

**S**hort-time work (STW) schemes have proved to be the ace of Member States' response to the social and employment crisis induced by the outbreak of the COVID-19 pandemic. In mid-May 2020, almost 50 million workers (26.8% of the European workforce) applied for the support of STW schemes. The highest share of workers in STW schemes were registered in France, Italy, Germany and Spain. While these numbers are not definitive, and one might even expect further increases in the next surveys which will take into account the data of the second half of May and beginning of June, what can be nonetheless maintained is that the number of workers under STW programmes during the COVID-19 crisis in early May already exceeded the number of STW allowances which were paid out during the 2008/2009 crisis. For example, in the third quarter of 2009, Italy, Belgium and Germany, which were the countries with highest coverage of short-time work schemes in Europe, counted a total of 6% of all workers in STW schemes. This divergence in numbers can be explained by looking at different factors. Firstly, at the outbreak of the Great Recession, only 12 member states had STW schemes in place, while nine Member States introduced them between 2008 and 2009 (Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, the Netherlands, Poland, Slovakia and Slovenia). By contrast, when the COVID-19 crisis broke out, almost all Member States (except for Cyprus, Estonia, Greece, Malta and Sweden) had a STW programme in place that could immediately be activated. Secondly, in 2008/2009 short-time work schemes had a limited scope and mainly covered open-ended workers. As soon as the pandemic exploded, Member States decided to modify the institutional design of STW schemes in order to extend the coverage to those workers not formally included in traditional STW arrangements. Measures were adopted to loosen or allow for quicker access to the instruments, to raise subsidies (e.g. by increasing the replacement rate for workers or by reducing employers' costs), to extend the maximum duration of STW and to protect workers against dismissal after the exhaustion of the subsidy (e.g. by making dismissal of workers under STW schemes illegal). In addition, Member States introduced new instruments complementary to STW schemes to guarantee an income support for self-employed and non-standard workers.

*SURE represents a paradigmatic shift towards the creation of a real European job insurance*

Recently submitted 2020 stability programmes provide the first comprehensive and detailed overview of the budgetary impact of the discretionary measures adopted to face COVID-19 challenges. Expenditure for short-time work schemes and similar measures figure prominently in national expenditure to tackle the pandemic. In Italy, for instance, the budgetary impact of expenditure for these measures in 2020 (change from previous year) amounted to almost 1.1 % of the GDP; in France it was 1.1% of the GDP, in Spain 2.3% of the GDP and in the Netherlands 1.8% of the GDP. The sudden and severe increase in actual and planned public expenditure for the preservation of employment asymmetrically affected Member States, which entered the pandemic with different positions in terms of financial vulnerability. Countries, such as Italy, were highly indebted and with low growth rates, thus having less fiscal space to face the crisis, whereas others, such as the Netherlands, had lower debt to GDP rates, for which the unexpected expenditure could be handled without any problems. In this scenario, the proposal of the Commission for a temporary Support to mitigate Unemployment Risks in an Emergency (SURE), which allows for financial assistance of up to €100 billion in the form of loans to Member States facing a sudden increase in public expenditure for STW schemes and similar measures, is to be welcomed as a bold and innovative move. Despite some limits (see [here](#) for details), SURE represents a paradigmatic shift towards the creation of a real European job insurance scheme with a twofold function: (I) preserving employment in firms temporarily experiencing weak demand by encouraging them to adjust labour input along the intensive margin (reduction of working hours) rather than the extensive margin (lay-offs); (II) cushioning the social consequences of mass redundancies as they are used as a shock absorber to buffer social tensions. At the same time, though it is not an automatic mechanism, SURE—with a clear conditionality that is strongly linked to cyclicality and a significant volume of resources mobilised—can be seen as an initial step in a direction that could eventually lead to a proper stabilisation role at the European level.

Despite its innovative potential, SURE remains a temporary mechanism at the moment. From a legal perspective, it is indeed based on Article 122(2) of the TFEU, which allows the European Union to provide, “in a spirit of solidarity”, temporary financial assistance to Member States which are in difficulty due to exceptional circumstances beyond their control. This means that as soon as the pandemic is over, SURE will terminate its existence. To put it differently, in the unfortunate case of another economic and social crisis, in which Member States need to rely heavily on the activation of short-time work schemes, the EU will not (again) have the tools to provide immediate support to countries in need. In contrast to this scenario, SURE should be transformed from a temporary instrument under Article 122(2)

TFEU into a special instrument outside the multiannual financial framework (MFF) ceilings under Article 175(3) TFEU, to be activated—upon the request of Member States—in the case of any unexpected crisis that leads to a steady rise in expenditure for short-time work schemes and similar measures.

