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COMMISSION STAFF WORKING DOCUMENT

EVALUATION

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

{SWD(2025) 48 final}

Glossary

Term or acronym	Meaning or definition
CID	Council Implementing Decision
CFR	Case fatality rate
COVID-19	Coronavirus disease 2019
CRII	Coronavirus Response Investment Initiative
DG BUDG	Directorate-General for Budget
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
ECA	European Court of Auditors
EGF	European Guarantee Fund
EIB	European Investment Bank
EMCO	Employment Committee, advisory committee to promote the coordination of employment and labour market policies
ESIF	European Structural and Investment Funds
ESG	Economic, Social and Governance
ESM	European Stability Mechanism
ETUI	European Trade Union Institute
Eurofound	European Foundation for the Improvement of Living and Working Conditions
EUROMOD	Tax-benefit microsimulation model for the European Union
GDP	Gross domestic product
GFC	Global financial crisis
GNI	Gross national income
ISG	Inter-service steering group

JRC	Joint Research Centre
JRS	Job retention scheme
LHS	Left-hand side
LMP	Labour market policy
MS	Member State
NACE	Statistical classification of economic activities
NGEU	Next Generation EU
OPC	Open public consultation
PES	Public employment service
PCS	Pandemic Crisis Support
PEPP	Pandemic Emergency Purchase Programme
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
RHS	Right-hand side
RRF	Recovery and Resilience Facility
SDG	Sustainable Development Goals
SG	Secretariat-General
SURE	European instrument for temporary Support to mitigate Unemployment Risks in an Emergency
STW	Short-time work
SWD	Staff working document
TFEU	Treaty on the Functioning of the European Union
UN	United Nations
WHO	World Health Organization

1 INTRODUCTION

1.1 Purpose and scope of the evaluation

SURE was established to help Member States finance sudden increases in public expenditure primarily related to job retention schemes. The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) was established in May 2020 and ended on 31 December 2022. Envisaged as an emergency response to the COVID-19 pandemic at a time of high uncertainty, SURE constituted one of the three safety nets that were agreed in the Eurogroup report of 9 April 2020[1]. SURE was set up by Regulation (EU) 2020/672 on a temporary basis, under Article 122 TFEU. SURE provided financial assistance to Member States (in the form of loans) to fund short-time work (STW) schemes and similar measures (hereafter jointly referred to as job retention schemes (JRS)), with a maximum amount of EUR 100 billion. The loans to Member States were financed by the issuance of EU bonds (back-to-back funding). To ensure favourable financing conditions and political support, SURE was underpinned by a robust financial structure of guarantees and prudential rules. Focused on speed, SURE featured a lean design with light, purpose-driven eligibility criteria.

The purpose of the evaluation is to provide a comprehensive ex-post assessment of how SURE delivered on its objectives, as required by the Financial Regulation. The evaluation assesses the extent and ways in which SURE delivered on its main goals of protecting employment, mitigating unemployment risks and reducing the loss of income caused by the COVID-19 pandemic (under Article 1 of Regulation (EU) 2020/672). It covers the design and implementation of SURE and carefully examines the following five evaluation criteria: effectiveness, efficiency, coherence, relevance, and EU added value of the intervention. The legal basis for the evaluation is Article 34 of the Financial Regulation (2018/1046).

The evaluation also addresses the recommendation by the European Court of auditors (ECA) and critical issues raised by stakeholders in the Call for Evidence. In 2022, the European Court of auditors (ECA) conducted a performance audit of SURE. It recommended to evaluate SURE, specifically its additionality, its complementarity with national measures, and the effectiveness of the (SURE) legal framework in minimising the risk of irregularities and fraud at national level (Special report 28/2022 on SURE)[2]. In addition to this recommendation, stakeholders that responded to the Call for Evidence also suggested to assess unintended consequences of SURE.

[1] SURE was envisaged as a safety net for workers. The other two safety nets were the Pandemic Crisis Support under the European Stability Mechanism, intended for Member States, and the European Guarantee Fund of the European Investment Bank, intended for businesses.
[2] https://www.eca.europa.eu/Lists/ECADocuments/SR22_28/SR_SURE_EN.pdf

The evaluation serves multiple purposes, not least promoting accountability, fostering learning, and possibly informing future policies. In addition to the backward-looking purpose of the evaluation, namely, to deliver a robust and holistic understanding about the achievement of SURE's objectives, the evaluation aims at drawing lessons, which may be relevant for potential future Union instruments.

This Staff Working Document (SWD) presents the Commission staff's analysis of the ex-post evaluation of SURE, building on multiple sources. The SWD extensively uses analytical findings about SURE from an independent evaluation study (hereafter referred to as *the external evaluation study*). The external evaluation study was concluded in May 2024 and is published together with this SWD. In addition, the SWD uses findings from five bi-annual reports to the European Parliament, the Council, the Economic and Financial Committee and the Employment Committee that were prepared by the Commission during the implementation of SURE[3]. Additional analytical insights by Commission services are also reflected in the SWD.

The evaluation used multiple tools that ensure the robustness of the results. A diverse range of qualitative and quantitative tools include an impact analysis to quantify the macro impact of SURE, semi-structured interviews, workshops, surveys, a microsimulation and an open public consultation (OPC). The response rate to the OPC has been very limited despite significant efforts to promote it. This lack of feedback was to some extent compensated with the surveys targeting Ministries of Finance and Ministries of Labour where responses were received from 16 out of the 19 beneficiary Member States. Combining multiple sources enabled each evaluation question to be addressed from various perspectives, thus ensuring a rich evidence base. Emerging findings were validated in a workshop with academics and experts. In addition, six in-depth country case studies were conducted to provide depth and nuance to the evaluation of SURE. These case studies covered Greece, Italy, Lithuania, Poland, Portugal and Spain.

The evaluation covers the period between the creation of SURE in May 2020 and the expiry of its use at the end of December 2022. The evaluation covers all Member States, in particular the 19 Member States that benefited from the instrument[4]. For reasons of methodological limitations[5], the quantitative aspect of the evaluation is mostly focused on the developments in 2020, which also corresponds to the peak of implementation of the SURE-financed measures.

[3] https://economy-finance.ec.europa.eu/eu-financial-assistance/sure_en

[4] 19 beneficiary Member States are Belgium, Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain. The remaining 8 Member States have not requested support under SURE.

[5] Unemployment avoided could only be estimated for 2020 using Okun's law, since this was the only year in which a drop in GDP was recorded in most Member States.

The SWD is organised as follows. Chapter 2 describes the SURE intervention and presents the intervention logic to conceptualise how SURE was expected to work. Chapter 3 follows with an overview of the context in which SURE was developed and implemented, presenting both the institutional and financial dimensions of the instrument. In addition, Chapter 3 provides information on the expenditure and characteristics of SURE-supported measures, as well as their coverage of employees and firms. Chapter 4 presents the findings of the evaluation, by focusing on the key evaluation criteria: effectiveness, particularly by focusing on SURE's additionality in terms of spending, outcomes and policy impact; efficiency, by weighing its costs and benefits; coherence with other Union instruments, national measures and the UN's social development goals; EU added value and relevance. Chapter 5 presents conclusions and draws lessons on both substance and process.

