

III. The SURE Instrument: an updated assessment

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Abstract: This section provides an updated state-of-play on the use of the financial assistance granted under the SURE instrument, as well as a thorough assessment of its impact. SURE's implementation has continued successfully in 2021 and 2022, with over EUR 94 billion in financial assistance now granted to 19 Member States, through 26 Council Implementing Decisions based on proposals by the Commission. Public expenditure under SURE has broadly mirrored the epidemiological situation and almost all of the total planned expenditure had been implemented by the end of 2021, with many measures now phased out in some Member States. SURE has produced two tangible effects on the labour market. Firstly, in 2020, when the EU economy was at risk of melting down following the COVID-19 outbreak and ensuing containment measures, SURE had a major positive effect on job retention. SURE is estimated to have helped prevent almost 1½ million people from becoming unemployed in 2020. Indeed the disparity of unemployment rates, both among SURE beneficiary Member States and between SURE beneficiary and non-beneficiaries, was substantially smaller than during previous crises, meaning that SURE was instrumental in containing labour market inequality in the EU due to COVID-19. Secondly, SURE supported the rapid rebound that occurred in the second half of 2021 by keeping workers connected to firms and boosting the confidence of businesses, households and financial markets. This appears to have outweighed any potential risk of impairing labour mobility, in particular as measures supported by SURE were scaled back quickly as the recovery took hold in mid-2021. The section concludes by highlighting the three crucial reasons for SURE's success, namely its social and economic purpose, its solidarity-based governance and its financial construction ⁽⁴⁶⁾.

III.1. Introduction

The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) – established on 19 May 2020 - has continued to support EU Member States' COVID-related expenditure throughout 2021 and, to a lesser extent, at the start of 2022 ⁽⁴⁷⁾. This section provides an update on the use of SURE, based on and extending the analysis published in the third biannual report on SURE in March 2022. It follows on from an initial article on SURE published in the *Quarterly Report on the Euro Area* in July 2021.

SURE was created to help Member States protect workers' jobs and income during the COVID-19 pandemic. It provides loans with favourable conditions, with a budget of up to EUR 100 billion, to help finance Member States' short-time work schemes or similar measures aimed at protecting employees and the self-employed and, as an ancillary, health-related measures, in particular in the workplace.

This section is divided into three parts. The first part describes how the SURE instrument is used, both from a financial point of view and in terms of the expenditure that it funds. The focus is on developments since May 2021, the cut-off for the previous QREA article ⁽⁴⁸⁾. The second part provides an updated preliminary assessment of SURE's impact, firstly, on the retention of employment in 2020 and, secondly, on its contribution to the rapid rebound in 2021. The third part outlines the key factors that have determined SURE's success.

III.2. The use of SURE financial assistance

III.2.1. Financial amounts to date

SURE's implementation has continued successfully in 2021 and 2022. Over EUR 94 billion in SURE financial assistance has been granted to 19 Member States, representing more than 94% of the total envelope. Of this, almost EUR 92 billion has been disbursed to date via back-to-back lending. The eighth bond issuance and disbursement took place in March 2022, when the Commission raised EUR 2.17 billion in social bonds on the back of further strong investor demand.

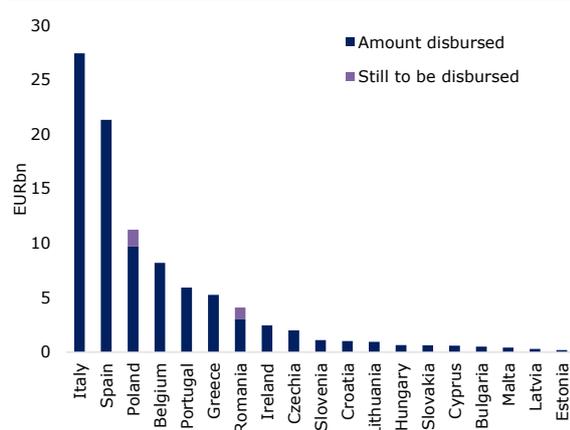
⁽⁴⁶⁾ The authors would like to thank Julian Winkler for his valuable contribution to the research in this article.

⁽⁴⁷⁾ Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, OJ L 59, 20.5.2020, p. 1

⁽⁴⁸⁾ Quarterly Report on the Euro Area, Section III, Vol. 20, No 2, https://ec.europa.eu/info/sites/default/files/economy-finance/ip155_en.pdf.

The instrument remains relevant and popular among Member States. So far in 2022, one Member State, Hungary, has been granted additional financial assistance of EUR 147 million. This was the 26th request for SURE financial assistance, considering both initial requests and subsequent requests for top-up support by the same Member States. Portugal, meanwhile, had the Council implementing decision granting it SURE financial assistance amended to include additional measures, allowing it to absorb the full amount of financial assistance granted in September 2020. As SURE financial assistance remains available until 31 December 2022 and there is still EUR 5.6 billion remaining, financial assistance under the instrument can continue to be granted to address severe economic disturbances caused by the COVID-19 pandemic. Some Member States have also expressed interest in additional financial assistance.

Graph III.1: SURE amounts granted and disbursed



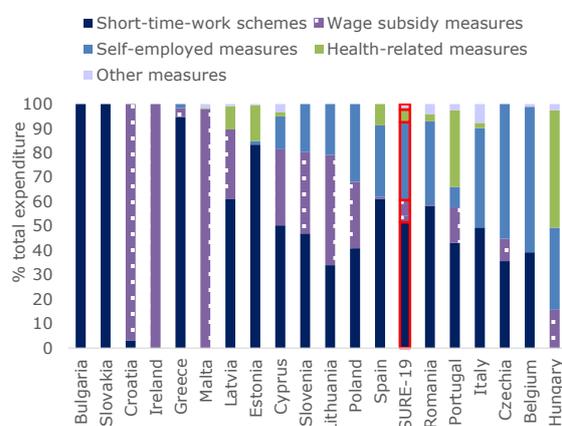
(1) Figures were updated here beyond the third biannual report's cut-off date to reflect the situation on 16 May 2022.
Source: Commission.