Article 175 TFEU is the legal basis of the European structural and investment funds. Its paragraph 3, however, specifies that “*if specific actions prove necessary outside the Funds, they may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of the Regions*”. Two examples of EU instruments legally based on Article 175(3) TFEU are the European Solidarity Fund (EUSF) and the European Globalisation Adjustment Fund (EGF), which are funds beyond the ceiling of the MFF and are activated to provide support to Member States in exceptional circumstances, such as major natural disasters (the EUSF) or large worker redundancies as a result of major structural changes in world trade patterns due to globalisation or an economic crisis (the EGF). Both the EUSF and the EGF are emergency solidarity funds, which—given their contingent activation—do not imply a precise commitment for expenditure in the MFF, which only defines an annual cap.

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However, a better example to understand the feasibility of SURE as a permanent stabilisation mechanism within the MFF is the European Investment Stabilisation Function (EISF), which was proposed by the Juncker Commission in 2018 and then sidelined by the Eurogroup. Contrary to EUSF and EGF that are grants-based instruments, EISF—like SURE—was designed to offer back-to-back loans of up to €30 billion to countries facing asymmetric shocks that they are not able to manage on their own. Compared to EISF, SURE, in its actual design, presents some positive innovations that should be maintained: a higher volume of loans, a better-defined target (short-time work schemes and similar measures) and no macroeconomic conditionality attached to accessing to the loan. At the same time, one caveat with respect to the origin of the loans should be borne in mind when designing a permanent SURE by drawing examples from the EISF. Indeed, EISF was supposed to operate under the “margin available under the own resources’ ceiling for payment appropriations”

(Regulation 407/2010). Under the same limit, three other programmes operate: the balance of payments (BoP) assistance for non-euro EU countries, the European Financial Stability Mechanism for all EU countries, and the macro-financial assistance (MFA) for non-EU partner countries. At the moment, in order to make the contingent liability arising from the loans is compatible with EU budget constraints, SURE regulation foresees guarantees from Member States to the Union budget being a total amount representing 25% of the loans granted (€100 billion). If incorporated in the MFF like the EISF, SURE will not rely anymore on Member States' external guarantees. Therefore, an increase in the resource's ceiling, as the Commission has already proposed to temporarily do for the Next Generation EU, should be envisaged. Finally, as concerns access to the loans, the current procedure, which de facto involves only the Commission and the Member States in need, is to be maintained.

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Moving to the political feasibility of a permanent SURE, it is plausible to say that it can benefit from broad and bipartisan political support. In this respect, in the Communication 'Europe's Moment: Repair and Prepare for the Next Generation', the Commission has already expressed its intention to build on SURE, as well as on the experiences of newly created short-term work schemes in many Member States, to propose a permanent instrument in the future. In addition, the support provided by SURE is explicitly linked to the European Social Fund Plus and the new REACT-EU initiative. Both ESF Plus and REACT-EU top-up can be used to support job maintenance, including through short-time work schemes, support for the self-employed and job creation. With respect to the European Parliament, an explicit support for a loans-based stabilisation capacity within the MFF was already expressed for the European Investment Stabilisation Function and more recently in the resolution on the long-term budget and recovery fund. As concerns the Member States, none expressed deep concerns about SURE when it was proposed by the Commission. Its temporary nature, limited scope

## SURE: What about a permanent instrument? By Francesco Corti and Cinzia Alcidì

and low amount of guarantees without any upfront cash contributions has certainly weakened any resistance even from the strictest hawks. One might expect the scenario to be different in the case of a permanent mechanism. The EIFS, which had a far lower lending capacity, was immediately rejected by many Member States, as it was considered a Trojan horse for a common European stabilisation capacity. The same criticism could be directed to SURE. That said, the time now seems to be different compared to two years ago when EISF was debated, and resistance from Member States will be scaled down after the COVID-19 pandemic. While the final argument concerning the possibility of transforming SURE into a permanent mechanism will be given by its actual effectiveness in the next few months, from a political perspective, the time seems to be ripe for the Commission to seize the moment and put the proposal forward for a permanent SURE.

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