2 WHAT WAS THE EXPECTED OUTCOME OF THE INTERVENTION?

Chapter 2 describes the objectives of the intervention and presents an impact pathway to conceptualise how SURE was expected to work. In addition, it presents the step-by-step implementation of SURE. Finally, the chapter presents an overview of the different possible points of comparison against which the intervention will be evaluated.

2.1 Description of the intervention and its objectives

2.1.1 Description of the intervention

SURE was a key element of the EU's comprehensive strategy to protect citizens and mitigate the negative socio-economic consequences of the COVID-19 pandemic. The Commission proposed SURE on 2 April 2020[6] and the Council adopted it on 19 May 2020[7]. SURE followed from the political guidelines of the Commission[8], as a tool to protect citizens during external shocks. Specifically, it responded to the direct economic, social and health-related effects of the COVID-19 outbreak by providing Member States that requested it with Union financial assistance (with a total envelope of EUR 100 billion) in the form of (back-to-back) loans. The Commission was empowered to borrow on the financial markets with the purpose of on-lending to the Member States concerned,

[6] Proposal for a Council Regulation on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, COM/2020/139 final.
(https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2020%3A0139%3AFIN)

[7] 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 159, 20.5.2020, p. 1
(https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0672&from=en).

[8] The Commission's 2019-2024 Political Guidelines proposed a European Unemployment Benefit Reinsurance Scheme to protect European citizens and reduce the pressure on public finances during external shocks.

which in turn could benefit from the favourable conditions resulting from the Union's AAA rating.

SURE was established primarily to support national job retention schemes (JRS) put in place or extended during the pandemic. The only eligibility condition was that the Member State experienced a sudden increase in actual or planned public expenditure as a result of the COVID-19 pandemic, primarily related to short-time work schemes or similar measures and, as an ancillary, to some health-related measures, in particular in the workplace[9]. Meanwhile, Member States retained ownership of the design of measures they implemented. Effectively, SURE was designed as a second line of defence to complement efforts undertaken by Member States at national level.

SURE was a strong expression of solidarity to protect jobs and economic activity in the Single Market. Bond issuances to finance SURE were backed by the 'headroom' of the EU budget, i.e. the difference between the maximum own resources the Union can collect from Member States (*Own resources ceiling*) and the own resources needed to finance the budget. In addition, in order for SURE to become available and the EU to expand the volume of financial assistance, all Member States had to provide irrevocable, unconditional and on-demand guarantees totalling at least 25% of the total SURE envelope of EUR 100 billion, i.e. EUR 25 billion[10]. As such, SURE could not become available until all 27 Member States had concluded and signed guarantee agreements with the Commission on a bilateral basis in September 2020.

SURE was the first instance where the EU issued social bonds to finance EU financial assistance to Member States, building on its commitment to sustainable finance. Social bonds are a category of "labelled" or ESG (Environmental, Social and Governance) bonds. Such bonds are issued to raise proceeds for a purpose aligned with their respective labelled goals, thus promoting sustainable and/or socially responsible investment. The EU adopted and published an EU SURE Social Bond Framework to facilitate this commitment[11]. By issuing social bonds (or ESG bonds in general), the EU aims to support sustainable finance.

[9] Health-related measures were included in the scope of the instrument by the Council, however, as an ancillary.

[10] Each Member State's contribution to the overall amount of the guarantee corresponds to its relative share in the total gross national income (GNI) of the European Union, based on the 2020 EU budget.

[11] https://ec.europa.eu/info/strategy/eu-budget/eu-borrower/eu-borrowing-activities/eu-sure-social-bond-framework_en

Box 1: Design features of SURE

Financial assistance in the form of loans

SURE acted as a second line of defence, providing loans to support national short-time work schemes and similar measures to help Member States protect employees and self-employed against the risk of unemployment and loss of income, as a result of COVID-19 pandemic. As an ancillary, SURE also financed health-related measures. The financial envelope of SURE was EUR 100 billion.

Low prescriptiveness

According to the SURE regulation, measures were eligible if they were related to the pandemic, aimed to maintain the employment contract with the firm and provided income support. This purpose-driven approach promoted national ownership and ensured maximum flexibility on the design of supported measures, which was required by the urgency and the differences in national circumstances.

Community method and first-mover approach

The use of the Community method, i.e. relying on the EU's supranational institutions (particularly as regards the right of initiative) made it possible to have a more coordinated approach and bundle Member States' requests for SURE support. This avoided the "first-mover" stigma that Member States could otherwise have faced.

Back-to-back lending

Back-to-back lending (or *on-lending*) meant that the EU used its excellent credit rating to issue debt (in the form of social bonds) at low interest rates and then lend those funds to Member States, generating substantial interest savings. This contributed to the fiscal sustainability of the response to the pandemic and made it possible to spend more on JRS.

Three main prudential rules

Three key risk prudential rules included: (1) a 60% cap on the amount loaned to the three most heavily supported Member States to contain concentration risks; (2) a 10% ceiling on yearly repayments to limit the annual exposure and ensure that the headroom would provide adequate coverage; (3) additional voluntary guarantees from all 27 Member States equal to 25% of the total SURE envelope to provide additional comfort to investors and signal firm political support.

2.1.2 Intervention logic

The intervention logic is presented in the form of an impact pathway[12]. It follows a theory-driven approach, outlining the anticipated mechanisms through which SURE was expected to achieve outputs, results, outcomes, and impacts (Figure 1)[13]. The underlying need for the intervention arose from the outbreak of the COVID-19 pandemic, which had a disruptive socio-economic impact and increased public expenditure in a growing number of Member States with uneven fiscal space. This situation called for an urgent policy response amid high epidemiological and economic uncertainty.

The impact pathway is designed around the main purpose of SURE, which was to provide financial assistance to Member States to preserve employment and income during the COVID-19 pandemic. Accordingly, the pathway presents SURE as a fiscal backstop, enabling Member States to finance the rising expenditure needs to support employment and income in the context of elevated financial market constraints. The focus of the impact pathway and evaluation is on the specific effects brought about by the setup of SURE. The impact pathway looks into the additional policy outcomes (i.e. SURE providing Member States greater fiscal space and enabling stronger policy response), the additional socio-economic impacts (i.e. SURE contributing to lower unemployment, higher income protection, reduced disparity and improved resilience) and the additional inputs (i.e. SURE reducing borrowing costs). These are the effects which would not have been seen in the absence of the SURE instrument. While SURE was also intended to support public health during the COVID- 19 pandemic, this was only an ancillary objective. Therefore, health-related measures supported by SURE receive a limited focus in the evaluation.

