans as the main motive to opt for loans under SURE.
- In addition to the stigma effect, reference is made to its simplicity due to the "back-to-back" nature of the loans which facilitates the tasks of the Treasury.

Relevance of SURE vs other EU actions aimed at creating fiscal space:

- It is important to make a distinction between the ex ante and ex post relevance of SURE.
- Although the ECB had already implemented its Pandemic Emergency Purchase Programmes at the time when negotiations on SURE had started, there was considerable uncertainty about the fiscal implications of the pandemic and at least some concern about potential tensions on financial markets given the high financing need of virtually all Member States. SURE helped to secure the funding of roughly two-thirds of the spending on employment retention schemes, with associated cost savings in the form of lower interest payments (see below).
- But as far as the creation of fiscal space is concerned, the activation of the general escape clause of the SGP seemed more relevant as it *de facto* removed limits on the increase in fiscal spending during the pandemic.

Source: Eurostat

TEMPORAL RELEVANCE OF SURE SUPPORT FROM MS PERSPECTIVE

Why was SURE relevant and necessary from an MS perspective? Importance of SURE in easing fiscal or borrowing constraint in face of deep uncertainty, providing a backstop:

- From an ex ante perspective, SURE was key to securing the funding necessary to deploy the "social shield".
- Based on the experience during the GFC, there was a justified concern that the high debt-to-GDP ratio could act as an impediment for countries like Spain to deploy an equally generous or effective programme of public support as less-indebted Member States.
- Even if other measures, such as PEPP, effectively reduced debt service payments and relaxed the need for a backstop, the general perception is that SURE has had an impact on the duration and coverage of the measures implemented during the pandemic.

TEMPORAL RELEVANCE OF SURE SUPPORT FROM MS PERSPECTIVE

How did different pandemic waves affect the MS and timeliness of SURE support/speed at which financing was made available:

- The disbursements were poorly aligned with actual expenditure. Indeed, the first payments were received when the number of recipients of STWs had dropped by 90% compared to March 2020 levels. Furthermore, the disbursements were spread over an 18-month period while the planned and authorised expenditure on measures financed by SURE was restricted to 2020.
- However, the disbursements alleviated the need of the Treasury to issue debt during the second wave of the pandemic in which Spain reinstated some of the support programmes that it had interrupted during the summer of 2020. Furthermore, during the months between the approval of SURE and the disbursements, Spain's Treasury did not face any relevant difficulties to comply with its scheduled emission of debt.

Whether SURE remained relevant throughout the period of use – views on duration of support:

- The authorised expenditure on measures financed by SURE was concentrated in the period October 2020 – May 2021. Although SURE loans may have alleviated the financial burden of these measures in later months, no indication was found during the research for this document that the relevance of SURE persisted beyond the end date of authorised spending in May 2021.

DESIGN OF SURE SUPPORTED MEASURES

PAST EXPERIENCE

When analysing the design of the SURE supported measures, it is vital to take into account the differences in experience with short-time work schemes and support programmes for the self-employed.

STWs: Although STWs played no significant role in any of the economic crises since the 1980s, they have existed for decades. Furthermore, the regulation of the STWs was reformed on two occasions during the GFC to foster their use as an alternative to layoffs and, finally, in 2014 the authorities had activated an STW FM to protect the employees of a firm whose productive facilities had burned down. This experience proved useful in the design of the STWs FM.

Benefit due to cessation: The benefit due to cessation is a relatively new benefit, dating from 2010, with a regulation that was deemed too restrictive and complex by stakeholders despite attempts in 2015 to improve its regulation. A basic feature of the benefit is that it is meant to insure self-employed persons who have ceased their activities in an involuntary manner, having deregistered from their respective Social Security register. Some stakeholders therefore question whether this benefit programme should have served as the backbone of the support to the self-employed rather than a programme of direct subsidies proportional to the drop in income or turnover of the self-employed. Finally, it is worth mentioning that the management of this benefit was externalised to *mutuas* (non-profit employers' associations that collaborate with the Social Security Administration) prior to the pandemic.

COVERAGE

The broad definition of the eligibility conditions guaranteed that all firms and workers that were forced to either interrupt or substantially reduce their level of activity as a direct result of the pandemic or the restrictions imposed by the authorities were granted protection under the measures financed by SURE. In the first months, the measures offered protection to 3.5 million salaried workers, 1.5 million self-employed persons and around 500,000 firms. The coverage rates for salaried workers and the self-employed presented above show the adequacy of the initial coverage despite the stringent rules for firms who adhered to an STW. However, the data also show a steep drop in coverage rates from the end of the first State of Alarm.

Government representatives attribute this drop to the success of their policies to induce a fast reactivation of the economy once the main mobility restrictions were lifted and to avoid deadweight losses – support for jobs or the self-employed who would have survived without this support. While this argument has a sound economic basis, some stakeholders questioned the criteria that linked access to social security exemptions in ongoing STWs to a sectoral classification (CNAE/input-output linkages). The criteria were perceived as somewhat arbitrary by some stakeholders and difficult to predict.

Nonetheless, overall, there was a general consensus that the measures reached the right persons and firms and most stakeholders explicitly recognised the effort of the authorities to adapt the measures and extend the protection to collectives that were not included among the recipients in March 2020 or that lost entitlement to the benefits without an alternative source of income. Some examples include the permanent seasonal workers, the seasonal self-employed and the temporary workers whose contract ended and who were not entitled to regular unemployment benefits. The only exemption were persons in irregular jobs, including many women employed irregularly as domestic staff, as the main measures financed by SURE were conditional on social security affiliation.

DESIGN OF SURE SUPPORTED MEASURES

Duration: The short duration of the initial support measures is one of the key features that distinguishes Spain from many other EU countries. The initial regulation linked the support measures to the duration of the State of Alarm, forcing the authorities to conduct a bi-weekly renewal. The link with the State of Alarm was removed in May, but even in the subsequent period the measures were renewed for relatively short time periods, typically three months. This feature exposed firms to a considerable degree of uncertainty regarding the conditions as well as future access to support, the reason being that the renewals were announced only days or hours before the expiration of the existing measures and frequently involved substantial changes.

The authorities acknowledge the late and frequent renewals. In their defence, they point to the convenience of periodic renewals as it permitted the authorities to adapt the measures to the continuously changing health conditions, focus the support on the sectors exposed to limitations while incentivising the rest of the firms to take on their furloughed workers as soon as possible.

No further need for the SURE supported measures existed when they were finally suppressed in February 2022.

Generosity: The benefit levels were equal to the prevailing ones for regular, contributory benefits (both unemployment benefits and the benefit for cessation).

In the case of STWs, no concerns were expressed about the benefit level. Indeed, it is worth stressing that the actual replacement rate was substantially lower than 70% for workers who earned more than the medium wage given that the maximum benefit was set close to EUR 1,100 for persons without children. However, the same was true for regular UI benefits, and these individuals typically had other means and assets to sustain consumption and supplement the unemployment benefit.

On the contrary, in the case of the self-employed, some stakeholders referred to the relatively low level of benefits. As explained above, the reason that the average benefit of the self-employed was lower than the one of the workers on STW is that many self-employed pay minimum social security contributions. The other more substantive argument is that the benefit is unrelated to the actual income loss of the self-employed person. The latter would have required a direct subsidy scheme proportional to the drop in income or turnover of the self-employed person.

DESIGN OF SURE SUPPORTED MEASURES

Activation Conditions

The initial activation conditions were lenient, as reflected in the large-scale take-up of support within weeks of the declaration of the State of Alarm. Nonetheless, in the case of the benefit due to cessation, the activation conditions generated considerable problems due to missing reference incomes for recent entrants and in activities in which tax obligations were determined by objective estimates (módulos) instead of actual turnover figures.

No activation requirements were imposed on benefit recipients as the objective of the benefits was to preserve existing employment. Nonetheless, from the summer onwards, the authorities tried to stimulate the voluntary mobility of workers by making the benefits compatible with part-time work at firms without STWs. This measure was introduced after repeated calls from experts.

Employer co-payments

For firms subject to restrictions, the benefits covered nearly the entire salary costs of small firms (less than 50 employees) and even for larger firms the co-payments were small. On the contrary, in ongoing STWs, the generosity of the social security exemptions was gradually phased out between May and September 2020 except for the firms in 'ultra protected' sectors. The gradual increase in co-payments was adequate as it helped to align the incentives of the firms with the objectives of the authorities and was not contested by stakeholders. However, employers' organisations repeatedly questioned the decision of the authorities to set more generous social security exemptions for workers who had returned to employment as opposed to those who continued on STW. This measure was introduced to accelerate the return to work of workers, but was perceived by employers' organisations as a penalty for firms in sectors in which the reactivation of activities still encountered considerable difficulties.

Training components

The prevailing regulation of STWs in March 2020 contained neither training obligations nor incentives for furloughed workers to engage in training activities. From the early summer of 2020, frequent calls were made on the authorities by independent experts to incorporate training incentives or obligations to foster a productive use of the hours not worked. The authorities responded with considerable delays to these requests. In the first instance, the workers on STW were included among the individuals with priority access to occupational training programmes (provided by the Public Employment Services). In a second, more ambitious step, the authorities stipulated a rise in the social security exoneration rates for firms who offered training activities to their furloughed employees. Moreover, a training subsidy was introduced to cover part of the cost of the training activities. While survey data indicates that a substantial share of furloughed workers engaged in training activities during the pandemic, there are no reliable figures (publicly available) that would allow one to assess the effectiveness of these measures.

