



SURE

Support to mitigate Unemployment Risks in an Emergency

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Outline

1. Main purpose
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3. How it works? Providing back-to-back loans
4. Making the system financially sound

Main purpose

- The regulation proposed on 2 April 2020 aims to establish a EU instrument for temporary **Support to mitigate Unemployment Risks in an Emergency (SURE)**, ...
- ... **targeted to support short-time work schemes for employees** and similar measures notably for self-employed.
- 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, by 31 December 2022, possibly extendable).
- A **direct follow-up of the Commission Communication** of 13 March 2020.
- Part of a broader package of measures since **the EU needs to use all possible means to address the COVID-19 Crisis**.

Scope: 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 liquidity 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 and quickly** retaining workers and their skills
- Before the crisis, a majority of Member States have the schemes in place; all Member States are setting up / operating /extending schemes compatible with **SURE, as a second line of defense.**

Scope: short time work schemes

- **Targeting an efficient scheme for this crisis:** short time work schemes ... = measures allowing firms experiencing economic difficulties to temporarily reduce the hours worked by their employees, receiving public income support for the hours not worked.
- Some **academic support:** Giupponi & Landais (2020); Vandenbroucke et al. (2020)
- **Purpose-based definition:** ... and similar measures (including for self-employment) = reduction of labour costs in exchange of protecting jobs with income support for employees. Avoiding taxonomical disputes. Includes some health-related measures, in particular at the work place in response to the crisis
- **Trigger:** where the COVID-19 outbreak has led to a sudden and severe increase, as from 1 February 2020, in actual and possibly also planned public expenditure due to national measures.

How it works?

Providing back-to-back loans

- **SURE will take the form of a lending scheme up to EUR 100 billion** underpinned by a system of guarantees from Member States (EUR 25 bn).
- 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 proceed to the Member States concerned**. This is a back-to-back loan, a technique used frequently by the Commission, especially in the past financial crisis.
- **No conditionality on the national schemes**, except for an evidence-based increase in current or expected spending on those schemes

Making the system financially sound

- The volume of the bond issuances would be constrained by the **lack of available funding under the EU budget at the end of the current MFF.**
- Therefore, it is imperative to expand the volume of the loans provided by SURE **to get the necessary firepower on the ground.**
- And this can be done by **creating a guarantee structure.**
- For that, Member States **must, on a voluntary basis (in the absence of legal obligation), provide credible, irrevocable and callable guarantees to the Union,** on the basis of bilateral agreement concluded between the Commission and all the contributing Member States.
- No need for up-front cash contributions (paid-in capital) from Member States

Making the system financially sound

- **Other safeguards** than the guarantees **are built in** to ensure the financial solidity of the scheme (maximum limit to concentration risk and annual exposure, possibilities to roll-over debt).
- The financial assistance will only become available after **all Member States have contributed to the SURE**
 - ✓ with contributions totalling at least 25% of the amount of loans
 - ✓ with individual contribution (maximum liability) corresponding to the GNI key
- Article 122(1) stresses the principle of **solidarity between Member States through the EU**, underpinning the construction of the guarantee system based on **voluntary** contributions from Member States to the EU.

Thank you

Legal basis

- **The recourse to the article 122 of the Treaty** allows a quick adoption process, well adapted to respond to the current emergency.
- It is an emergency procedure involving the Council only. In other words, **it can be done fast.**
- Article 122(1) stresses the principle of **solidarity between Member States through the EU**, underpinning the construction of the guarantee system based on voluntary contributions from Member States to the EU.
- Article 122(2) TFEU allows the Council to provide on a temporary and ad hoc basis Union **financial assistance to a Member State in difficulties**. Already used during the financial crisis to create the EFSM.

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