The impact pathway also considers the role of the innovative design of SURE, including its financial architecture, in achieving its main purpose. In light of the experience of the Global Financial Crisis, the EU proposed SURE as a new type of instrument with a clear social purpose and light policy conditionality, using the Community method and financed by bilateral guarantees. The novel design of SURE was expected to be important for political acceptance, avoiding stigma effects, and the speedy take up of SURE in Member States. In addition, borrowing at the EU level and lending those funds to Member States was expected to generate interest savings and support fiscal sustainability, while also providing extra fiscal space to enable Member States to spend more on JRS and thus reduce the adverse socio-economic impact of the pandemic.

This evaluation, focusing on the specific role of SURE, does not assess the national measures supported by it. This is in line with SURE providing financial assistance to

[12] The intervention logic provides a (narrative) description - in the form of an impact pathway - how the intervention was expected to work.

[13] In the absence of an ex-ante impact assessment to serve as a point of reference for the evaluation, the theory-driven approach examines in retrospect the mechanisms through which SURE could in theory have been expected to deliver results and examines to what extent these expectations materialised.

Member States as a second line of defence, with low prescriptiveness on the national measures. The Council required that SURE support should not be conditional upon the design of national JRS, as Member States wanted to retain a high degree of ownership, in line with their prerogatives over social protection systems. This was a key condition imposed by Member States for the setup of SURE, in addition to its temporary nature. However, while SURE-supported measures are not evaluated, their aggregate impacts are taken into account to support the evaluation of SURE.

The objectives of SURE were well-aligned with the UN Sustainable Development Goals (SDGs). By providing financial assistance for short-time work schemes or similar measures aimed at protecting employees and the self- employed as well as for the financing, as an ancillary, of some health-related measures, SURE was expected to directly support SDG 8 (Decent Work and Economic Growth) and SDG 3 (Good Health and Well-being) while also contributing to SDG 5 (Gender Equality) and SDG 10 (Reduced Inequality).

The intervention logic, as outlined in Figure 1, comprises the following elements:

1) Needs as described in Recital 4 of the SURE Regulation ***(****not shown in Figure 1 for sake of readability).*

2) Objectives as stated in Article 1(2) of the SURE Regulation *(not shown in Figure 1 for sake of readability).* SURE's contribution to these objectives is assessed under the **effectiveness** criterion, while the relation of SURE objectives with other instruments (e.g. structural funds) is reviewed under the **coherence** criterion.

3) Inputs refer to the financial resources (loans), as well as the human resources and administrative processes needed to design, manage and implement SURE. Financial inputs are included in the **effectiveness** analysis, while costs, including administrative ones, are covered in the **efficiency** analysis.

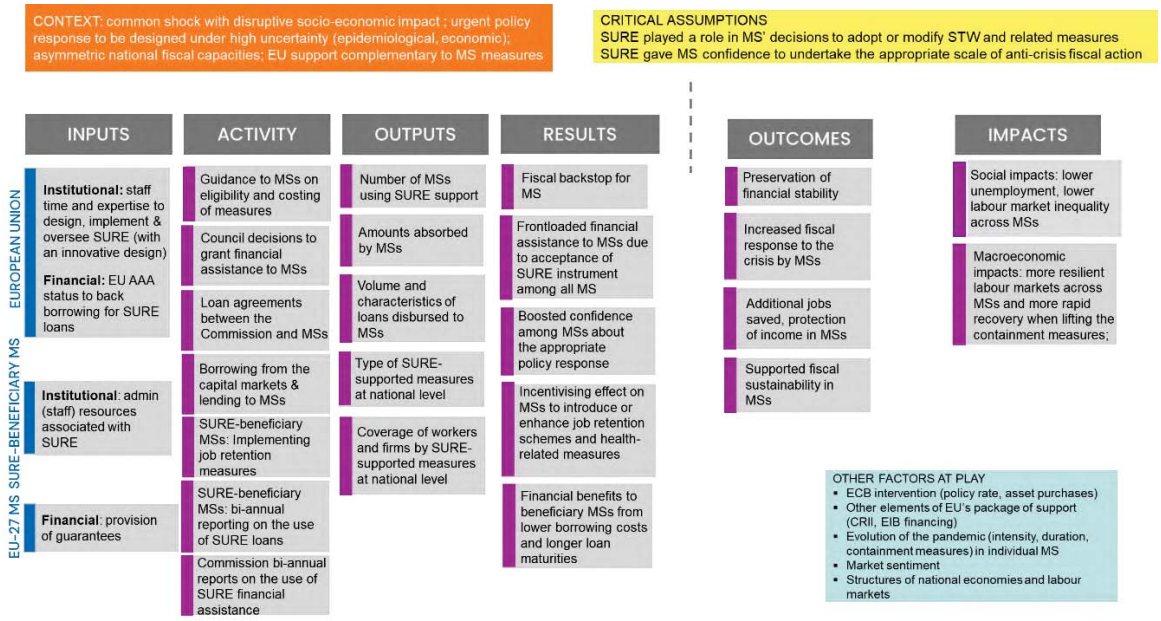
4) Outputs are those directly related to the implementation of SURE at EU level, such as the number of Member States using SURE support, the amounts granted and disbursed to Member States to support JRS and health-related measures, and volume and characteristics of loans disbursed. In addition, outputs include the description of the broad characteristics of SURE-supported measures at the national level in aggregate terms, notably the type of measures and their coverage in terms of employment and firms.

5) Results are directly derived from the implementation of SURE at EU level and the policy response of Member States at national level, in accordance with the objectives of the SURE Regulation. SURE provided temporary fiscal assistance, serving as a fiscal backstop, to Member States in a situation of emergency. As such, SURE aimed to boost the means and confidence of Member States to take appropriate policy action and to incentivise them to introduce or enhance JRS. This was expected to be further supported by financial savings from SURE loans. These results are assessed under **effectiveness**.

6) Outcome and impacts are based on the critical assumptions that SURE played a role in the decisions of Member States to adopt or modify JRS and bolstered their fiscal responses. SURE was expected to have contributed to saving jobs and protecting income of workers as well as promoting more resilient labour markets in Member States, which would in turn contribute to a faster recovery once lockdown restrictions are lifted. The analysis of **effectiveness** includes considerations of SURE's contribution to these outcomes and impacts. SURE was also expected to have contributed to maintaining financial stability, preventing financial market fragmentation, and supporting fiscal sustainability in Member States.

7) Other factors at play have also affected the implementation of SURE and are considered in the evaluation.

Figure 1: Impact pathway: Financial assistance to Member States to preserve employment and income during the Covid-19 crisis



Source: External evaluation study, Section 2.1, with some modifications

2.1.3 Implementation of SURE

The implementation of SURE followed in five steps (Figure 2)**.**

The first step was to make SURE legally available through the voluntary provision of guarantees by all 27 Member States to complement the guarantee from the EU budget. SURE became available on 22 September 2020 when the national approval processes of guarantee agreements were completed in all 27 Member States.