DESIGN OF SURE SUPPORTED MEASURES

Ease of access - administrative simplicity

The rather cumbersome administrative procedures are an aspect that warrants improvement going forward. The main complaints were expressed by employers' organisations. A common complaint was that applicants were often required to provide documentation or information that was already known or in the hands of the authorities. This issue is particularly relevant as some of these documents/information were hard to obtain during the pandemic as contact with the social security administration and the public employment services was far from perfect during the pandemic – due to a lack of staff and the enormous workload associated with the record number of applications for benefits. These problems led to a practical collapse of the public employment services and thus to considerable delays in the payment of benefits. The pandemic was also a challenge for the social security administrations, though several stakeholders did praise the role played by the *mutuas* in the management of the benefits for the self-employed.

Speed of implementation

The basic support measures were announced only three days after the declaration of the State of Alarm and were put in place one day later. The need to design support measures at record speed came at the expense of efforts to coordinate these measures with the social partners. The social dialogue was activated during the negotiations on the third Decree, but from that moment onwards all renewals were based on tripartite agreements between the Government and the Social Partners.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Coverage of firms and workers (1)

Number of firms and workers via measures financed by SURE

	2020	2021	2022
Number of firms supported	512,355	201,593	28,799
Including SMEs	99%	90%	90%
Share of firms supported (with reference to total business population)	36%	14%	2%
Number of employees supported	4,204,895	1,583,506	212,959
Number of self-employed supported	1,500,000	458,357	111,331
Number of workers supported	5,704,895	2,041,863	324,290
Share of workers supported	28%	10%	1.6%

Source: MS reporting

Note: zero-employee firms are classified as self-employed. Firms with one or more employees are classified as firms

SURE loan was fully used in 2020. Spain continued to provide its SURE reporting in 2021 and 2022 as measures financed by SURE continued to be deployed. Numbers of supported firms / workers are presented here but do not contribute to SURE results for 2021 and 2022

1. The Table across shows that the support measures covered 36% of firms and 28% of Spanish workers during 2020. The figures presented also show that the support was concentrated in the second quarter of 2020. Moreover, the coverage rate of firms was higher and more persistent than that of workers.
2. Initially, the authorities encountered difficulties with reporting reliable figures. However, the figures reported here correspond to administrative records. These statistics are very reliable. Nonetheless, the audit process may still generate minor variations.
3. The high share of SMEs reflects the targeted support to self-employed. The drop in this share is probably due to the suppression of PECATA and its substitution by POECATA, with substantially lower coverage rates, as many self-employed persons with personnel lost access to this benefit.

The incidence of STWs

The Ministry of Social Inclusion, Social Security and Migration provides disaggregated data on the incidence of STWs extracted from administrative records of the *Tesorería General de la Seguridad Social*. Some series are only available from October 2020. The original data is available here.

A summary of this evidence is presented below. The list of Figures and Tables includes:

1. Total number of social security affiliates included in an STW, March 2020-March 2022
2. The share of total v partial STWs, March 2020-March 2022
3. The distribution by sector (CNAE-2009) of the workers on STW, in absolute numbers and as a percentage of the affiliates in each sector, March 2020-March 2022
4. The distribution by gender, March 2020-March 2022
5. The age profile of the beneficiaries (by gender and type of STW), October 2020
6. The distribution of STWs by type of contract
7. The distribution of STWs by type of STW, October 2020 onwards

Source: ICF based on MS SURE reporting and other sources

The evolution of the number of beneficiaries

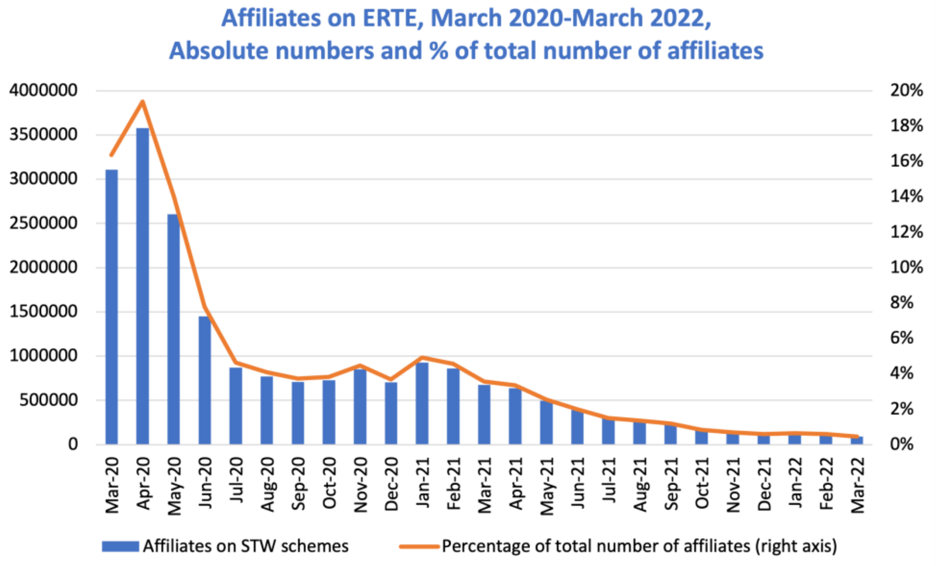
The figure on the top right shows the evolution of the number of affiliates on STW, in absolute numbers as well as in percentage terms of the total number of affiliates.

- The incidence of STWs peaked in April 2020 at nearly 3.6 million (19%)*
- By July 2020, the numbers had dropped below 900,000 (5%)
- Subsequent waves of COVID caused small peaks, but from May 2021 onwards, the incidence of STWs remained below 2%
- The number of affiliates on STW was slightly higher than the number of individuals included on STW due to individuals with multiple affiliations
- The total number of recipients of a benefit at any time during 2020 was equal to 4,121,965 according to the Court of Auditors (Tribunal de Cuentas, 2020). This number differs slightly from the numbers reported to Brussels (slide 231). This difference is, most likely, due to subsequent data revisions.
- The average monthly benefit in 2020 amounted to EUR 905,16. (Tribunal de Cuentas, 2022)

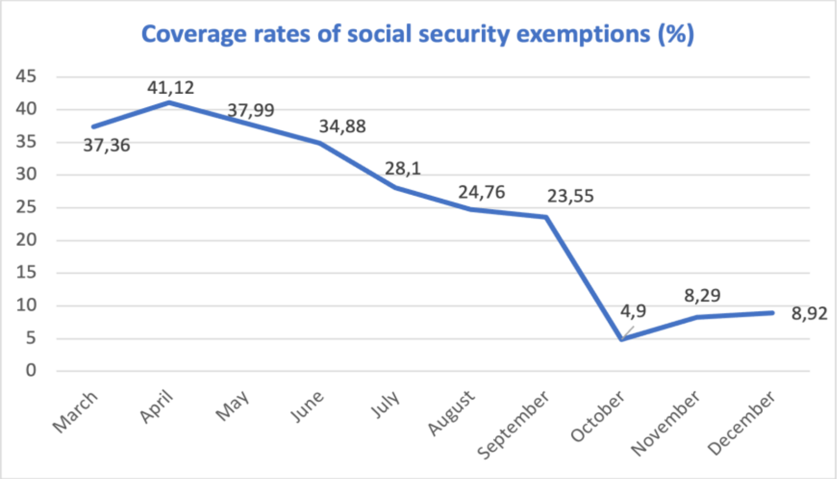
The figure on the bottom right shows the coverage rate of the social security exemptions associated with STWs. The figure details the share of establishments (formally *cuentas de cotización secundarias*) which benefitted from social security exonerations for furloughed employees.

- At the height of the pandemic, more than four out of ten establishments benefitted from social security exemptions. By the end of September, this share had dropped to 23.55%
- On average, each establishment received a monthly exoneration of EUR 1,729.88, equivalent to approximately 24.96% of their monthly social security contributions

* The reported coverage rates are based on the total number of affiliates. Tribunal de Cuentas (2020) offers the coverage rates during 2020 as a percentage of the number of potential beneficiaries. Under this alternative definition, the coverage rate reached a peak of 22.63%. The higher rate is explained because of the exclusion of the self-employed.



Source: Ministerio de Inclusión, Seguridad Social y Migraciones (MISSM)



Age and gender profile of benefit recipients

The regulation on STWs did not make any distinction on the basis of age or type of contract. However, the age profiling of those who benefitted from STWs is clearly skewed towards older workers.

Nearly 40% of the beneficiaries in October 2020 were over 50, while only 8.2% of the beneficiaries were below 30. By contrast, their respective average shares in the active population during 2020 was 31.5% and 15.3%, respectively.

The skew of the age profile is a reflection of the fact that STWs are particularly effective for workers on stable, permanent contracts. Older workers are much more likely to occupy such positions than young workers. Moreover, young workers have significantly lower employment rates than older workers.

The bottom figure set outs the distribution by contract type of the benefit recipients in March 2020. The initial share of recipients with a temporary contract was virtually identical to the overall share of temporary contracts in the last quarter of 2019.

However, the relationships with fixed-term workers could be ended at the scheduled date without any penalty incurring.

