



SURE

Support to mitigate Unemployment Risks in an Emergency

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Outline

1. An EU instrument to protect workers during COVID-19 emergency
2. A successful instrument with large take-up
3. Financially credible arrangements expressing solidarity
4. Conclusion: why is it a success?

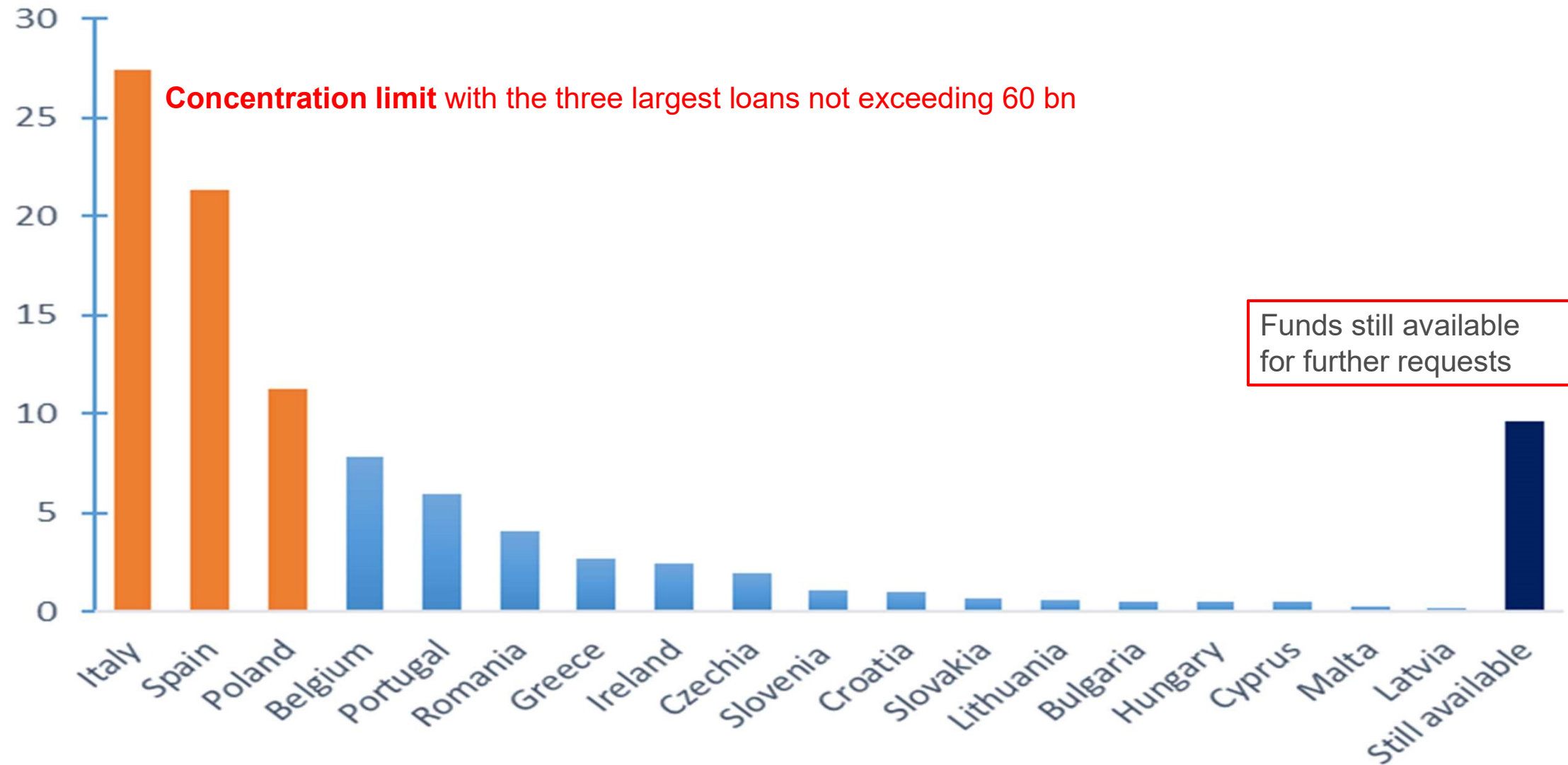
1. A new EU instrument supporting STW (SURE)