III.2.2. National measures and expenditure covered by SURE financial assistance

Over half of the total public expenditure on SURE-eligible measures has been allocated to short-time work schemes. In line with SURE's primary purpose to protect jobs and workers' incomes, 52% of total public expenditure on SURE-eligible measures has been allocated to *short-time work schemes*, with a further 32% to *measures similar to short-time work schemes* aimed at protecting workers and the self-employed (see Graph

III.2) ⁽⁴⁹⁾. Only 5% of the financial assistance was spent on *health-related measures*, which are included as ancillary measures under the SURE Regulation.

Graph III.2: Public expenditure under SURE by type of expenditure



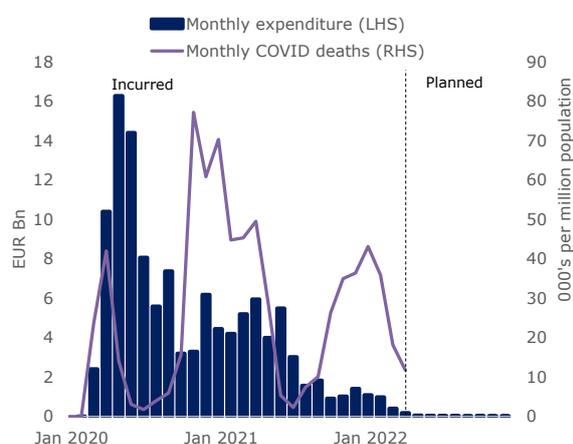
Source: Member States' reporting.

Public expenditure under SURE has broadly mirrored the epidemiological situation since 2020, while also decreasing steadily as economies have adapted to the pandemic. After increasing due to stringent EU-wide containment measures being put in place in the first half of 2021 as COVID-19 death tolls rose rapidly, expenditure on SURE-eligible measures fell to monthly lows by the end of summer 2021 as vaccination campaigns matured (see Graph III.3). Member States moved away from using blanket restrictions to manage the pandemic towards more targeted and sectoral restrictions and the widespread use of masks and social distancing. This caused the observed correlation between SURE expenditure and the virus trajectory to weaken progressively across pandemic waves. While public policy support measures were still required, they were far less broad-based than in 2020. There was a small increase in public expenditure at the end of 2021 as the impact of the Omicron variant led to the reintroduction of some containment measures. Almost all (98%) of the total planned public expenditure on SURE-eligible measures had been implemented by the end of

⁽⁴⁹⁾ See Quarterly Report on the Euro Area, Section III, Vol. 20, No 2 (2021) for an explanation of short-time work schemes and similar measures under SURE.

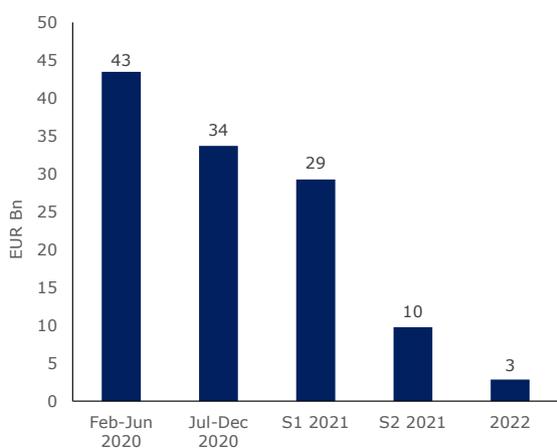
2021, with many measures now phased out in some Member States ⁽⁵⁰⁾.

Graph III.3: **Monthly evolution of public expenditure under SURE and epidemiological situation**



Source: Member States' reporting (January 2022), ECDC.

Graph III.4: **Reported public expenditure under SURE**



Source: Member States' reporting (January 2022).

III.3. The impact of SURE

III.3.1. Did SURE help mitigate the effect of the COVID-19 crisis upon impact? The significant job retention effect

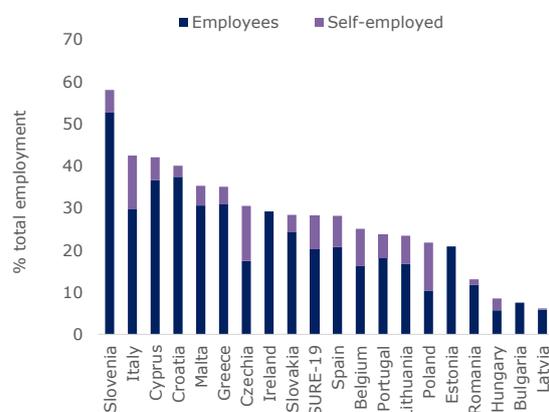
The first aspect of SURE's economic impact to be assessed is its contribution to employment retention at the onset of COVID-19 in 2020.

⁽⁵⁰⁾ SURE can be requested for both incurred and planned public expenditure.

SURE's aim is to safeguard employment and workers' incomes, primarily via short-time work schemes and equivalent measures that maintain a link between firms and employees in times of crisis.

By supporting an estimated 31 million people in 2020, SURE helped avoid a large rise in unemployment as firms were forced to cease their activities. Of those 31 million workers, approximately 22¼ million were employees and 8¾ million were self-employed. Together, they accounted for almost 30% of total employment (see Graph III.5). SURE is estimated to have supported 2½ million firms in 2020, which represents a quarter of all firms in beneficiary Member States (see Graph III.6). Small firms have been the primary beneficiaries of SURE support. There has been a shift from the use of short-time work schemes by predominantly large firms prior to the pandemic to mostly small firms, due to the fact that the schemes were mostly taken up by contact-intensive services (mainly hotels and restaurants) and retail sectors, rather than manufacturing.