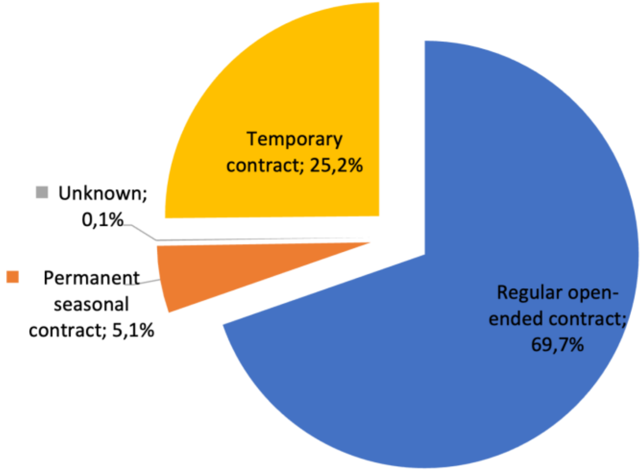
Overall, the gender differences are small at best, as shown in the bottom-right figure. The share of female benefit recipients was close to 50%. Given the lower employment rate of women, this indicates a somewhat higher incidence of STWs among women.

Source: Ministry of Social Inclusion, Social Security and Migration

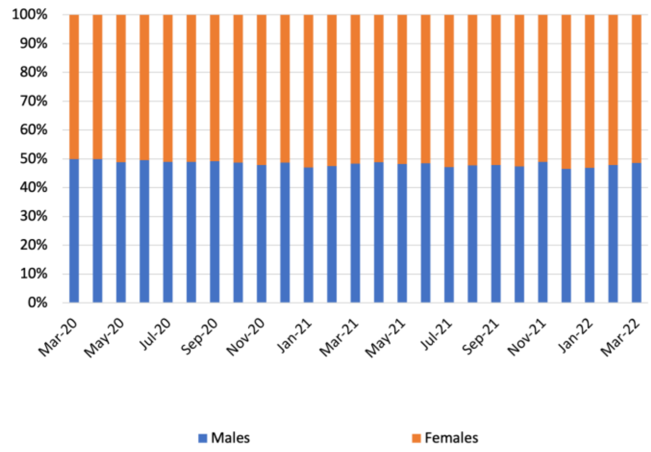
Affiliates on ERTEs linked to COVID-19 by gender and age. Total v partial suspension

Age	TOTAL			Total suspension			Partial suspension		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
TOTAL	**86,786**	**78,082**	**164,868**	**57,306**	**51,468**	**108,774**	**29,480**	**26,614**	**56,094**
Below 24	1,756	1,970	3,726	1,351	1,497	2,848	405	473	878
25-29	5,084	4,700	9,784	3,506	3,231	6,737	1,578	1,469	3,047
30-34	8,092	6,894	14,986	5,366	4,577	9,943	2,726	2,317	5,043
35-39	11,402	8,629	20,031	7,670	5,675	13,345	3,732	2,954	6,686
40-44	14,581	11,403	25,984	9,541	7,427	16,968	5,040	3,976	9,016
45-49	14,789	12,582	27,371	9,328	7,981	17,309	5,461	4,601	10,062
50-54	12,744	11,735	24,479	8,092	7,405	15,497	4,652	4,330	8,982
55-59	10,034	10,942	20,976	6,494	7,069	13,563	3,540	3,873	7,413
60-64	7,035	8,212	15,247	4,944	5,810	10,754	2,091	2,402	4,493
65 or above	1,269	1,015	2,284	1,014	796	1,810	255	219	474

The distribution of STWs by type of contract



The distribution by gender of the affiliates on STW



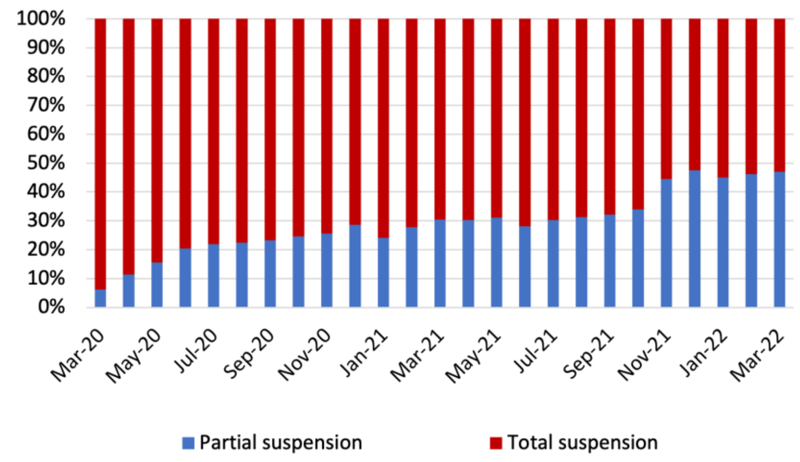
Types of STWs

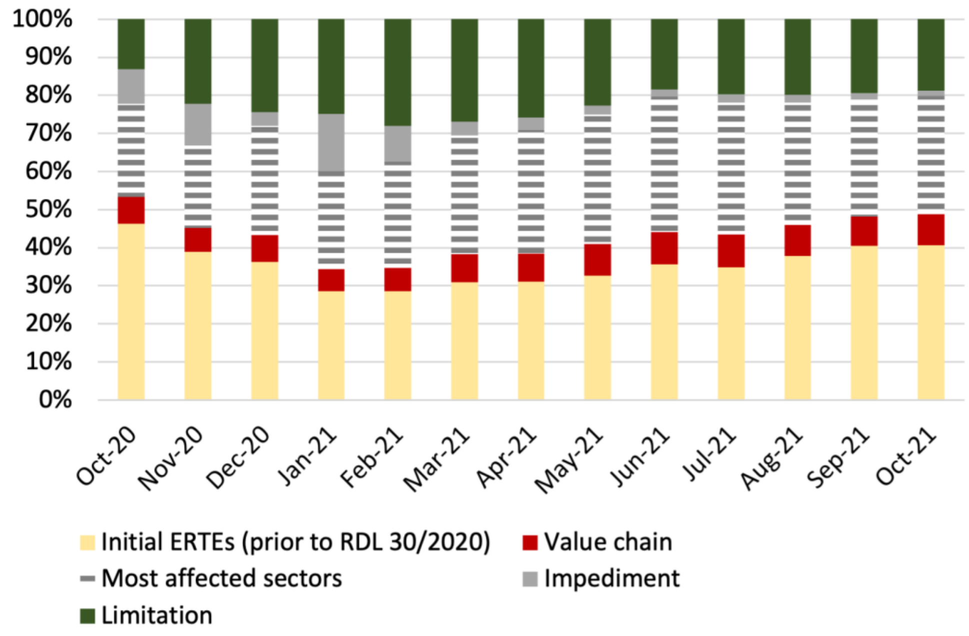
The vast majority of the individuals included in an STW were suspended from employment and worked zero hours. The share of partial STWs (hour reduction) increased during the pandemic, but they remained a minority until the measures expired in March 2022

- From the viewpoint of risk sharing, partial STWs are preferable to contract suspensions as they have an equalising effect on the hours worked by employees of the same firm.
- The authorities introduced measures to foster working time reductions rather than contract suspensions, but it is not possible to determine their impact on the changes in the relative weight of partial and complete working time reductions. The share of partial reductions may simply reflect the gradual recovery of economic activity.

The bottom figure shows the distribution of types of STWs from October 2020 onwards

- The figure reveals that the STWs FM created in March 2020 continued to account for a substantial share of ongoing STWs until late 2021. The yellow bars represent those without social security contribution exemptions, while the red and the striped bars represent those in which the employers continued to receive support in the form of lower social security contributions.
- The remaining two bars represent the new types of STWs available from October onwards to protect the firms that were subject to newly imposed restrictions.



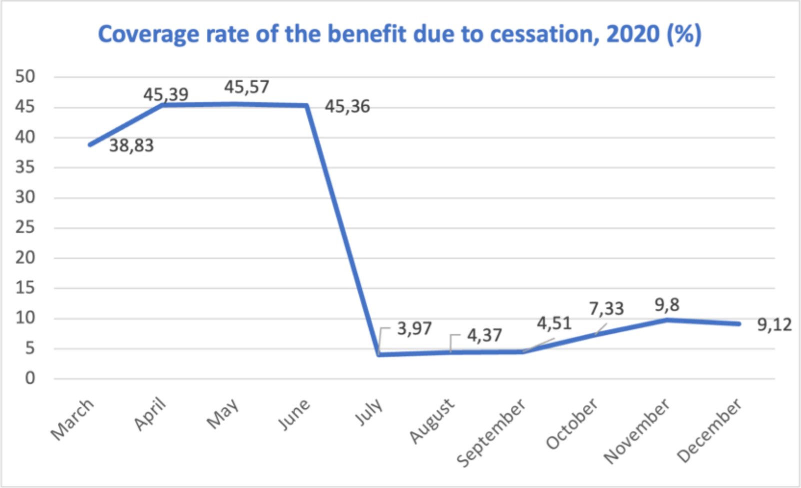


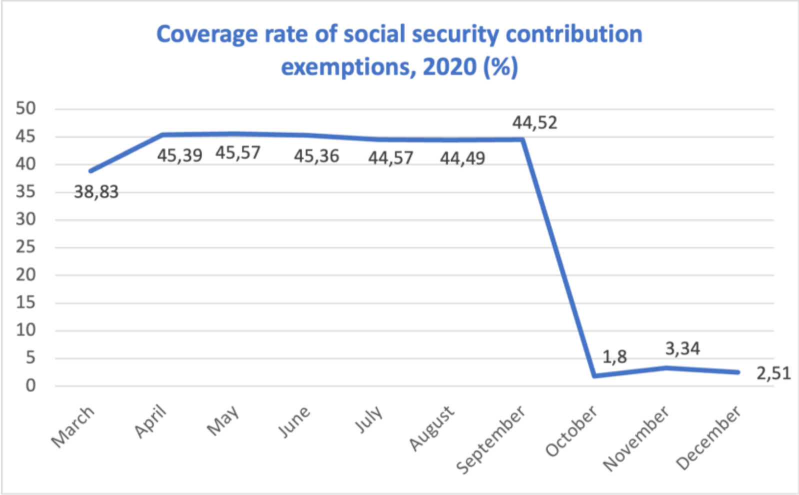
Source: Ministerio de Inclusión, Seguridad Social y Migraciones (MISSM)