- **Targeting an efficient scheme for this crisis:** short time work (STW)
- **Purpose-based definition:**
 - ✓ STW... and similar measures (including for self-employment)
 - ✓ Reduction of labour costs in exchange of protecting jobs with income support for employees, related to COVID-19 crisis.
 - ✓ Avoiding taxonomical disputes. Includes some health-related measures, in particular in the work place in response to the crisis
- **Trigger:** a sudden and severe increase due to COVID-19 in *actual* and *possibly also planned* public expenditure on **national** STW schemes. No conditionality on the design of national schemes.
- By now **ALL** Member States have set up / extended / are operating schemes compatible with **SURE, acting as a second line of defence**. (Before the crisis, only 2/3 of Member States had such schemes in place);
- **Academic support:** Giupponi & Landais (2020); Vandenbroucke et al. (2020)

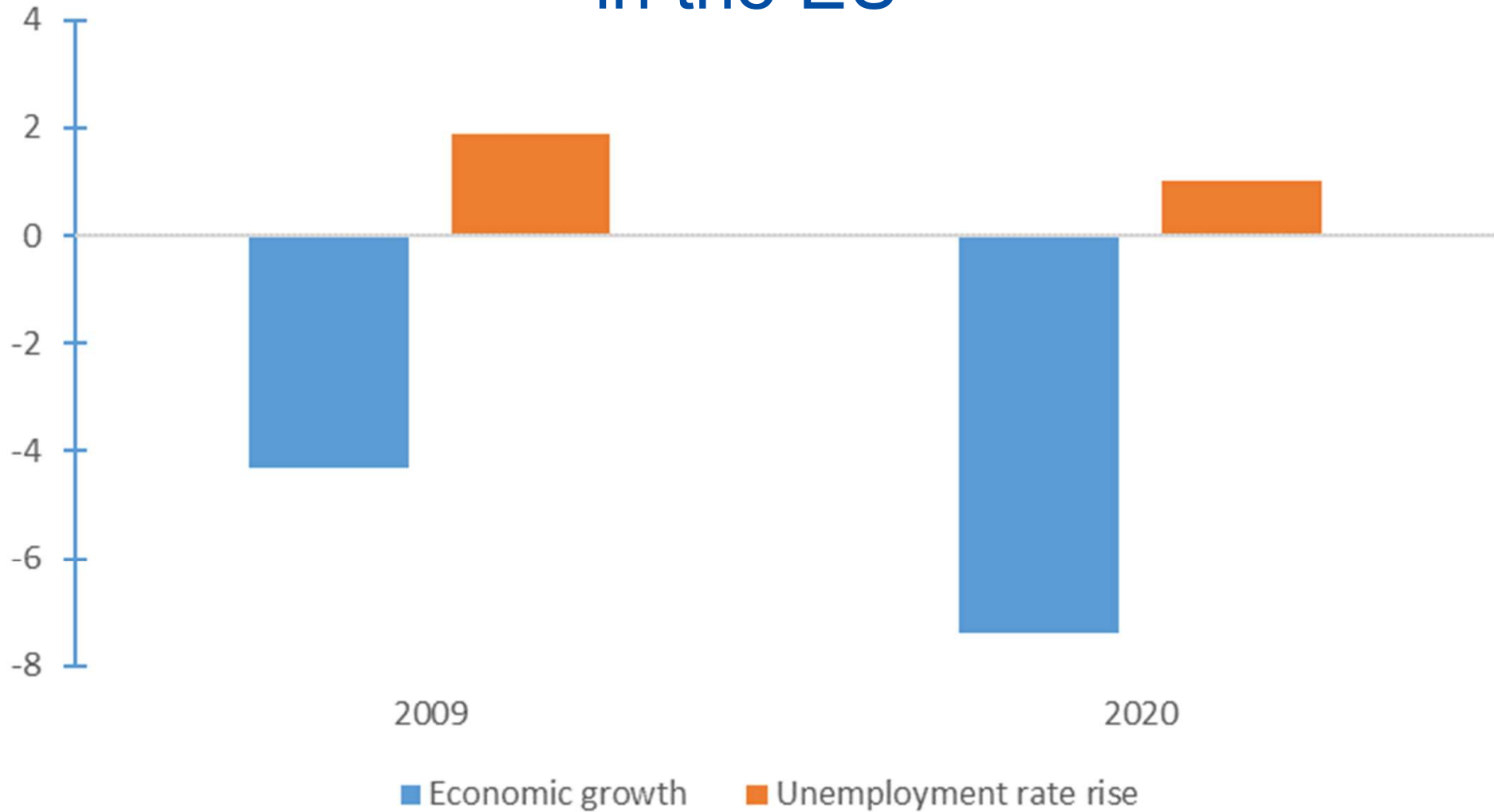
1. Why supporting short time work schemes?