Graph III.5: **Workers covered by SURE in 2020 (% of total employment)**

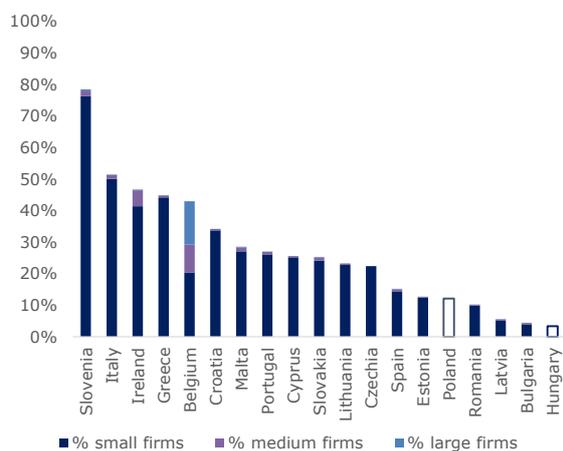


Source: Member States' reporting (January 2022), Ameco.

SURE is estimated to have contributed to helping prevent almost 1½ million people from becoming unemployed in 2020. The rise in unemployment in 2020 in beneficiary Member States was significantly less than expected as the unprecedented policy support measures, in particular national short-time work schemes, mitigated the impact of the fall in output on unemployment (see Graph III.7). At country level, the higher the amount received through SURE in

2020, the more moderate was the rise in unemployment (see Graph III.8). This is supported by survey data, in which a majority of beneficiary Member States indicated that SURE played a role in their decision to adopt a new or modify an existing short-time work scheme ⁽⁵¹⁾. A majority of beneficiary Member States also considered that SURE support helped them to temporarily increase the coverage and generosity of short-time work schemes and the overall funding of COVID-19 mitigation policies, with positive confidence effects. Meanwhile, some non-beneficiary Member States were able to provide major short-time work schemes, thanks to their favourable financial position and funding conditions, which advised against competing for SURE funding.

Graph III.6: **Firms covered by SURE in 2020 by size (% of total firms)**



Note: Total firms excludes zero-employee firms. Distribution of firms is assumed to apply to 2020 coverage. Poland and Hungary did not report on firm size. Small firms are those with less than 50 employees, medium with 50-250 employees and large with over 250 employees.

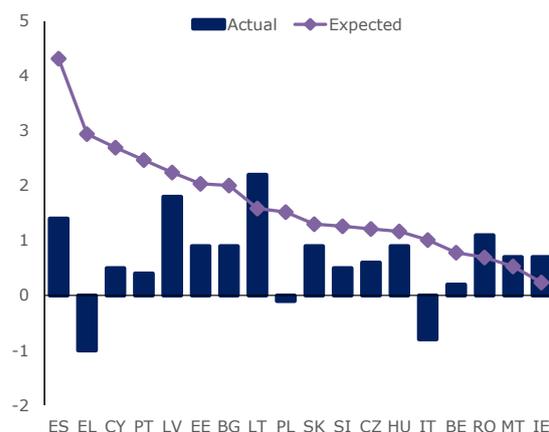
Source: Member States' reporting (January 2022).

The methodology for this estimate uses a counterfactual based on an estimated Okun's law across countries. Box III.1 describes the methodology in detail. These labour market measures, in particular short-time work schemes and equivalents, along with other policy responses to the pandemic, are estimated to have reduced the unemployment rate in SURE beneficiary Member

⁽⁵¹⁾ The Commission's Directorate-General for Employment, Social Affairs and Inclusion directly solicited the views of Member State authorities through a questionnaire submitted to the Employment Committee. Further details are provided in the first biannual report on SURE: https://ec.europa.eu/info/sites/default/files/economy-finance/com2021_148_en_act_part1_v6.pdf

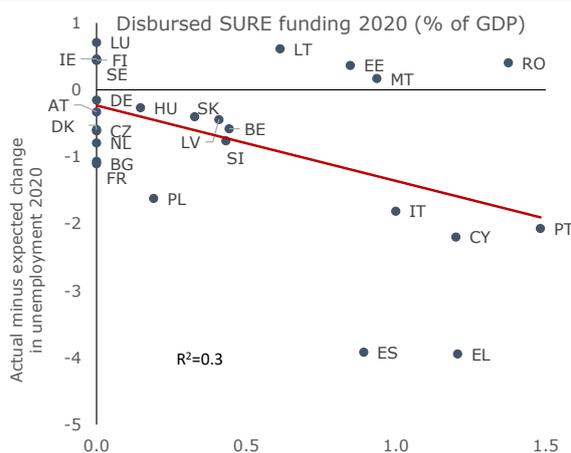
States by around one percentage point. This is compared with the expected rise in unemployment (as a standard reaction to the very large drop in growth). This corresponds to around 1½ million people who avoided unemployment during the COVID-19 outbreak in the SURE beneficiary Member States.

Graph III.7: **Actual vs expected changes in unemployment rates by SURE beneficiary Member State in 2020**



Source: Ameco and own calculations. The actual change in unemployment rate comes from the Commission's 2021 Autumn Forecast.

Graph III.8: **Relationship between the change in the unemployment rate and disbursed SURE funding in 2020**



Source: Ameco and own calculations.