Coverage rates

The data on beneficiaries, benefit levels and coverage rates reveal several relevant facts:

1. The initial coverage of the benefit was around 45%, but dropped very fast at the end of June when the extraordinary benefit PECATA expired and was replaced by the regular benefit POECATA.
2. The relatively high coverage rates for social security contribution exemptions (bottom figure) lasted three additional months given that recipients of PECATA were entitled to a three-month extension, irrespective of whether they qualified for a new benefit during the third quarter of 2020.
3. The peaks in contagion during the second State of Alarm only generated a very mild increase in benefit take-up.
4. The modest value of the mean benefits (previous slide) is explained by the fact that many self-employed persons voluntarily chose to pay minimum social security contributions prior to the pandemic. Indeed, the replacement rate of 70% stipulated for PECATA and most of its successors was identical to the replacement rate of UI benefits (regular and during STWs), but salaried workers did not have the freedom to choose their contribution rate.
5. It would not be correct to attribute the entire drop in the coverage rate at the end of June to the switch from PECATA (extraordinary benefits) to POECATA (regular benefits). The end of the first State of Alarm (21 June 2020) marked the end of the most severe mobility restrictions. As a result, many self-employed persons could at least partially resume their activities. Indeed, the re-establishment of an extraordinary benefit in October provoked at most a modest increase in the number of beneficiaries.





Source: Tribunal de Cuentas (2022)

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Sectoral coverage STWs (1)

The incidence of STWs varied considerably across sectors and time. Key numbers at three different moments in time are set out opposite. The blue bar illustrates the maximum number of workers on STW at any time during the pandemic. The two remaining bars report the incidence in December 2020 and December 2021.

In **absolute terms**, the three most affected sectors in 2020 were:

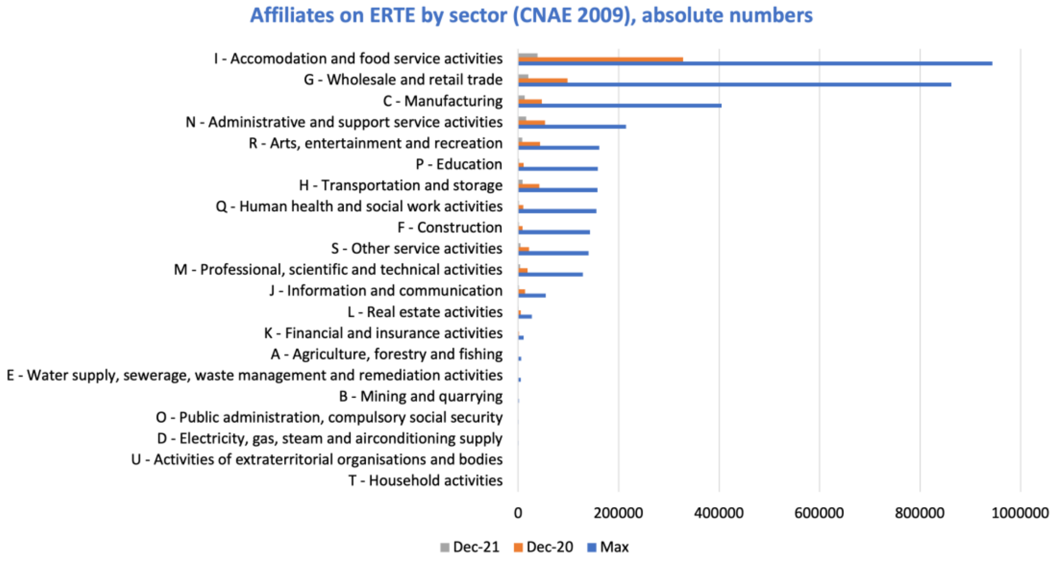
1. Accommodation and food service activities
2. Wholesale and retail trade
3. Manufacturing

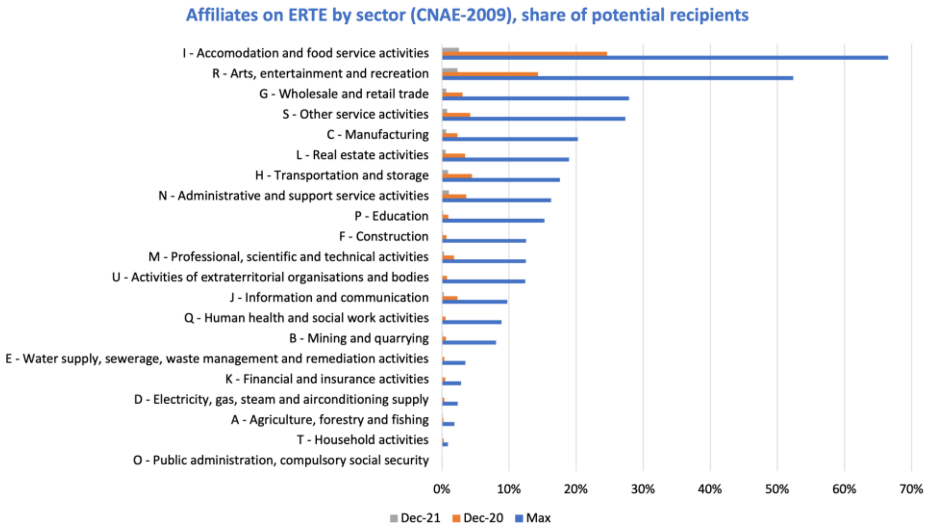
In **relative terms (as % of potential recipients)** the ranking was:

1. Accommodation and food service activities
2. Arts, entertainment and recreation
3. Wholesale and retail trade

The ranking was relatively stable during the first year. In December 2020, 'Accommodation and food service activities' was the only sector with an incidence rate above 20%.

Source: Own elaboration using data on STW and social security affiliates of the Ministerio de Inclusión, Seguridad Social y Migraciones (MISSM)





OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES:
Sectoral coverage benefits self-employed (1)

PECATA (March-June 2020) was by far the programme with the highest number of beneficiaries. The approximately 1.5 million recipients were distributed equally between self-employed persons that reduced their activity and those who suspended their activity. Under its successor, the regular benefit programme POECATA **(July-September 2020)**, the number of recipients dropped by almost 90% to 160,000. Finally, the number of recipients picked up again in the third quarter of 2020.

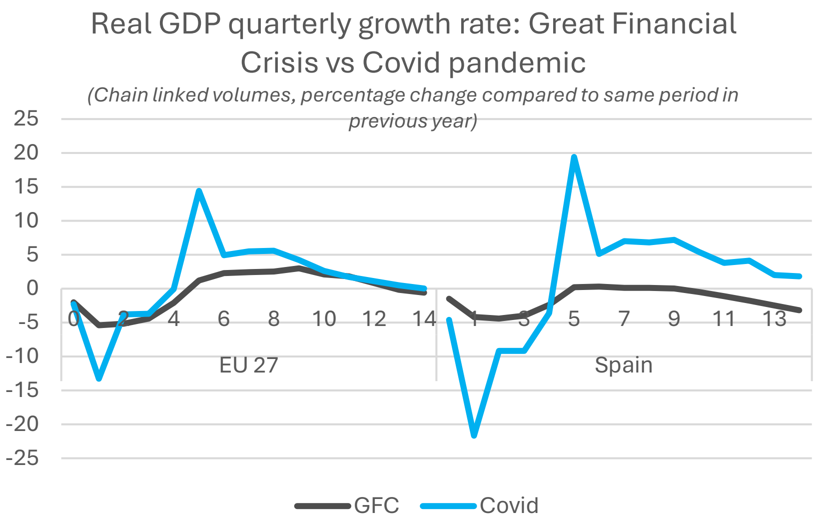
In absolute terms (last column), the three most affected sectors were: 1) Wholesale and retail trade 2) Accommodation and food service activities and 3) Construction