Secondly, the Council granted financial assistance under SURE through Implementing Decisions. After the adoption of the SURE Regulation, the Commission provided guidance on the eligibility and costing of measures to Member States interested in SURE support. Once Member States submitted their formal requests for support, the

Commission assessed the eligibility and costing of the measures. The Commission then put forward a proposal to be adopted by the Council in the form of an Implementing Decision. Following their initial request for financial assistance, nine Member States requested additional financial support and three Member States asked for additional measures to be covered by existing SURE loans to absorb the amounts already granted. Both types of requests were granted by the Council via amended Council Implementing Decisions.

As a third step, the Commission disbursed financial assistance to Member States. Each Member State benefitting from financial assistance under SURE was required to sign a loan agreement (including the Legal Opinion and Request for Funds) with the Commission laying down the characteristics of the loan. The Commission borrowed on the capital markets on behalf of the Union. The disbursements to Member States were made according to a schedule communicated in advance to Member States and corresponding to the nine issuances of bonds by the EU.

Fourth, Member States reported on the use of financial assistance and on national control and audit of SURE-supported measures. Member States were requested twice per year to provide information on monthly planned and incurred expenditure on eligible measures, net of taxes and social security contributions, net of funding received from other EU structural funds and net of pre-COVID 19 expenditure. In addition, Member States were invited to provide data on coverage of workers and firms and sectoral coverage, needed for the purpose of reporting under the EU Social Bond Framework.

Finally, the Commission monitored the use of the funds and prepared five bi-annual reports. The last report was issued in June 2023, after the sunset clause of end-December 2022, when Member States could not request further financial assistance. Importantly, by that time, there was a certainty that all the funds received by Member States have been spent on SURE-eligible measures covered by the most recent Council Implementing Decision.

Figure 2: The main steps in the implementation of SURE

2.2 Point(s) of comparison

There was no prior impact assessment, against which the ex-post evaluation of SURE could be compared. Due to the emergency nature of the Commission proposal to establish SURE following the COVID-19 outbreak, no impact assessment was carried out.

This evaluation will apply quantitative and qualitative tools to assess SURE additionality. Specifically, it will use Okun's law to quantify the macro impact that

could be attributed to JRS, including those funded by SURE, together with an assessment of how Member States would have responded to the COVID-19 pandemic in the absence of SURE. Section 4.1.1.3 and Annex II explain the selected approach.

There are various possible points of comparison, each with its own benefits and limitations:

- **Previous crises such as the Global Financial Crisis (GFC), during which STW schemes were used in a limited number of countries.** The GFC offers a good point of comparison for those beneficiary Member States that have not relied on STW to mitigate the impact of a drop in output on the labour market at that time. At the same time, the COVID-19 pandemic was a specific type of crisis where economies were hit by an exogenous shock unrelated to economic fundamentals. This limits the comparability of the impacts on the labour market between the GFC and the COVID-19 pandemic and calls for a careful interpretation of results.
- **EU Member States that have not asked for SURE support[14].** There are three factors that are distinct to the group of non-beneficiary Member States that would affect comparability with SURE beneficiary Member States. First, these Member States financed a heavy recourse to JRS by themselves during the COVID-19 pandemic. Second, most of them had STW schemes in place already during the GFC. Third, the economic/sectoral structure of these Member States is different from SURE beneficiary Member States, which made them less exposed to the shock caused by the COVID-19 pandemic.
- **Alternative policy measures to mitigate the socio-economic impact of the COVID-19 crisis, such as unemployment benefits.** For example, short-time work schemes were deployed to a much lower extent in the US than in the EU to mitigate the impact of the pandemic and the related drop in output on the labour market.

These points of comparison will be used to complement the analysis of SURE. Specifically, economic and labour market developments in SURE beneficiary Member States during the COVID-19 pandemic will be compared with those during the GFC as well as with the non-beneficiary Member States and the United States in Section 4.1.1.1.

3 HOW HAS THE SITUATION EVOLVED OVER THE EVALUATION PERIOD?

Chapter 3 outlines the economic and epidemiological context in which SURE was designed and implemented. It presents the instrument from both institutional and financial perspectives, based on the five bi-annual reports prepared by the Commission[15]. Institutionally, the Chapter reports on the implementation of the instrument, including its use by the beneficiary Member States. Financially, it focuses on the aspects related to

[14] Eight Member States that have not requested support under SURE are Austria, Denmark, Germany, Finland, France, Luxembourg, the Netherlands, and Sweden.
[15] https://economy-finance.ec.europa.eu/eu-financial-assistance/sure_en

borrowing and lending operations and the prudential framework. In addition, the Chapter provides information on the expenditure and characteristics of SURE-supported measures, as well as their coverage of employees and firms.

3.1 Economic and epidemiological context

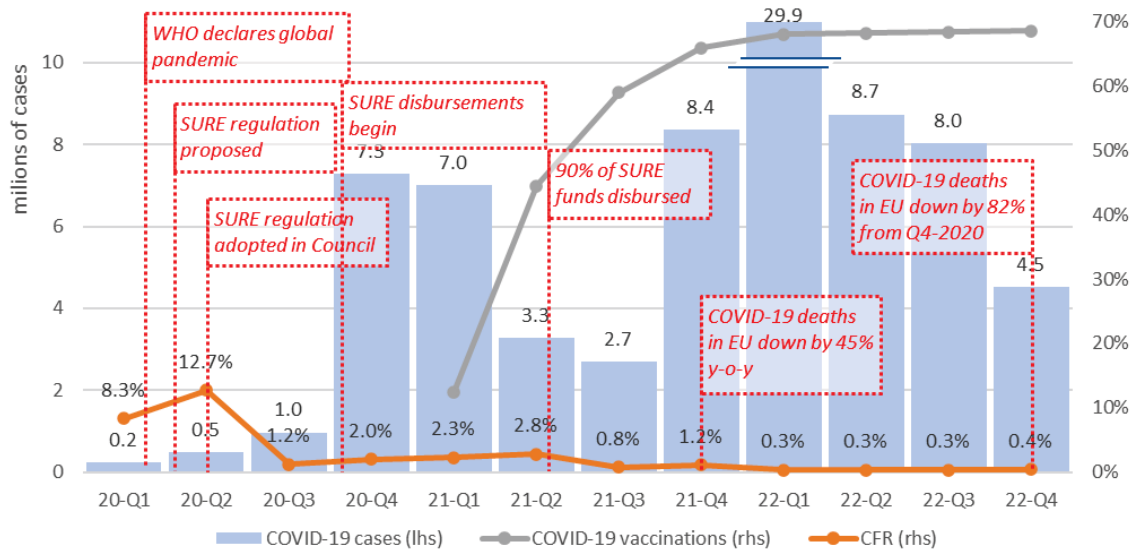
The COVID-19 pandemic hit the EU unexpectedly and on an unprecedented scale in the first quarter of 2020, leading to the mandatory closure of large parts of the economy ("lockdowns") to contain its spread. When the SARS-CoV-2 virus began spreading across Europe in early 2020, countries were unprepared for the scale of the public health emergency. On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic, and by April, the European Centre for Disease Prevention and Control reported over 600,000 cases and 50,000 deaths in the EU/EEA and UK. With limited testing facilities, insufficient production of masks, no vaccines or treatments available, governments implemented strict lockdowns and social distancing measures in March-April 2020 to slow the virus's spread and prevent healthcare systems from being overwhelmed. Compounding the gravity of the situation was the high uncertainty about the development of the epidemic and the timing of a possible phase-out of the containment measures.