Box III.1: Impact of SURE on unemployment in 2020

The economic literature frequently uses an Okun's Law approach to capture the relationship between output and unemployment. The responsiveness of changes in economic growth on unemployment is often referred to in the economic literature as Okun's Law. More of an empirical 'rule of thumb' than a relationship grounded in theory, Okun's Law suggests that a decline in output growth of between 2% and 3% is associated with a one percentage point increase in the unemployment rate ⁽¹⁾.

We estimate an Okun's Law for a sample of EU countries benefiting from SURE with a regression approach. The specification looks as follows ⁽²⁾:

$$\Delta unemp_{i,t} = \beta_1 growth_{i,t-1} + \beta_2 X_{i,t-1} + \theta_t + \vartheta_i + u_{i,t}$$

where the dependent variable corresponds to the change in unemployment rate and the key independent variable is the real GDP growth rate. We test the robustness of the relationship by using employment as an alternative dependent variable and adding further control variables (X), namely the change in the labour force participation rate and employment protection legislation indicators ⁽³⁾. We estimate the Okun's Law for both a panel of up to 19 SURE-beneficiary Member States and for each country in isolation (i). We also run the regression for all the EU countries. The sample covers up to 16 years (t), ranging from 2004 to 2019. The panel specification includes time-fixed effects (θ) and country-fixed effects (ϑ) to capture systematic differences across Member States and time, while u represents an error term.

The findings confirm that economic activity appears to be a key determinant of the change in the unemployment rate (Table III.1). The real GDP growth variable is strongly statistically significant irrespective of the specification (specifications 1-5). The labour force participation rate appears to have no strongly significant impact on the change in the unemployment rate (3-5). Tighter employment protection measures appear to increase the unemployment rate slightly, which is usually associated with the increase in the cost of hiring. Finally, we find that stronger economic growth appears to have a positive impact on the change in the employment rate (i.e. employment over working-age population). This specification is a way to correct for the change in labour force, affecting unemployment indicators (5).

The findings show that the increase in unemployment due to changes in output in 2020 was weaker than expected in beneficiary Member States (see Graph III.7). We use our panel and time series estimates of the real GDP growth coefficient to compare the actual and expected changes in unemployment rates in beneficiary Member States. The results suggest that the swift and sizeable policy measures taken in 2020 to address the crisis reduced the impact of the fall in output on unemployment. Therefore, the increase in the unemployment rate was, in most countries, less than expected.

While it is difficult to design a counterfactual scenario of labour market performance in the absence of SURE, the analysis presented here examines the relationship between output and unemployment since the pandemic unfolded. The results should be interpreted with caution, since the output-employment relationship is impacted by a wide range of factors, including SURE.

⁽¹⁾ Okun, A.M., 'Potential GNP: Its measurement and significance', Proceedings of the Business and Economic Statistics Section, American Statistical Association, 1962. For a more recent assessment see [Furceri, D., Jalles, J.T. and Loungani, P., 2020, 'On the determinants of the Okun's Law: New evidence from time-varying estimates', *Comparative Economic Studies* 62, 661-700.](#)

⁽²⁾ A similar set-up is chosen as that used in European Commission (2020C).

⁽³⁾ The latter corresponds to the OECD's employment protection legislation (EPL) indicators, namely EPL for individual as well as individual and collective dismissals.

(Continued on the next page)

Box (continued)

Table III.1: Key determinants of the change in unemployment rate - panel regression results

Key factor	Estimator		Set of independent		Dep. var.
	Δ UR	Δ UR	Δ UR	Δ UR	Δ ER
Estimator	LSDV	FD-GMM	FD-GMM	FD-GMM	FD-GMM
	(1)	(2)	(3)	(4)	(5)
Real GDP growth rate	-0.255*** (-4.636)	0.283*** (-3.949)	-0.281*** (-4.117)	0.215*** (-3.412)	0.152*** (3.515)
Δ labour force participation rate			0.557 (1.453)	0.859* (1.862)	1.054 (1.746)
Δ EPL (ind. and collective dismissa				0.665* (1.853)	-0.775* (-1.901)
Number of countries	18	18	18	14	14
Observations	315	315	315	224	224
R-squared	0.63				
Wald time dummies	0	0	0	0	0
Wald country dummies	0.17				
AR(1) (p-value)		0.03	0.03	0.05	0.07
AR(2) (p-value)		0.40	0.45	0.62	0.33
Hansen (p-value)		0.90	0.85	0.82	0.88
Number of instruments		25	27	26	25

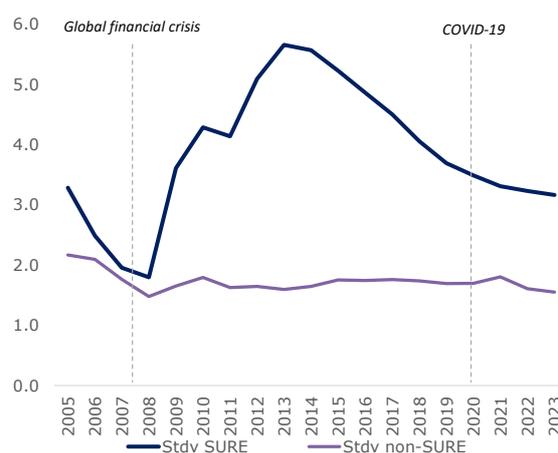
Note: The panel estimation includes EU countries benefitting from SURE, covering the period 1999 to 2019. The following two dependent variables are used, namely the change in the unemployment rate (Δ UR) and the change in the employment rate (Δ ER). The specification controls for the endogeneity of output with internal instruments by using a first-difference GMM estimator (FD-GMM). ***/**/* indicates statistical significance at the 10%/5%/1% level. The reduced country sample for the last three regressions is due to data availability.

Source: Authors' calculations based on the AMECO vintage of the Commission Autumn 2020 forecast.