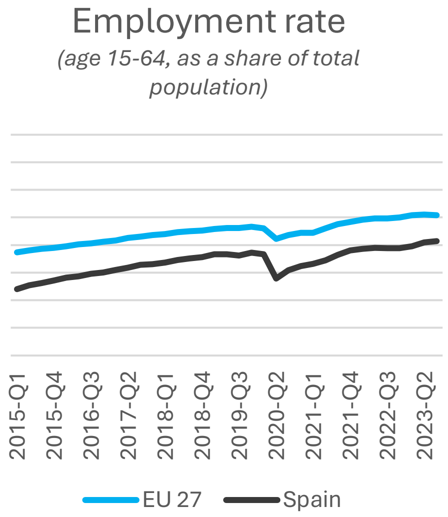
	(1)	(1)	(2)	(2)	(3)	(3)	(3)	(3)	
	PECATA	PECATA							
CNAE	Reduction	Suspension	POECATA	PETECATA	POECATA Ibis + II	PECANE I	PECANA II	PETECATA II	Total
Agriculture, forestry and fishing	10.504	1.602	880	2	1.229	147	486	1	14.851
Mining and quarrying	276	54	29	0	31	1	16	0	407
Manufacturing	66.861	12.073	7.967	20	9.597	526	2.006	10	99.060
Electricity, gas, steam and airconditioning supply	235	48	19	0	53	6	3	0	364
Water supply, sewerage, waste management and remediation activities	440	75	36	0	46	0	13	0	610
Construction	149.509	18.898	10.970	17	14.426	369	4.049	15	198.253
Wholesale and retail trade	147.910	225.006	32.835	835	51.645	13.505	11.470	366	483.572
Transportation and storage	75.358	6.519	10.687	69	35.272	184	3.755	22	131.866
Accomodation and food service activities	10.943	259.151	21.763	410	51.234	115.397	8.336	230	467.464
Information and communication	15.854	3.729	3.200	12	3.324	160	1.225	9	27.513
Financial and insurance activities	6.837	1.734	1.029	5	1.154	39	443	4	11.245
Real estate activities	13.847	6.677	2.861	13	3.671	247	1.244	4	28.564
Professional, scientific and technical activities	75.187	14.302	14.082	35	14.840	461	4.920	31	123.858
Administrative and support service activities	32.486	17.945	12.855	135	15.172	668	3.618	61	82.940
Public administration, compulsory social security	362	165	60	0	74	10	48	0	719
Education	17.380	42.478	10.291	27	9.491	2.735	3.364	7	85.773
Human health and social work activities	49.408	25.186	4.675	12	4.999	432	1.743	14	86.469
Arts, entertainment and recreation	11.005	39.114	10.784	201	12.354	6.172	3.666	114	83.410
Other service activities	26.365	122.401	11.138	76	19.181	6.693	5.755	37	191.646
Household activities	76	20	9	0	19	3	4	0	131
Activities of extraterritorial organisations and bodies	104	54	36	0	39	3	15	0	251
Total	710.947	797.231	156.206	1.869	247.851	147.758	56.179	925	2.118.966

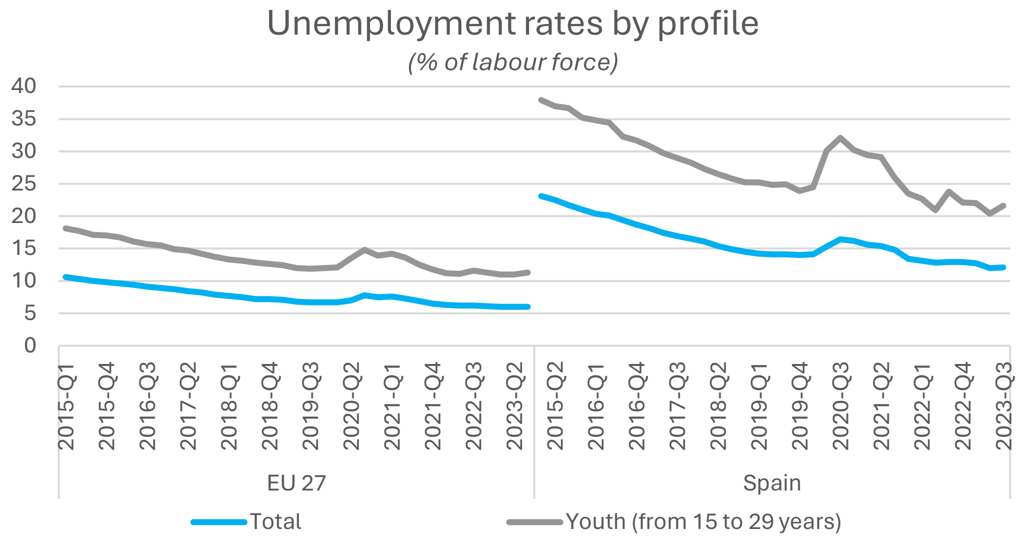
Source: Own elaboration based on data from Ministry of Inclusion, Social Security and Migrations. The reported numbers correspond to 2020, with the exception of PECANE I and II, which continued to have economic effects until May 2021. (1) March-June (2) July-September (3) October 2020-May 2021.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (1)

1. The comparison between Spain and the rest of the EU-27 shows the substantially stronger contraction of GDP in Spain during the pandemic. Spain’s post-pandemic growth of GDP outpaced mean growth in Europe, but cumulative growth since 2019 has remained below the EU average.
2. The comparatively strong reduction in GDP also shows up in the employment figures. As mentioned above, current employment levels are at a record high, while unemployment rates are at their lowest levels for 15 years (although still 4pp above their all-time low in 2007).
3. Closer inspection of the unemployment rates by age shows that youth unemployment rates increased substantially more than the rate for older workers. This high cyclical sensitivity is a structural weakness of Spain’s labour market. The excessive sensitivity of Spain’s youth unemployment is mainly driven by the high share of temporary jobs.

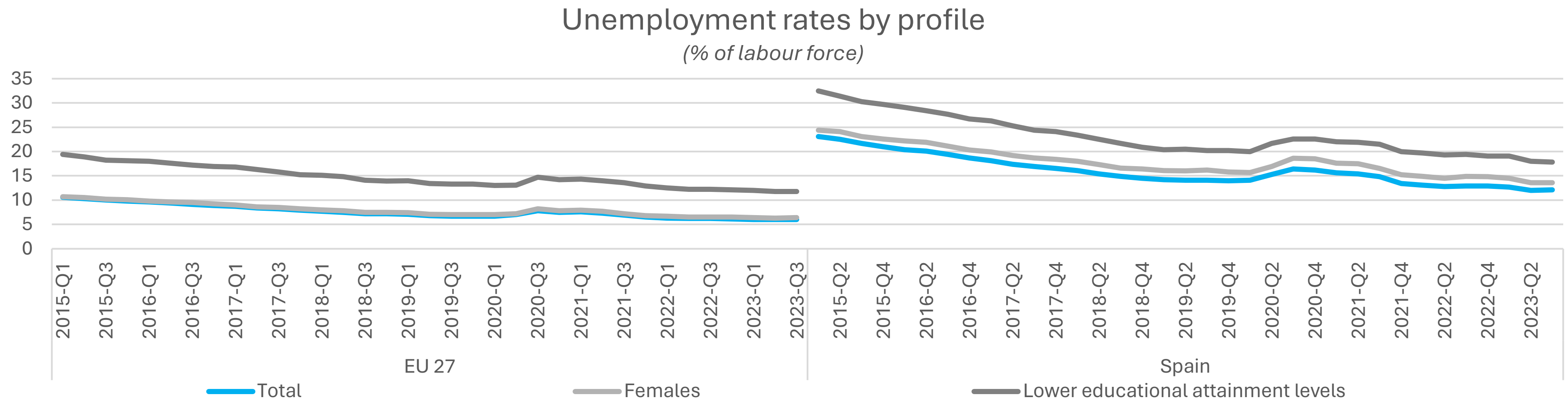






OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (1)

4. A second aspect that has been widely documented concerns the differential impact of the pandemic by gender (e.g. Gomez García et al. 2021; Farré et al. 2022)
   i. The drop in employment and hours as well as the rise in unemployment during the first quarters were more pronounced for women than from men.
   ii. From the last quarter of 2020 onwards, the pattern reversed but, with the exception of activity rates, the pandemic persistently increased the gender gap in employment and unemployment rates.
   iii. The stronger impact on women was largely driven by the over-representation of (low-educated) women in the most affected sectors.
   iv. In terms of unpaid work, the comparison is more unfavorable to women than in the case of paid work reflecting the unequal division of household tasks and childcare during the pandemic (Farré et al. 2022).
   v. Nonetheless, there seem to be no signs of permanent, structural issues due to this unfavorable impact on women.



OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (1)

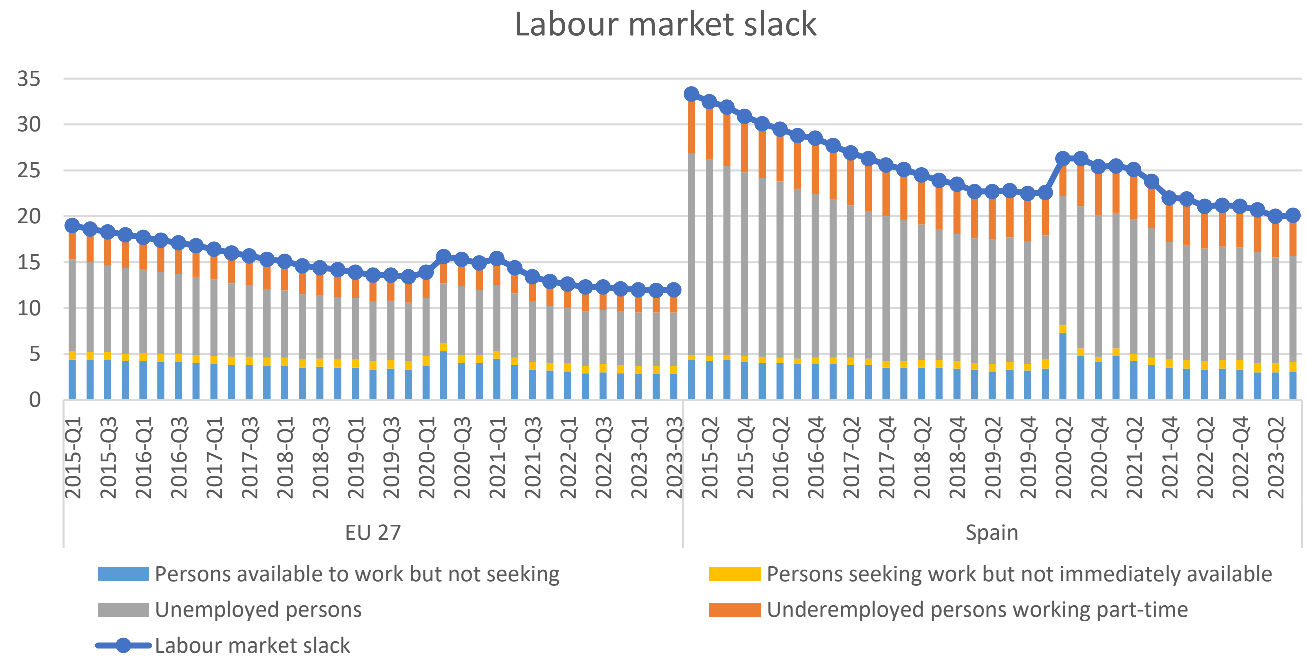
The best available evidence for the **causal impact** of job retention schemes on employment comes from a recent study by the OECD (Montenegro and Hijzen). The authors use linked employer-employee data concerning workers and STWs to estimate the impact of job retention schemes on the take-up rate – defined as the share of employees of an establishment that are included in an STW – as well as job retention and worker reallocation. To do so, the authors exploit the difference in terms of the benefits provided by the social security rebates around the 50-employee threshold. Following this, the authors developed a simple framework to calculate the associated general equilibrium effect, taking into account the fact that lower job retention would have generated a rise in unemployment and a drop in job finding rates due to *congestion externalities*. The main conclusions of this study were as follows:

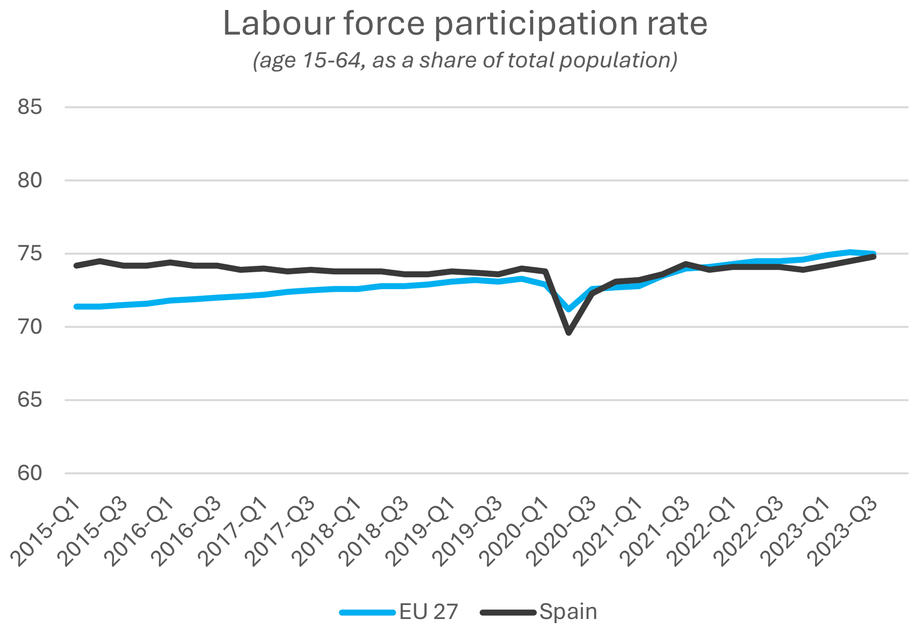
1. The additional benefits of the social security rebates on offer increased take-up by 3.8%. This represents a 38% increase compared to the average take-up by firms with more than 50 employees.
2. The increased benefits provided by the social security rebates generated an increase in the retention rate of 3.3 percentage points. The comparison between the impact on take-up and retention suggests that the *deadweight losses* were small.
3. The positive effects were concentrated in the take-up and retention of workers on open-ended contracts.
4. The authors found no effect of the difference in benefits on firm survival.
5. The authors found a modest negative effect of take-up on voluntary worker mobility, but those who did move went to more productive firms.
6. The general equilibrium analysis suggested that the large-scale use of STWs prevented large losses due to congestion effects. The estimates imply that, for each job included in an STW per month, the jobs of 2.2 workers per month were saved.
7. Taking these large general equilibrium effects into account, the STWs were highly cost-efficient (a net-gain of about EUR 2,000 per worker included in an STW. Without incorporating the general equilibrium effects, the STWs were estimated to have been more or less fiscally neutral.

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (1)

The only other paper that aims to assess the aggregate impact of STWs in Spain during COVID-19 is Diaz et al. (2023). Using a calibrated search and matching model with sector-specific shocks, the authors conclude that the STWs crowd-out voluntary labour hoarding of firms, increase the volatility of hours worked and GDP and slow the reallocation of workers away from the sectors that are most severely hit by the shocks.

The authors make a valid theoretical point – in the absence of STWs firms may be willing to hoard labour if they expect the contraction in their sector to be short-lived - , but their risk neutral setting seems to overestimate firms' willingness to engage in voluntary hoarding. Indeed, there does not seem to be any evidence of large-scale labour hoarding by US firms during the pandemic. High dismissal costs might have induced more voluntary hoarding in Spain, but this would probably have been restricted to workers with open-ended contracts as dismissal costs for temporary jobs were substantially lower at the time. Moreover, the identification procedure used in this study is less convincing than the one employed in the study of Montenegro and Hijzen.

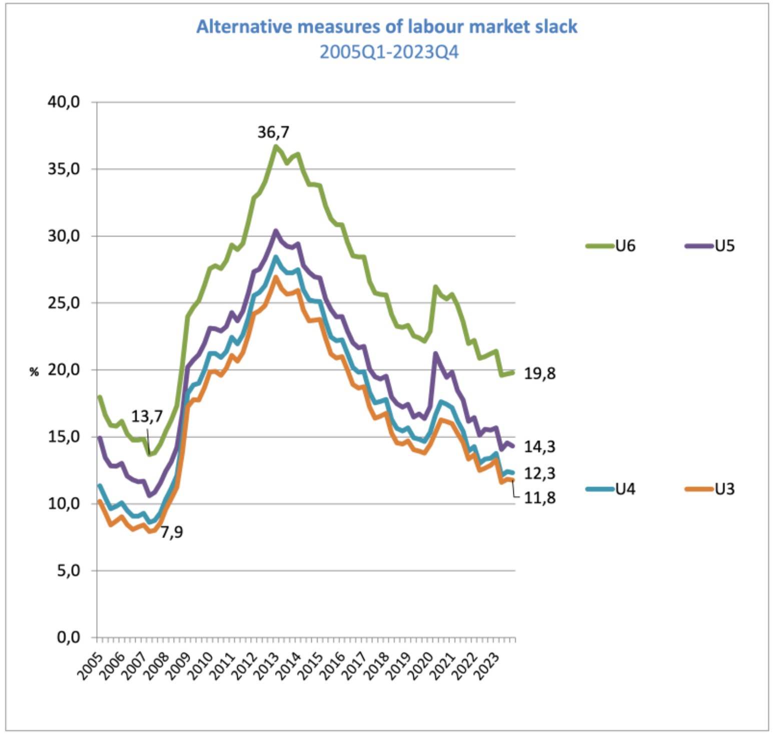




OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: Protecting jobs (2)

The unemployment rate is a poor indicator of labour market slack during the pandemic as many of the persons without a job were not actively looking for a job given the enormous drop in hiring. In addition, many individuals who were included in an STW in March 2020 had their contracts suspended for more than a year and did not look for jobs though they would have liked to work. Those without a job but not actively looking belong to the category of discouraged workers. In the classification of the BLS they show up in U4. Moreover, to capture the actual magnitude it makes sense to include the inactive furloughed workers in U5, as this category includes workers who wish to work but do not actively seek a job.

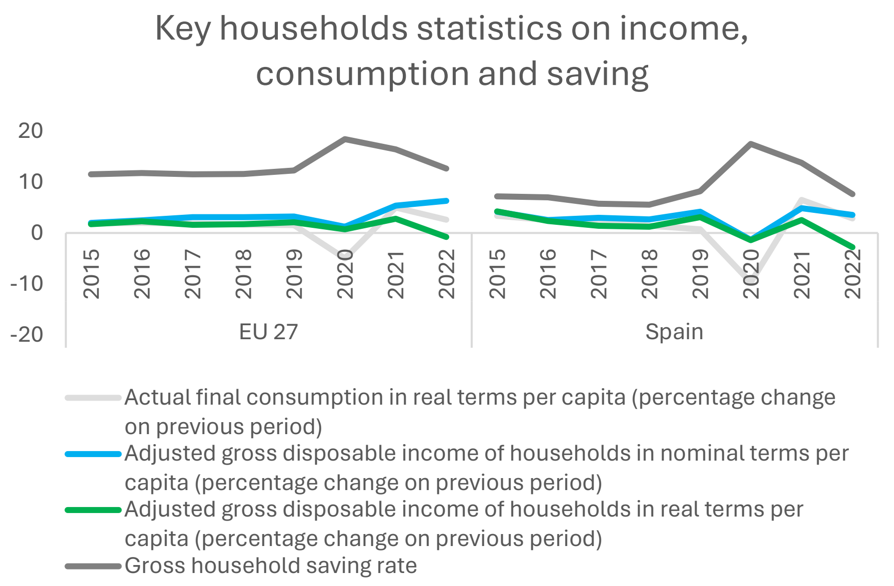
Between Q2 of 2019 and Q2 of 2020, this indicator (U5) increased by 4.7pp and this alternative indicator of labour market slack did not recover to its pre-pandemic value until 2021 of Q3. Importantly, since Q3 2021, all measures of slack have been below their respective pre-pandemic level. At no point during the pandemic did any of these alternative indicators come anywhere close to the numbers observed during the GFC.