This resulted in a sharp contraction of economic activity and the risk of a fast rise in unemployment. GDP contracted by almost 12% in the second quarter of 2020 and its impact on the labour market was almost immediate. In the second quarter of 2020, employment was lower by 5.2 million people than at the end of 2019. Over the same period, total hours worked dropped by 16%.

3.2 Rapid design and deployment of SURE

In this context, SURE was rapidly designed and implemented by the EU to provide financial assistance for job retention schemes (JRS) at national level to mitigate the impact of the crisis on the labour market. The Commission put forward the proposal for SURE regulation on 2 April 2020, less than a month after the WHO declared the COVID-19 outbreak a global pandemic. The SURE Regulation was adopted by the Council on 19 May 2020. The Commission proposed 16 Implementing Decisions to the Council to provide financial assistance under SURE to 16 Member States in August 2020. This was less than 20 days after the formal request by Member States and one month before all Member States signed the guarantee agreements and the financial envelope of EUR 100 billion became available (on 22 September 2020). The Council adopted 16 Implementing Decisions three days after the instrument became available (25 September 2020). The first borrowing operation by the Commission under SURE took place one month after the adoption of 16 Council Implementing Decisions (20 October). By September 2020, almost 90% of the financial assistance was granted and by May 2021, 90% of the granted financial assistance under SURE was disbursed.

Figure 3: Pandemic developments and SURE milestones



Source: European Commission, World Health Organisation
Notes: (1) The series "COVID-19 vaccinations" relates to a simple average of the number of administered vaccines per 100 population across SURE beneficiary Member States; (2) The number of COVID-19 cases is heavily influenced by many factors, most notably the prevalence of testing, which varied widely across time and countries. For this reason, both the number of COVID-19 cases and therefore also the case fatality rate (CFR) should be interpreted as broad indications of trend.

Once lockdown restrictions were lifted, a rapid recovery followed, supported by the widespread use of JRS and the successful rollout of vaccination campaigns. A second wave of lockdowns, with narrower coverage, started in the autumn of 2020 and lasted until March 2021. Afterwards, a rapid recovery followed, supported by the continued use of JRS throughout 2021, although at a declining rate, and the vaccine rollout. By 2022, both the epidemiological and economic impacts of COVID-19 had further diminished. On 5 May 2023, the World Health Organisation re-classified COVID-19 as an established and ongoing health issue rather than a public health emergency of international concern.

3.3 Institutional and financial dimensions of SURE implementation

3.3.1 Institutional dimension

Over 98% of the EUR 100 billion envelope of SURE was granted over the lifetime of the instrument. The instrument was used to support JRS in 19 Member States: Belgium, Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain. The overall biggest beneficiaries were Italy (EUR 27.4 billion), Spain (EUR 21.3 billion) and Poland (EUR 11.2 billion), followed by Belgium, Portugal and Greece. The smallest beneficiary was Estonia (EUR 230 million), followed by Malta and Latvia (below the EUR 500 million mark). The distribution largely reflects the size of the beneficiaries' economies and their exposure to the impact of the pandemic (see Figure 4 and Table 1 below), as

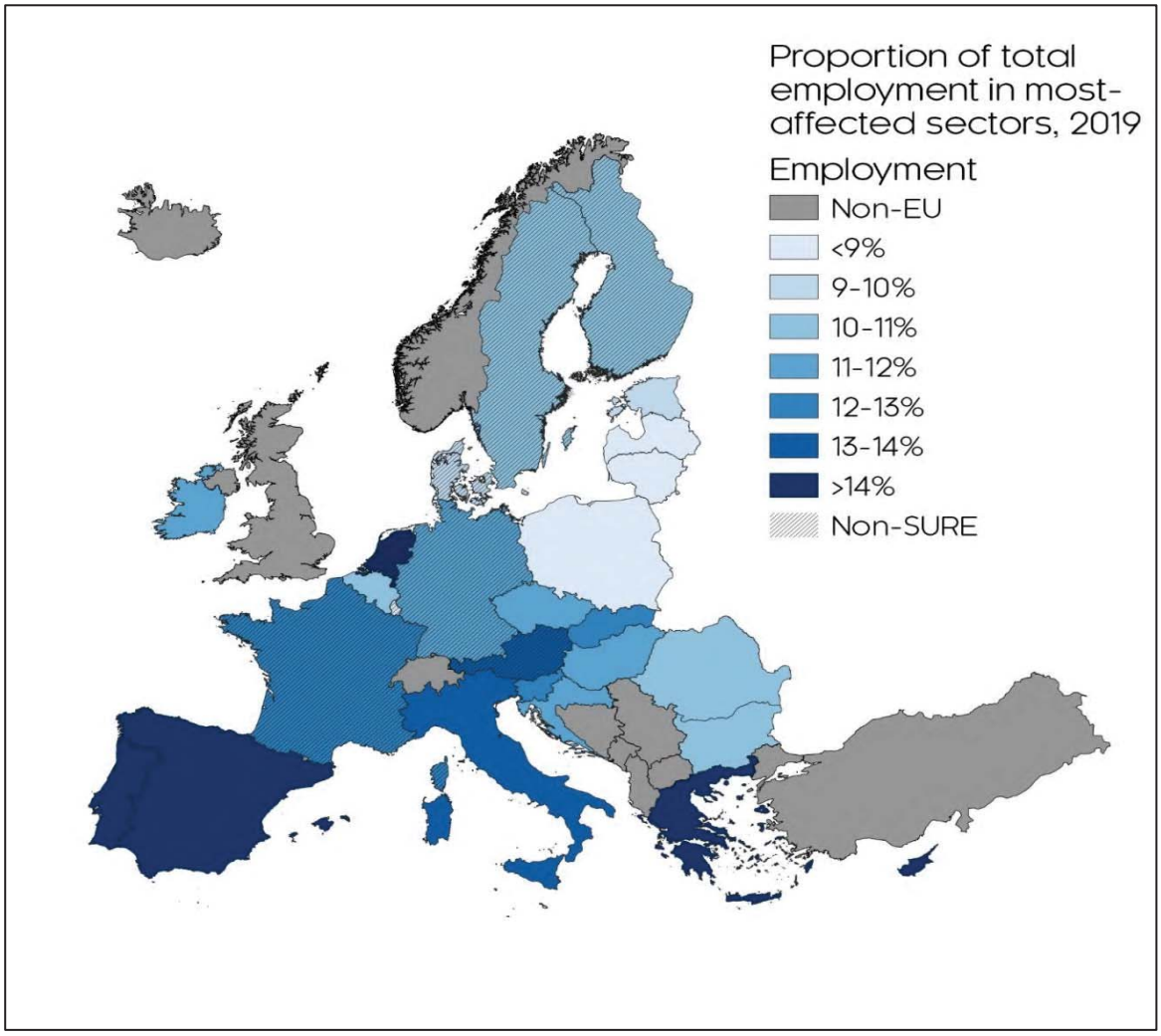
well as the binding cap on the loans granted to the three top beneficiaries (see Section 4.1.2.2). Relative to their GDP in 2020, the biggest beneficiaries were Greece (3.7%), Croatia (3.2%), Portugal (3.1%) and Malta (2.8%), all Member States with economies reliant on tourism. Meanwhile, in four beneficiaries SURE funding amounted to less than 1% of their 2020 GDP: Estonia (0.7%), Ireland (0.7%), Slovakia (0.6%) and Hungary (0.5%). The funds were allocated based on the needs and requests of the Member States, with no pre-defined national allocations, which offered flexibility and responsiveness to the crisis.