The heterogeneity of unemployment rates, both among SURE beneficiary Member States and between SURE beneficiary and non-beneficiary Member States, was also lower than in previous crises. The global financial crisis that began in 2008 led to a significant divergence of outcomes across the EU, in particular with respect to the labour market. The most-affected Member States saw large and persistent rises in unemployment. Graphs III.9 and III.10 show the rapid rise in the heterogeneity of unemployment rates across SURE beneficiaries after 2008 (as measured by the standard deviation), whereas this heterogeneity in fact declined after the pandemic struck in 2020, preventing a (labour-market-led) rise in inequality across SURE Member States. Graph III.11 shows that, while the unemployment rate rose significantly more in SURE beneficiaries than non-SURE beneficiaries in the aftermath of the Global Financial Crisis, the unemployment rates in both groups followed a similar pattern during the COVID-19 crisis. This suggests that SURE may have contributed to preventing a strong rise in unemployment in countries who had suffered more labour market scarring and thus had more vulnerable labour markets. This also points to the fact that SURE's beneficiaries included the Member States whose labour markets needed

SURE the most, namely those that suffered the most during the global financial crisis.

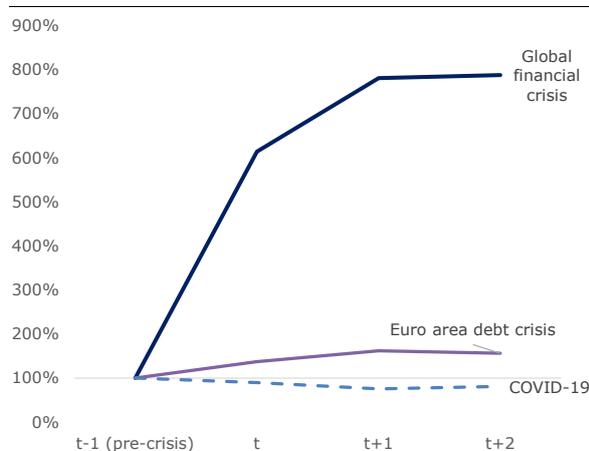
Graph III.9: Historical disparity of unemployment rates in SURE and non-SURE EU countries



GFC refers to global financial crisis. Stdv refers to the standard deviation of the unemployment rate of SURE and non-SURE beneficiary EU Member States, which is calculated for each year.

Source: Ameco.

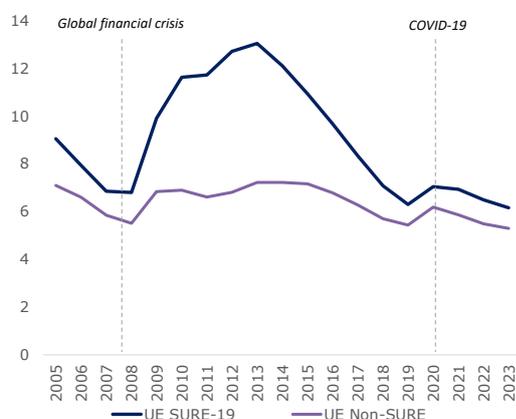
Graph III.10: Relative impact of crises on labour market heterogeneity between SURE and non-SURE EU countries



(1) The relative divergence in unemployment between SURE beneficiaries and the rest of the EU is calculated as the difference between the standard deviation of unemployment rates between SURE and non-SURE beneficiary EU Member States. This measure is presented as an index equalling 100% in the period 1 year before the three crises considered (t-1).

Source: Ameco.

Graph III.11: Comparative evolution of the average unemployment rate between SURE and non-SURE EU countries



Source: Ameco

III.3.2. How did SURE contribute to the recovery in 2021? The rebound effect prevailing over lower labour mobility

The policies supported by SURE had two opposing effects in 2021: facilitating the rebound while also reducing job mobility. On the one hand, by maintaining the link between employers and employees during lockdowns, short-time work schemes and similar measures created the conditions for a rapid recovery as the skills of underemployed staff could be re-mobilised

immediately upon the resumption of activity. This would also avoid substantial scarring of the labour market (i.e. hysteresis effects). On the other hand, it could be argued that short-time work schemes reduced labour mobility, keeping people employed in firms (and the self-employed engaged in activities) they would otherwise have left and preventing a potentially more efficient reallocation of resources.

The following analysis provides evidence to identify which of the two effects prevailed. To that end, this paper will consider outturn data (GDP, unemployment) as well as survey data. Overall, the analysis set out below indicates that any potential friction preventing the reallocation of labour appears to have been motivated by the protection of sectors still badly hit by the pandemic in early 2021 and, importantly, turned out to be short-lived. This is also confirmed by the rapid economic rebound facilitated by SURE, which was particularly strong by historical standards.

Targeted support in 2021 and no evidence of lasting reduction of job mobility

First, the uneven recovery in the first half of 2021 still required continued public policy support to retain jobs in some sectors. Subsequent waves of the pandemic required many Member States to reintroduce restrictions at various stages in 2021. Although the economic impact of these waves was smaller than the first, certain sectors were more affected than others, particularly in services sectors, justifying the targeted retention policy to prevent a disproportionate hike in unemployment.

This is confirmed by survey data. The EU Business and Consumer Survey showed that the services sectors most affected by COVID-19 in SURE beneficiary Member States (accommodation, food and beverage, travel agencies, sports activities and other personal services) continued to suffer from weak demand and confidence in the first half of 2021 in particular (Graph III.12). In contrast, manufacturing was less affected by the restrictions in early 2021 and performed better. As shown in Graph III.13, the sectors accounting for the largest share of SURE expenditure were wholesale and retail trade and accommodation and food services, confirming that SURE addresses the most pressing needs by supporting the worst hit sectors.