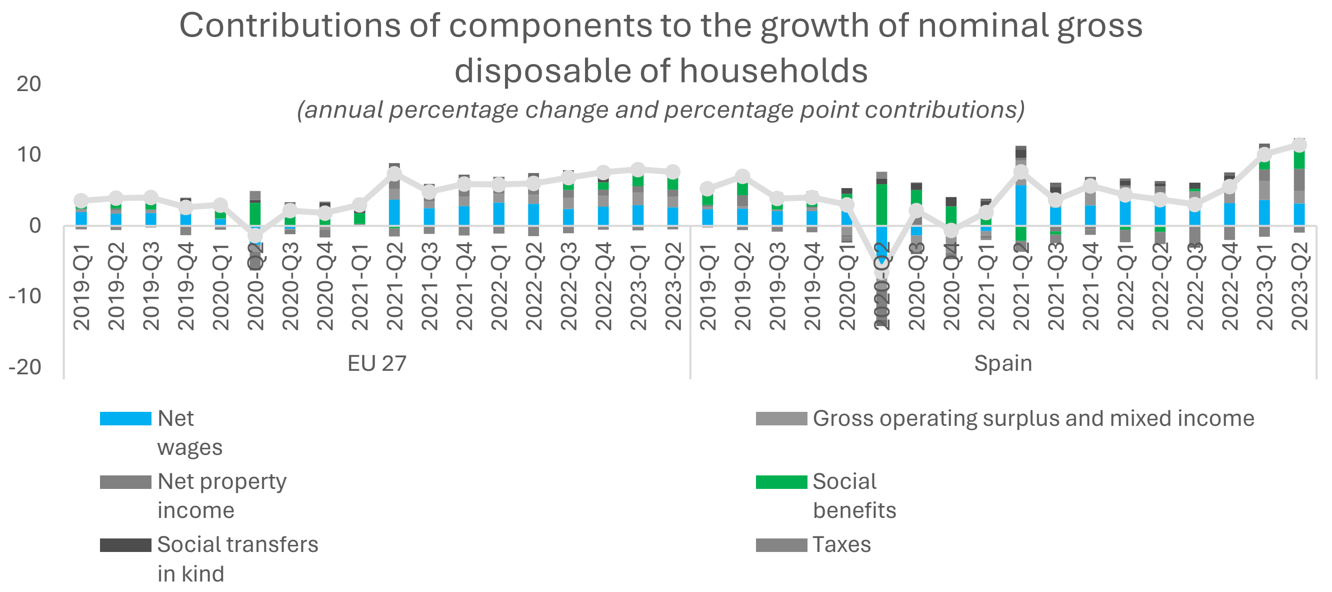


Source: Own elaboration using microdata from the Spanish Labour Force Survey

OUTPUTS, RESULTS AND IMPACTS OF LABOUR MARKET MEASURES: protecting incomes

- While the impact of the measures financed by SURE on employment are hard to accurately gauge, there is abundant evidence that the benefits for furloughed workers and the self-employed mitigated the drop in their incomes and the rise in inequality.
- One interesting source of evidence is Aspachas et al. (2021). Using real-time bank account data for a representative sample of over 3 million individuals, the authors document a rise in the pre-benefit GINI coefficient of wages of close to 0.11 points, or approx. 25%, between March and April 2020. In contrast, in May 2020, the post-benefit GINI coefficient had returned to its pre-COVID 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, youth and immigrants from relatively poor countries. This reflects the disproportionate effect of the pandemic on low-wage sectors as well as differences in the strength of Spain's safety net. Pertinent aspects in this respect are the relatively high share of informal employment and the lack, at the time, of a coherent income guarantee system for persons 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 its coverage was low during the pandemic.
- The second source of evidence is Crespo et. al. (2023). This short note uses data from the 2017 and 2020 waves of the Spanish Survey of Household Finances (EFF) to estimate the effect of the pandemic on income on the financial situation of Spanish households who suffered a persistent drop of income and/or employment losses during the pandemic.
- The authors document a mean drop in pre-benefit income levels of 55% for those who suffered a drop in income during at least six months. The benefits during the pandemic reduced this median loss to 22%. 60% of this effect is due to the benefits introduced during the pandemic, while the remaining 40% is due to regular benefits in the case of employment losses.
- Furthermore, 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 the ones who lost their employment. This provides further evidence of the mitigating role of the STWs.





ADDITIONALITY OF SURE

Input additionality

Further to the estimates of the EC, there are two additional sources that show that access to SURE reduced borrowing costs.

Bank of Spain (2022)

This paper produced by the Bank of Spain calculates the associated interest savings using state-of-the art DSA analysis, compared to a situation in which the Spanish Treasury would have had to raise the same amount given the prevailing financial conditions in March 2020 and in a counterfactual scenario of stressed market conditions:

- **Baseline:** The 45 basepoint risk premium on Spanish sovereign bonds translates into cost savings of EUR 1.13 billion
- **Counterfactual:** Under stressed market conditions the associated cost savings *could* have more than doubled to EUR 2.3 billion

Treasury

The staff of the Treasury obtained comparable cost savings of approximately EUR 1.7 billion. In addition, the Treasury points to additional gains from:

- The long maturity of the SURE loans - 15 years compared to an average of 8 years for outstanding debt
- Gains in terms of the predictability and ease of debt service obligations due to the back-to-back nature of SURE loans

As such, the availability of SURE loans allowed the Treasury to reduce emissions by EUR 30 billion in 2020 compared to the planned emissions. However, the Treasury is confident that it would have been able to raise this amount itself under unchanged market conditions. The argument being that the bulk of actual emissions took place under the original plan of emissions before SURE was approved.

ADDITIONALITY OF SURE

Output additionality
There is general consensus among stakeholders that:

(1) Measures financed by SURE are the key explanation for the preservation of employment relationships during the pandemic as they created the conditions for a quick posterior recovery of economic activity
(2) The SURE loans did not affect the design of the measures but may have improved the coverage and/or the generosity of the benefits, especially after the summer of 2020

The claim that SURE did not affect the design of the main measures is based on the fact that all these measures were in place well before negotiations about SURE started. However, the Council approved the regulation of SURE on May 19 – more than five months ahead of the first disbursement – and this decision may have conditioned the future decisions of the Spanish authorities, and even some of the decisions that were taken in the days before this first milestone.

None of the stakeholders established a clear causal relationship between the steps undertaken at the EU level – approval of the regulation (May 19), the Council implementation decision (September 25), the formalisation of the loan agreement (October 15), the first disbursement (October 27) – and specific decisions adopted by the Spanish authorities in relation to the measures financed by SURE. Nonetheless, there is broad agreement among the stakeholders that the availability of SURE loans helped to improve or maintain the benefits and the coverage of the support to workers and firms.

In the case of the STWs, the lack of SURE funding might have led to reduced social security exemptions. Moreover, in the absence of SURE, the authorities might not have opted to keep the replacement constant after six months. On the contrary, it seems unlikely that the lack of SURE funding would have influenced the duration of the benefits for workers on STWs. The reason is that many of the recipients would have been entitled to a regular unemployment benefit of exactly the same amount.

The room for discretionary measures was probably larger in the case of benefits for the self-employed. The reintroduction of the extraordinary benefit at the end of September is such an example. However, the fact that the total expenditure on the benefit and social security exemptions for the self-employed between October 2020 and July 2022 amounted to EUR 2.6 billion, calls for conservative estimates of the drop in expenditure on measures financed by SURE without funding by SURE. Estimates in the range of 10-20% of the total envelope seem much more reasonable, with the upper-limit corresponding to a situation of financial stress on financial markets. Larger drops seem highly unlikely as the financial conditions remained fairly stable throughout the period 2020-2022 and these cuts might have undermined the efficacy of the measures financed by SURE and risked losing the support of the social partners.

EVIDENCE OF ANY UNINTENDED CONSEQUENCES

NEGATIVE

To date, there is **no evidence** of significant adverse effects, nor have any of the stakeholders raised concerns in this regard.

There is some evidence however of a rise in the number of bankruptcy proceedings affecting the self-employed. That said, this may have been driven by other government measures, such as the moratorium on bankruptcy procedures.

POSITIVE

Avoidance of hysteresis effect – The adopted policies were very successful in avoiding hysteresis, but this was a prime INTENDED objective.

Avoidance of drops in labour market participation rates – Labour market participation rates remained high throughout the pandemic and are currently above pre-pandemic levels. Especially noteworthy is the rise in participation of elderly workers. This contrasts with the experience in the U.S. where many elderly workers abandoned the labour market after losing their job in the pandemic.

Shift of activities from informal to formal sector – According to the authorities, the pandemic contributed to the transformation of 285,000 informal jobs into formal jobs: 250,000 jobs for salaried workers and 35,000 for the self-employed. This is one of the factors behind the strong growth in tax intake.