Table 1: SURE support, annual disbursements and spending over 2020-2022

	SURE amounts		**Disbursement profile (as % of total)**			**Spending profile (as % of total)**		
	billion EUR	*as share of 2020 GDP*	*2020*	*2021*	*2022*	*2020*	*2021*	*2022*
Greece	6.2	3.7%	32.4	53.0	14.6	50.0	47.0	2.0
Croatia	1.6	3.2%	32.5	32.5	35.0	68.0	29.0	3.0
Portugal	6.2	3.1%	48.1	38.7	13.2	45.0	43.0	12.0
Malta	0.4	2.8%	28.6	71.4	0.0	47.0	40.0	13.0
Cyprus	0.6	2.7%	39.6	55.9	4.6	75.0	25.0	0.0
Slovenia	1.1	2.4%	18.0	82.0	0.0	96.0	4.0	0.0
Lithuania	1.1	2.2%	27.3	59.8	12.9	52.0	48.0	0.0
Poland	11.2	2.1%	8.9	64.4	26.7	77.0	23.0	0.0
Czechia	4.5	2.0%	0.0	44.4	55.6	60.0	38.0	3.0
Spain	21.3	1.9%	46.9	53.1	0.0	66.0	30.0	4.0
Belgium	8.2	1.8%	24.4	75.6	0.0	63.0	33.0	5.0
Latvia	0.5	1.7%	25.4	39.2	35.4	40.0	51.0	9.0
Italy	27.4	1.6%	60.1	39.9	0.0	67.0	32.0	1.0
Bulgaria	1.0	1.6%	0.0	52.6	47.4	33.0	53.0	15.0
Romania	3.0	1.4%	100.0	0.0	0.0	38.0	40.0	21.0
Estonia	0.2	0.7%	0.0	100.0	0.0	100.0	0.0	0.0
Ireland	2.5	0.7%	0.0	100.0	0.0	100.0	0.0	0.0
Slovakia	0.6	0.6%	47.6	52.4	0.0	29.0	63.0	8.0
Hungary	0.7	0.5%	30.7	46.7	22.6	84.0	16.0	0.0
Total	98.4	1.8%	40.2	51.0	8.9	64.0	32.0	4.0

Source: European Commission, Eurostat [nama_10_gdp]

Figure 4: Exposure to the impact of the pandemic based on employment shares of the most affected sectors, 2019



Source: External evaluation study, Section 3.1

Eight Member States did not request SURE financial assistance as their credit ratings allowed a cheap access to financial markets. Member States that did not request SURE loans were Austria, Denmark, Germany, Finland, France, Luxembourg, the Netherlands, and Sweden. The primary reason these countries did not request SURE funding was their ability to raise resources on the market at equivalent or more favourable terms than the EU. Namely, the credit rating of non-beneficiary Member States ranged from AA to AAA, compared to the BBB- to AA- ratings of SURE beneficiaries. Moreover, as these Member States had some form of preexisting JRS, SURE benefits other than financing conditions (such as policy steer) would also have been less pertinent to them. Finally, these countries tended to be less reliant on sectors most vulnerable to the crisis (Figure 4).

The Council granted the vast majority of financial assistance in September 2020. Almost 90% of the total funds were granted already in September 2020. This first package covered Belgium, Bulgaria, Croatia, Cyprus, Czechia, Greece, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain. Subsequent

Council Implementing Decisions (CIDs) were adopted for Hungary (in October 2020) and Ireland (in December 2020). By the end of 2020, over 90% of the total financial assistance effectively provided by SURE was granted, fulfilling all eligible requests by Member States. Estonia, the last SURE beneficiary (which made a request on 4 February 2021) received financial assistance in March 2021.

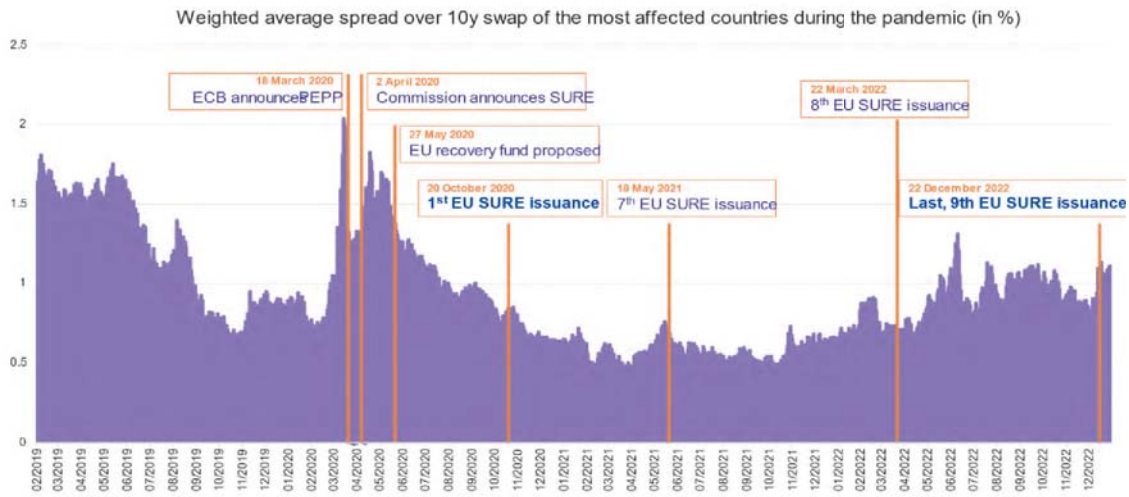
Almost 10% of financial assistance was granted through amended Council Implementing Decisions ('top-ups'). Two rounds of amending CIDs to allow for top-ups to the initial amounts took place in spring 2021 and autumn 2022. The first round of top-ups covered primarily spending on measures that have been extended in time, often together with minor parametric changes to accommodate developments in the economic and pandemic situation. The second round of top-ups largely covered spending incurred in 2021 and, in the case of four Member States, provided additional minor funding for measures in 2022. In total, top-ups covered eleven Member States, with seven of them receiving one top-up (Belgium, Bulgaria, Croatia, Czechia, Hungary, Malta and Portugal) and four receiving two top-ups (Cyprus, Greece, Latvia and Lithuania).