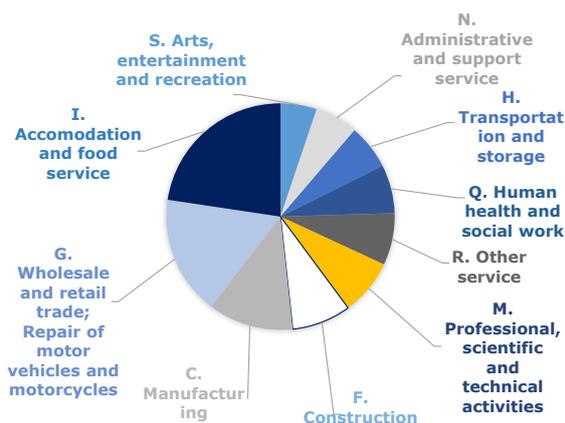
Graph III.12: Services sectoral demand and SURE expenditure



(1) For services, average index shown for accommodation, food and beverage, travel agencies, sports activities and other personal services.

Source: EU Business and Consumer Survey Programme March 2022, Member State reporting tables.

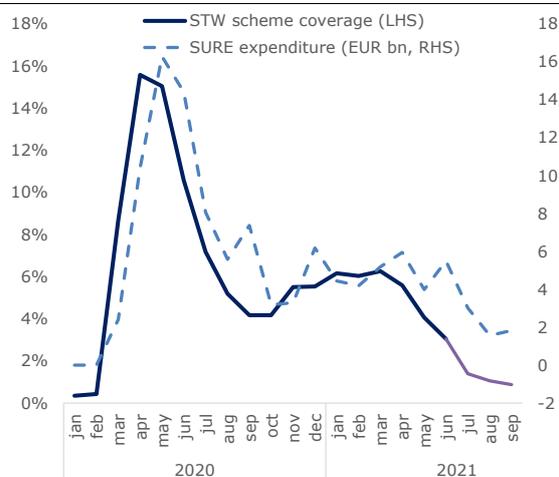
Graph III.13: Sectoral coverage of SURE



Source: Member States' reporting (January 2022).

With the ongoing but less widespread restrictions, the use of short-time work schemes remained substantial in early 2021, mirroring SURE support. The use of short-time work schemes hit an unprecedented peak during the first wave of the pandemic in 2020. However, a considerable number of workers continued to benefit from the schemes in the first few months of 2021 (Graph III.14) as the most-affected sectors continued to require support.

Graph III.14: Share of employees benefiting from short-time work and assimilated schemes



Source: EMCO-EPC monitoring report on the employment and social situation following the COVID-19 outbreak (Winter 2022).

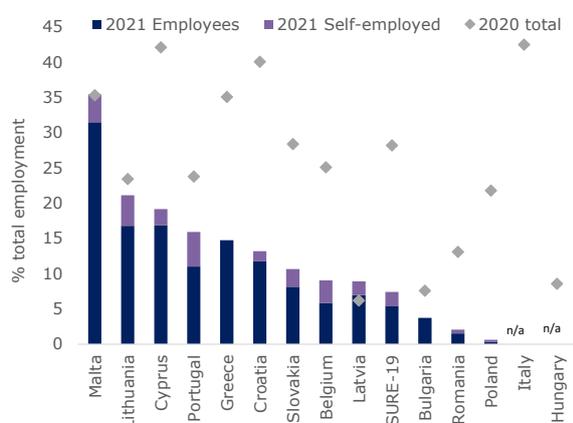
Second, the unwinding of SURE spending and short-time work schemes clearly indicated that SURE expenditure was scaled back as the recovery took hold. The negative correlation between SURE expenditure and economic output is evident: when economic conditions improved, expenditure decreased, showing that the measures adapted to the reality on the ground. This would suggest that labour mobility was not impaired when demand was recovering and reallocation became feasible. Indeed, there was evidence of labour shortages emerging in hospitality and manufacturing, among the sectors most supported by SURE, in 2021⁽⁵²⁾. The use of short-time work schemes also declined in the second half of 2021, reflecting the ongoing economic recovery, supported by the successful rollout of the vaccination campaigns. It is clear that SURE expenditure closely tracks the share of employees covered by short-time work schemes (Graph III.14).

This led to a quick reduction in SURE coverage in 2021, confirming that it did not stand in the way of job mobility when the recovery solidified. During this uneven recovery, SURE continued to significantly support jobs, but the number of people and firms covered by SURE declined sharply in 2021 compared to 2020, as economies adapted to COVID-19 and many

(52) See European Commission (2021): "Labour Market and Wage Developments in Europe 2021"

sectors began to recover. SURE supported approximately 3 million people and over 400 000 firms in 2021. This represents 6% of total employment and around 10% of firms in the 13 beneficiary Member States who continued to use it in 2021 (see Graphs III.15 and III.16). Indeed, six Member States did not use SURE after 2020. This again points to the fact that SURE did not support an excessive number of jobs and thus impair mobility in 2021.

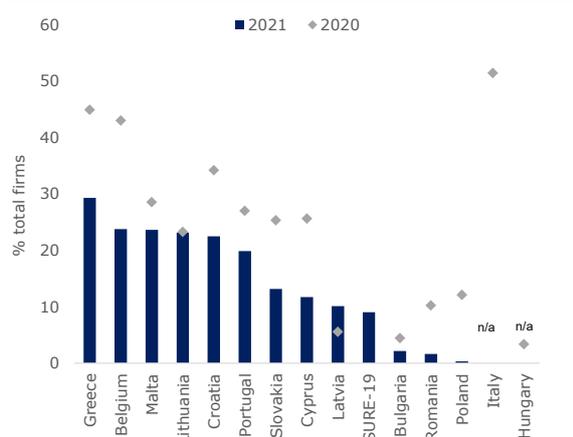
Graph III.15: **Workers covered by SURE in 2021 (% of total employment)**



(1) Member States that spent the SURE financial assistance by the end of 2020 are not shown. n/a refers to Member States that did not report coverage for 2021.