- When there are no orders and companies run out of work because of a temporary external shock like COVID-19, **they risk laying off their workers.**
- Thanks to the lending support of SURE, national systems of short time work and similar schemes **can continue to operate ...**
 - ... **allowing more people to keep their job** and continue to **support their family and safeguard their incomes** during the COVID-19 crisis...
 - ... while **the firms could bounce back from crisis more easily** with help of retained workers and their skills
- SURE is an **emergency operationalisation** of a European Unemployment Reinsurance Scheme to help European citizens **in the specific context of the COVID-19 crisis** (= limited in time, until 31 December 2022, possibly extendable).
- Part of a broader package of measures put in place by the EU as of March 2020, in an effort to **use all possible means to address the COVID-19 crisis.**

2. A high take-up: 18 MSs and € 90.3 bn in total



2. SURE is forecast to limit unemployment increase in the EU



Source: Commission autumn 2020 forecast

3. Financial arrangements expressing solidarity

- SURE is underpinned by a **system of guarantees** (€25 bn).
- **On a voluntary basis** (in the absence of legal obligation), **ALL Member States provided irrevocable, unconditional and on-call guarantees to the Union**, based on bilateral agreement with the Commission
 - ✓ **No mutualisation**: each Member State liable up to 25 bn times GNI key
 - ✓ Give financial **firepower** (100 bn), given the limited resources of EU budget.
 - ✓ **Highly credible** to markets and credit rating agencies (also combined with several prudential safeguards).
 - ✓ The choice of the legal base - Article 122(1) TFEU - stresses the principle of **solidarity between Member States through the EU.**

3. ... providing cheap back-to-back loans

- **SURE will take the form of a lending scheme.**
 - ✓ With this instrument, the EU could **borrow on the markets by issuing bonds with low interest rates** benefiting from the credibility of the EU signature.
 - ✓ Then, the EU **would lend the entire proceed to the Member States concerned (minus limited costs)**. This is a back-to-back loan, a technique used frequently by the Commission, especially in the past financial crisis.
- **Public good:** the EU does not earn a penny for the operation.
- These bonds will qualify as **social bonds**. The Social Bond Framework is meant to provide investors with confidence that the funds mobilised will serve a truly social objective.
- **Large subscriptions by investors** even for very long maturity:
 - ✓ 1st issuance end Oct: €10 bn (10 years) + €7 bn (20 years) ; 2nd issuance mid-Nov: €8bn (5 years) + €6 bn (30 years) ; 3rd issuance end-Nov €8.5 bn (15 years) ;

4. Conclusion: why is it a success?

- **Emergency financial assistance with little conditionality:** second line of defence to help MSs facing spending increases on STW related to COVID- 19
- **Social and protective dimension:**
 - ✓ protecting the employee and self-employed against unemployment risks and helping firms to bounce back
 - ✓ respecting national choices in terms of social security
 - ✓ help the development of short time work schemes in the EU
 - ✓ the EU will issue social bonds
- **A financial arrangement expressing solidarity between countries via the EU:** each Member State contributes voluntarily by providing irrevocable, unconditional and callable guarantees of 25 bn (with GNI key)
- ... and ensuring high financial credibility and thereby allowing cheap loans from the EU

➔ **A popular scheme: 18 countries for 90,3 bn total financial assistance**

Thank you

Guarantees by Member State

	Guarantee by Member State, EUR billion	Member State GNI as % of EU-27 GNI
BE	0,838	3,4
BG	0,107	0,4
CZ	0,375	1,5
DK	0,564	2,3
DE	6,384	25,5
EE	0,049	0,2
IE	0,483	1,9
EL	0,343	1,4
ES	2,253	9,0
FR	4,407	17,6
HR	0,096	0,4
IT	3,184	12,7
CY	0,038	0,2
LV	0,057	0,2
LT	0,084	0,3
LU	0,077	0,3
HU	0,250	1,0
MT	0,023	0,1
NL	1,441	5,8
AT	0,717	2,9
PL	0,930	3,7
PT	0,366	1,5
RO	0,393	1,6
SI	0,088	0,4
SK	0,174	0,7
FI	0,432	1,7
SE	0,849	3,4
Total	25,000	100,0