On 31 December 2022, the policy use of SURE was discontinued following the application of the sunset clause included in the Regulation. This concretely meant that no new requests for financial assistance could be granted anymore by the Council.

3.3.2 Financial dimension

The early stages of the pandemic were marked by significant market turbulence, which was eased by the policy response, including SURE. At the onset of the pandemic, countries like Greece, Italy, Portugal, and Spain experienced spikes in bond yields. The introduction of the ECB's COVID-19 Pandemic Emergency Purchase Programme (PEPP) in March 2020 immediately calmed the markets. According to market participants, SURE alone was not large enough to shift markets, however, the fiscal signal from the three safety nets (SURE, PCS and EGF) contributed positively to stabilising spreads when they were temporarily rising again. Additionally, spreads stabilised further by the time of the Next Generation EU proposal (Figure 5).

Figure 5: State of the financial markets during SURE's setup and at the time of its issuances



Source: European Commission (2022c)

The EU raised funds on the financial markets over nine bond issuances under very favourable conditions. The financial conditions were particularly advantageous in the period when most of SURE bonds were issued, this is between October 2020 and May 2021 (Figure 5). The early tranches of bonds with maturities between 5 and 15 years were issued at negative yields, accounting for more than 45% of the total SURE debt (see Table A2 in the Annex to the fifth biannual report for more details). The maturities of SURE bonds varied between 5 and 30 years and averaged at 14.5 years.

All issuances were multiple times oversubscribed due to the EU's top credit rating and high demand. During Q4-2020, SURE issuances were over-subscribed by between 12.5 times and 13.7 times, in the context of ample liquidity and quantitative monetary easing[16]. In the first half of 2021, as monetary policy started to normalise, the oversubscription rates decreased from 9.5 times in February 2021 to 6.3 times in May 2021. On 7 December 2022, the EU's 9th and final issuance under the SURE was 4 times oversubscribed.

The issuances under SURE and the corresponding disbursements to Member States mostly took place over only seven months, between October 2020 and May 2021. More than 40% of the total financial assistance was disbursed to 15 Member States in just over a month from 27 October 2020 to 1 December 2020 (Table 1). Additional 50% of funds were disbursed from February 2021 until May 2021. The remaining 10% of the financing covered later disbursements and top-ups in eleven Member States. The disbursements to Member States always took place a week after the debt was issued.

[16] For example, the inaugural SURE 10-year bond was issued on 20 October 2020, at a negative rate of -0.24%, while 10-year Bunds were trading at -0.59% and French 10-year bonds at -0.33%.

Beyond 2022, the Commission will continue managing borrowing operations under SURE at the latest until 2053. The repayment of the principal amount borrowed under SURE is scheduled to begin in 2025, whereas interest payments commenced in 2023. Both interest payments and the repayment of the principal amounts will extend until 2051. The total amount to be repaid by Member States, including both principal and interest, is EUR 104.3 billion. The repayment schedule is rather gradual, with more than half of the total repayments falling due in the period 2035-2051 (see Table 2 in the fifth biannual report for more details).

3.4 Policy dimensions of the implementation of SURE-eligible measures and their characteristics

3.4.1 Spending on SURE-supported measures

Expenditure on SURE-eligible measures peaked in spring 2020 during the containment and bottomed out in 2022 as the pandemic's impact eased. In the majority of Member States, after the first peak during the first wave of the pandemic in March-April 2020, the recourse to SURE-eligible measures stabilised in the second half of 2020. Some countries experienced a second peak at the end of 2020 / beginning of 2021. The use of the schemes then gradually declined in the course of 2021, in line with the economic recovery and the successful rollout of the vaccination campaigns[17].

At the outset, SURE funded a large amount of planned expenditure, on top of the incurred expenditure. At the onset of the pandemic when COVID-19-related restrictions were acute and uncertainty was very high on the duration of the pandemic, planned expenditure amounted to 54% of total expenditure in June 2020, 12% in June 2021 and less than 4% by the end of 2021. By June 2022, all of the planned public expenditure under SURE was executed, i.e. the EUR 98.4 billion of financial assistance granted and disbursed to Member States had been fully absorbed.

Total public expenditure on SURE-supported measures amounted to EUR 127 billion, in excess of the total financial assistance of EUR 98.4 billion granted under SURE. 17 beneficiary Member States spent more on SURE-eligible measures than the amount granted and disbursed by the EU[18]. The remainder was financed nationally (EUR 23.7 billion) and using European Structural and Investment Funds (ESIF) (EUR 5.3 billion; see Section 4.1.3.1).

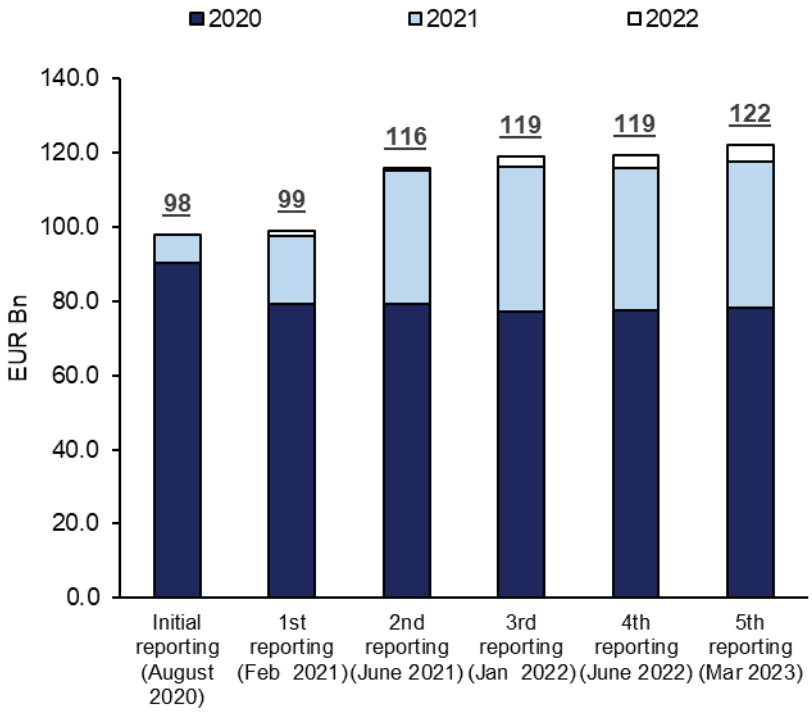
The reporting of public expenditure on SURE-supported measures across five bi-annual reporting cycles largely stabilised from the second reporting vintage

[17] While a few countries (Estonia, Slovenia) had withdrawn their emergency job-retention measures already in the second half of 2020, most extended their emergency support into 2021 and, in some cases, until the first half of 2022. Only in two countries (Portugal, Croatia) did emergency support remain available until late 2022.