COST AND EFFICIENY CONSIDERATIONS

- The stakeholders praised the swift approval of SURE and expressed understanding for the delays between the approval and the date of the first disbursements given the need to obtain guarantees from all Member States. Stakeholders did mention some initial uncertainty about the type of measures that could be financed by SURE, but once this issue was settled the reporting requirements were deemed appropriate and much less challenging than in the case of other programmes such as the European Social Funds.
- Scaling up the STWs in a short period of time turned out to be a challenge due to the lack of experience with the large-scale use of these programmes and a lack of staff, leading to considerable delays in the payments of benefits.
- In the case of the benefits for the self-employed, the main challenge was the need to design a completely new regulation to deal with reductions in the activity of the self-employed rather than a cessation of activity. The collaboration with the *mutuas* eased the implementation of the benefits.
- The lack of inter-connectivity of the databases of the various administrations caused unnecessary delays and errors in the implementation of the benefits and also created (initial) challenges for the reporting of reliable data on the take-up and expenditure on the measures financed by SURE.

AUDIT AND CONTROL SYSTEM

The COVID regulation stipulated that applications for an STW had to be approved within 5 working days. If no notification was sent by this time, the application was deemed to be approved provisionally (*silencio positivo*) subject to posterior controls by the implementing bodies (SEPE and TGSS). Due to a combination of factors (huge number of applications, lack of personnel and lack of interoperability of the databases of SEPE –benefits- and TGSS -social security contribution based wages-), the vast majority of benefit applications in March 2020 were approved provisionally through silencio positivo.

In the case of the benefit due to cessation, the *mutuas'* use of tacit approvals was much less common, especially in the case of the self-employed who were forced to interrupt or reduce their activity in March 2020.

Given the above, it is important to separate the posterior control of the eligibility conditions by the implementing bodies from the audits performed by bodies such as the Court of Auditors or the Labour Inspectorate.

Control system

STWs
According to information provided by SEPE, the responsible sub-directorate general of benefits issued approximately 1.7 million claims for incorrectly paid benefits for a total value of EUR 2.079 billion, of which EUR 1.811 billion have been recovered so far. In most cases, the claims correspond to errors in the quantity or the duration of the benefits. Besides delays in the notification of changes in the employment status of recipients, there were also considerable problems regarding communication between SEPE and TGSS. Some of these problems were detected during mandatory verifications of similar benefits financed by the EU Social Fund.

Benefit due to cessation
In the case of the benefits due to cessation, the *mutuas have* started an exhaustive control process acting upon a formal requirement of the Court of Auditors (see below). In this respect, it is important to state that most breaches are time-barred under the statute of limitations after four years. To date this author has not received any information on the outcome of these controls.

Social security payment exemptions
The TGSS is responsible for the ex-post verification of all applications for social security payment exemptions, be it for furloughed workers or for the benefits of the self-employed. Though the controls are underway, so far no updated figures on the outcome of these controls have been received.

AUDIT AND CONTROL SYSTEM

Audit system

The Anti-Fraud Office of the National Labour Inspectorate

The national office of the Labour Inspectorate, and in particular its national anti-fraud office, has coordinated a number of campaigns to detect fraudulent claims in the case of the benefits for furloughed workers and the associated social security payment exemptions. These campaigns were often designed in coordination with the implementing bodies. On top of that, the Inspectorate acted on the basis of complaints received in an electronic mailbox created to facilitate anonymous accusations of fraud.

In its initial campaigns, the Inspectorate focused its attention on sectors with a high incidence of STWs (75%). In parallel, the Inspectorate verified the validity of the claims of firms who registered the affiliation of some of its workers right after the declaration of the State of Alarm or who changed their sector of activity in a potential attempt to access social security payment exemptions.

In the case of the extraordinary unemployment benefits associated with STWs, the Inspectorate performed more than 124,000 inspections, resulting in 7,644 claims totalling approximately EUR 20 million. Taking into account the targeted nature of the inspections, the incidence of fraud (in 6.16% of the cases) is very modest. Moreover, the associated claims are two orders of magnitude smaller than the claims due to errors in the calculation of the benefit amounts or the determination of the exact period of entitlement.

Court of Auditors

The Court of Auditors has undertaken actions at two different levels. In a first report, issued in July 2022, it analysed the economic impact of the COVID measures. This report validates the introduction of the main measures financed by SURE and acknowledges their apparent effectiveness in mitigating the impact of the COVID-19 pandemic on employment. In a second line of action, the Court is auditing the management and the control of the COVID benefits.

The first output of this second line of action is a very critical report about the benefit due to cessation of activity, which was published in December 2023. The Court of Auditors points out serious shortcomings in the regulation of this novel benefit. Amongst other issues, the Court questions the frequent changes in the regulation of this benefit and the eligibility conditions that in some cases were impossible to accredit by applicants. Moreover, on various occasions, the *Dirección General de Ordenación de la Seguridad Social* legally issued non-binding instructions and clarifications of the rules resulting, in the opinion of the Court, in legal uncertainty and unequal treatment of the self-employed on the part of the 17 *mutuas* who are responsible for managing the benefit due to cessation.

In its conclusion, the Court demands an exhaustive revision of approximately 125.000 benefits. This process is underway, though the authorities are convinced that the actual number of breaches will be substantially lower. In some cases, the alleged breaches are clearly due to mistakes on the part of the authorities.

AUDIT AND CONTROL SYSTEM

To give but one example, the social security administration failed to send a reminder to the firms with unpaid contributions to settle their debt and thereby comply with one of the prerequisites for the receipt of the benefit. Moreover, in many other cases, the authorities are convinced that alleged non-compliers will be able to prove their eligibility for the benefit by providing additional documentation within the time limits stipulated by law after an individual is notified about a potential breach of the rules or mistakes in the calculation of the level or duration of the benefits.

Currently, the Court of Auditors is involved in a similar audit of the benefits paid to workers included in an STW and the associated social security payment exemptions. The results of this audit will be available before the summer.

COHERENCE

The STWs were partially funded by other European programmes, such as the European Social Fund, but no information is available on their complementarity. The main reason is that it is impossible to trace the use of the SURE loans and their distribution over time, across sectors or between the different measures financed by SURE.*

Overall, SURE financed (two-thirds of) the core measures to address income losses on the part of salaried workers and the self-employed. Additional measures financed through the budget (emission of national debt) were targeted at groups who were not eligible for these support measures, such as temporary employees whose contract came to an end during the lockdown.

*The reporting needs of the STWs funded by the European Social Fund did allow SEPE to detect and correct problems in the implementation of the STWs due to the different reporting procedures used by SEPE and TGSS.

OTHER ASPECTS

- The visibility and awareness of SURE was low, even among the stakeholders and representatives of the implementing bodies of the measures financed by SURE.
- The different implementing bodies received transfers from the Ministry of Finance to finance the SURE funded measures but were unaware of the contribution of the SURE loans.
- Awareness among national experts is also surprisingly low compared to other programmes, such as NGEU.

Conclusions and lessons learned

MAIN TAKEAWAYS

Job retention schemes have never played a significant role in role in Spain until the COVID-19 pandemic struck, although they have existed since the 1980s. Spain's authorities managed to quickly scale up their use along with other measures, such as the benefit for the self-employed and the protective measures, which delivered the desired results. Nonetheless, the COVID pandemic also taught several important lessons:

1. The primary lesson concerns the importance of sufficient (domestic) fiscal space to allow for the unconstrained use of stabilising mechanisms like the STWs.
2. The second lesson is the importance of having a proper regulation. The experience during the COVID pandemic revealed many gaps in the existing regulation that needed to be resolved in a crisis time.
3. The co-financing scheme, as well as other measures, such as the generous social security rebates for reactivated workers, reflected a strong determination to minimise deadweight losses and avoid an unnecessary prolongation of the furlough schemes, though the frequent changes in the rules, often based on last-minute agreements with the social partners, generated a considerable degree of legal uncertainty and some regulatory overshoot (such as the establishment of more generous support for workers returning to work, which was subsequently revoked after pressure from the social partners).
4. The lack of interoperability of the databases of the implementing bodies caused delays due to the need for manual checks which were also prone to error under high pressure.
5. The COVID-regulation imposed comparatively stringent rules on firms that made sense in the initial stages of the pandemic with universal access and generous support, but these stringent rules are inadequate when job retention is costly for firms and they face a considerable degree of uncertainty, as was the case during the pandemic.

Importantly, most of the shared lessons from the pandemic have already been implemented. The 2021 labour market reform consolidated many of the changes in STWs implemented during the pandemic. One of the main innovations is the introduction of RED, a system of STWs with strengthened protection, to deal with deep economy-wide recessions or structural transformation of pivotal sectors. These changes will very likely make the Spanish labour market more resilient.

MAIN TAKEAWAYS

The stakeholders in Spain praised the European institutions for their capacity to develop a joint response to an external shock like the COVID-19 pandemic and they also pointed to the contrast with austerity imposed on Member States during the GFC.

Other measures (such as the activation of the general escape clause, the pandemic asset purchase programme or NGEU) may have attracted more attention, but the stakeholders unanimously praised SURE as it is one of the first examples of the joint emission of public debt. Furthermore, the stakeholders praised the rapidness of the design and implementation of SURE as well as the lack of conditionality other than the proper use of the funds.

Even though it proves hard (or even impossible) to quantify the impact of SURE on the measures implemented by the Member States or the recovery of their economies, the stakeholders generally agreed that SURE was key to securing sufficient funding in the early stages of the pandemic and that the adopted measures probably would have been less generous in later stages of the pandemic without the SURE loans.

Indeed, many of the stakeholders stressed the convenience of a permanent mechanism with similar characteristics as SURE as a means of risk sharing at EU level.

Methodological Annex

ACTIVITIES UNDERTAKEN

Please see Annexes to main report