Source: Member States' reporting (January 2022).

Graph III.16: **Firms covered by SURE in 2021 (% of total firms)**



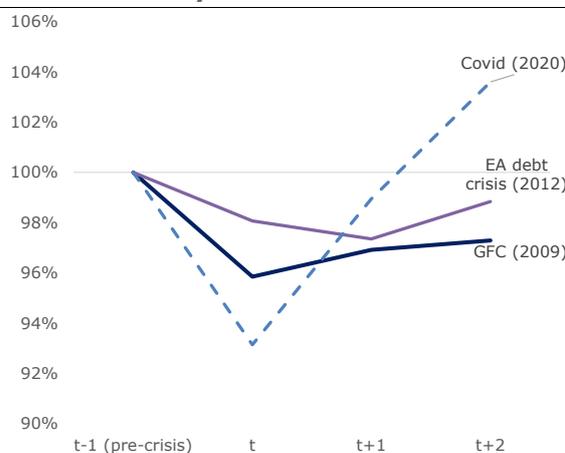
(1) See note to Graph IV.14
 (2) Total firms excludes zero-employee firms

Source: Member States' reporting (January 2022)

SURE contributed to an exceptional economic rebound in 2021 and early 2022

The protection of employment at the start of the pandemic supported a very rapid recovery in 2021 by historical standards. Both GDP and unemployment recovered closer to their pre-crisis levels in SURE beneficiary Member States in 2021 compared to the global financial crisis and euro area crisis after the same period (see Graphs III.17 and III.18). The continued recovery in employment saw the unemployment rate fall below its pre-pandemic rate to a record-low of 6.4% in the EU. Total hours worked have risen, largely reflecting a further reduction in the use of job retention schemes, although they remain lower than before the pandemic. This suggests that keeping the available workforce connected with firms via short-time work schemes and similar measures has helped support the swift recovery, despite the challenging epidemiological situation still evident in 2021. Prior to Russia's invasion of Ukraine, it was expected that in 2022 the continued COVID-19 recovery would further outperform that of the previous crises (based on the Commission's winter forecast). This points to limited labour market scarring due to the COVID-19 crisis.

Graph III.17: **Historical comparison of the recovery in GDP after a crisis**



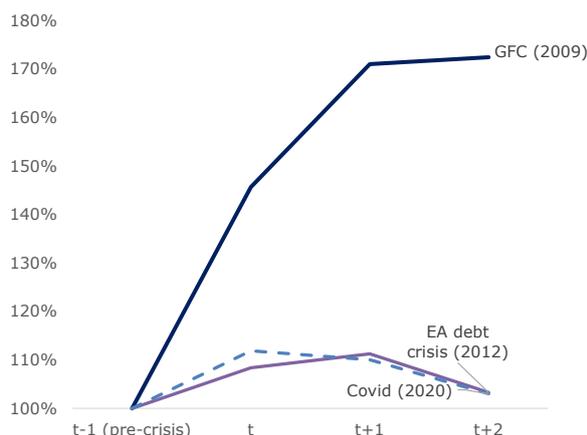
(1) Aggregate GDP for SURE beneficiary Member States shown. Time period t-1 refers to the year prior to the respective crises, implying that e.g. t+2 for the COVID-19 crisis refers to 2022. t=2009 for Global financial crisis (GFC); t=2012 for euro area (EA) debt crisis.

Source: Ameco (using the Commission's 2021 Autumn forecast), Eurostat.

SURE's confidence-boosting effect on economic agents is also likely to have supported the recovery. SURE received broad-based support from EU citizens. For example, 82% of euro area residents responding to the Eurobarometer survey published in December 2021 considered SURE loans to keep people in

employment to be a good idea⁽⁵³⁾. This positive view of SURE holds across both beneficiary and guarantor countries (see Graph III.19), reaffirming the instrument's success both in supporting jobs and in improving confidence in the EU. The sizeable oversubscription of SURE bonds by investors also suggests that financial markets have trust in the efficiency of the instrument.

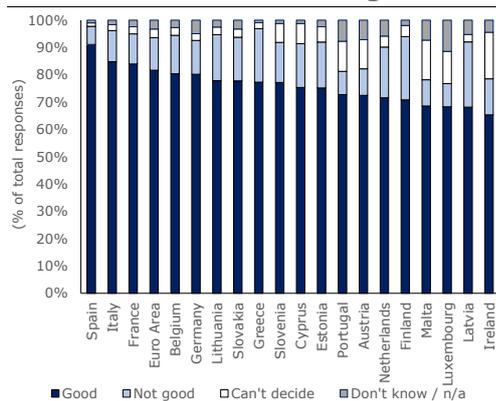
Graph III.18: Historical comparison of the recovery in unemployment after a crisis



(1) Average unemployment rate for SURE beneficiary Member States shown. Time period t-1 refers to the year prior to the respective crises, implying that e.g. t+2 for the COVID-19 crisis refers to 2022. t=2009 for Global financial crisis (GFC); t=2012 for euro area (EA) debt crisis.

Source: Ameco (using the Commission's 2021 Autumn forecast), Eurostat.

Graph III.19: EU citizens' views on whether SURE loans were a good idea

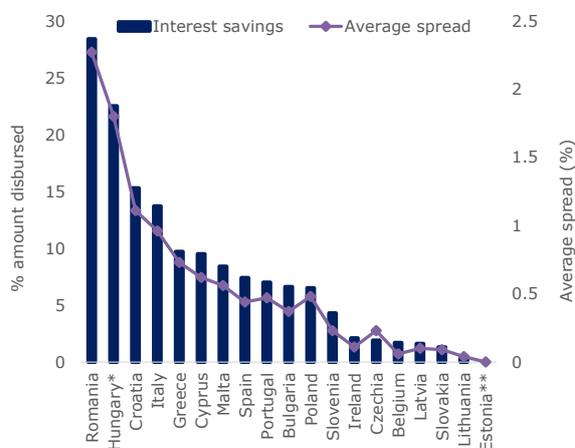


Source: Eurobarometer survey December 2021 publication, conducted in euro area countries in October and November 2021.

III.3.3. Another impact: sizeable interest savings from Member States

SURE has also generated a total of EUR 8.5 billion in savings on interest payments for Member States (Graph III.20). These savings were generated as SURE loans offered Member States lower interest rates than those they would have paid if they had issued sovereign debt themselves, and this over an average period of close to 15 years. This is due to the EU's AAA credit rating and the liquidity of the SURE bonds. The largest savings were recorded by Member States with lower credit ratings. This estimate does not include any possible additional confidence effects of the new emergency instruments, including SURE, which likely prevented a rise in the interest rate spread for Member States' sovereign borrowing. The true interest savings are therefore likely to be even higher. Furthermore, Member States could reduce the volume of their own sovereign issuance in those funding periods, which likely improved the conditions they could achieve with that issuance.

Graph III.20: Interest savings by Member State (% of loan amount received)



(1) Based on the eight SURE bond issuances as of May 2022. Interest savings are computed bond by bond, and summed across issue dates and maturities. A detailed description of the methodology is available in McDonnell et al. (2021).

* No yield curve for euro-denominated bonds is available for Hungary. The yield curve in national currency was used instead.

** Estonia has issued only one outstanding 10-year bond, no data were available for other maturities. The spread with the EU SURE social bond at these other maturities is assumed to be close to zero.

Source: European Commission.

⁽⁵³⁾ See: <https://europa.eu/eurobarometer/surveys/detail/2289>

III.4. Why was SURE a success? Three considerations

Three broad policy lessons can be drawn from the success of SURE.

Firstly, SURE responded to an emergency need that was both social and economic in nature. Amid the uncertainty at the outset of the pandemic, it was crucial for policymakers to take concrete steps to avoid long-term social and economic scarring due to a shock that had strong reasons to be assumed to be (correctly, as it turned out) of temporary nature. To that end, SURE served a real purpose, responding to a strong need identified by both Member States and the Commission, namely to retain workers in employment to protect their incomes and mitigate the economic and socio-economic damage of the pandemic. The social nature of this goal was emphasised by the issuance of social bonds by the EU for the first time, which has also proven popular with investors.

Accordingly, the scope of SURE was not based on a rigid institutional definition, but was purpose-based, i.e. supporting job retention. It was not limited to a narrow type of instrument that was only a means to an end. It included short-time work schemes but also other job retention measures (i.e. measures similar to short-time work schemes), in particular for the self-employed. The very purpose of SURE was to allow Member States to optimise their national labour market policy in the face of unprecedented and dramatic circumstances, by offering them EU support on a wide array of measures appropriate to retain jobs in firms, while providing income support. These measures included support for self-employed workers and wage subsidy schemes (which are not calculated in terms of hours not worked, but rather as a lump sum or a share of the wage bill). Other measures included various reductions in indirect labour costs (related to job retention), sick leave and special leave benefits, and other specific measures to extend the activity of atypical workers (e.g. intermittent or seasonal workers).

Secondly, in terms of governance, SURE showed the merit of the EU method, combined with light conditionality and flexible national implementation. SURE was initiated by the Commission following the EU Community method, rather than the intergovernmental approach. This ensured accountability and

solidarity among Member States, while contributing to reducing any stigma. The Commission proposed light conditionality under SURE: the only condition was that Member States had faced a severe and sudden increase in spending on short-time work schemes and similar measures due to the pandemic. Together with the purpose-based scope of SURE, this light conditionality allowed Member States to retain ownership of the types and design of measures they implemented nationally, with SURE acting as a second line of defence.

Thirdly, the SURE instrument was underpinned by a robust financial construction. SURE came into existence based on a guarantee system provided by Member States. All Member States, including the eight that did not benefit from SURE, provided a total of EUR 25 billion of guarantees. These guarantees were provided voluntarily, and, once granted, became irrevocable, unconditional and on-call. This guarantee system is financially robust (while also a clear expression of solidarity through the EU budget). This system made SURE bonds highly credible to markets and credit rating agencies, paving the way for the strong investor demand that has materialised. The popularity of SURE, amongst both Member States and investors, has reduced the risk of stigma attached to the use of financial assistance by any particular Member State.

III.5. Conclusion

This section has provided an update on the use of SURE financial assistance up to 16 May 2022. It focuses on developments since the previous QREA article on SURE of July 2021. The section extends the analysis set out in the third biannual report on SURE, published in March 2022. The initial assessment of SURE's impact on job retention in 2020 has been confirmed with an updated and extended analysis, including that SURE contributed to preventing an estimated 1½ million people from becoming unemployed. The public policy support measures also prevented a divergence in unemployment across SURE beneficiary Member States.

Over the last 12 months, the pandemic has continued to evolve, requiring differing policy responses at various stages. In 2021, SURE's support for the rapid rebound appears to have outweighed any potential negative impact of impaired labour mobility. This has meant SURE

has continued to be used in many Member States, and the effects of those policies will also become clearer as time goes on.

The section concludes by highlighting the three main reasons behind SURE's popularity and success, namely its social and economic purpose, its governance and its financial construction.