[18] For a comprehensive overview, see Graph 4 in the fifth bi-annual report.

onwards[19]**.** As per the last (fifth) reporting vintage, EUR 78 billion in public expenditure on eligible measures (excluding ESIF funding) had been incurred by the end of 2020, EUR 118 billion by the end of 2021, and EUR 122 billion by the end of 2022 (Figure 6). The reported public expenditure for 2020 decreased substantially between the initial reporting and the first vintage, as Member States were initially expected to spend EUR 90.4 billion in 2020. After the first vintage, figures for 2020 stabilised. Conversely, the reporting of public expenditure for 2021 increased in line with epidemiological developments, in particular between the initial reporting and the second vintage. As regards 2022, reported expenditure gradually increased over the reporting vintages. 13 Member States reported expenditure in 2022 during the fifth reporting vintage, compared to none during the initial reporting.

Figure 6: Reported public expenditure on SURE-supported measures (excluding ESIF funding)



Source: European Commission, 5th biannual report on SURE, based on Member States' reporting (February 2023)

Absorption issues occurred in a limited number of Member States, but they were resolved by the end of 2022. Given that SURE financed planned expenditure, issues with absorption of the amount granted by the Council were possible. At various stages throughout the SURE implementation, the Council adopted amended Council Implementing Decisions for Romania (July 2022), Poland (November 2022) and

[19] There have been five series of bi-annual reporting (in addition to the initial reporting in August 2020, at the time of the requests for SURE support): in January-February 2021 ("first reporting"), in June 2021 ("second reporting"), January 2022 ("third reporting"), June 2022 ("fourth reporting") and February 2023 ("fifth reporting").

Portugal (January 2022) to add additional measures to increase the absorption of the amount granted. In all three cases, the added measures were primarily health-related, which remained ancillary. In the case of Romania, the initial amount granted was also reduced from EUR 4.1 billion to EUR 3 billion to resolve the absorption issue. In contrast, after adding new measures, Portugal reported higher expenditure than the (initial) amount granted and requested a top-up in spring 2022.

3.4.2 Characteristics of SURE-supported measures

Almost half of total public expenditure on SURE-eligible measures was allocated to short-time work schemes. In terms of JRS, the spending was primarily focused on short-time work (STW) schemes, which accounted for nearly half of the total expenditure. Additionally, around one-third of spending supported similar measures for the self-employed. Wage subsidy schemes and other JRS accounted for the rest of the employment-related spending. The ancillary nature of health-related measures in the context of SURE was confirmed, as only 8 out of 19 Member States used SURE to this end, accounting for 5% of total spending[20]. In these 8 Member States, these measures represented on average almost 10% of total spending.

SURE financed all COVID-19 related main JRS in most Member States. Italy was an exception, where significant spending on JRS not financed by SURE was reported. Similarly, Hungary financed its JRS exclusively through European Structural and Investment Funds (ESIF) and used the SURE loan to finance other JRS. Ireland replaced its Temporary Wage Subsidy Scheme (TWSS), which was initially financed by SURE, with a similar scheme that was not financed by SURE from September 2020 onwards.

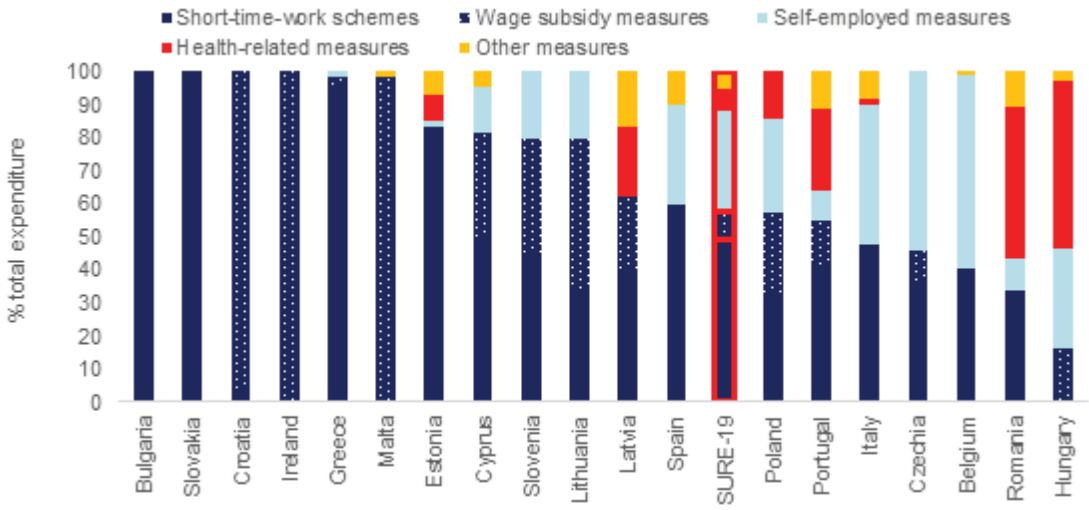
Most of SURE-eligible schemes were new and temporary. Out of the 187 national measures funded by SURE, 155 were new schemes and 174 were of temporary nature. While new measures were developed specifically in response to the COVID-19 crisis, measures that had already been in place before the pandemic, were also expanded or modified to better respond to the new context. Of the 19 beneficiary Member States, only 7 financed existing schemes or extensions thereof[21]. The measures supported by SURE were predominantly temporary, reflecting the emergency nature of the instrument and the immediate need to respond to the crisis. However, four Member States reported financing permanent support measures. Overall, the number of financed measures ranged from only one in Ireland to 32 in Romania.

SURE financed very diverse types of JRS across Member States. This was enabled by the SURE Regulation specifying the purpose that eligible measures should fulfil rather than providing a closed list of eligible measures. Correspondingly, all measures

[20] The Member States that used SURE support to finance health-related measures were Belgium, Estonia, Hungary, Italy, Latvia, Poland, Portugal and Romania.
[21] The concerned Member States are Belgium, Hungary, Italy, Poland, Portugal Romania and Spain.

were considered eligible as long as they i) protected employment ii) reduced loss of income of employees and the self-employed, iii) and were taken as a response to the COVID-19 pandemic. The purpose-based definition enabled Member States to retain their ownership over the design and implementation of national measures. As a result, various different types of JRS were used across Member States (see Figure 7), reflecting the existence of different needs in national labour markets.

Figure 7: Share of spending on SURE-eligible measures by type



Source: European Commission, 5th biannual report on SURE

The health-related measures financed by SURE in 8 Member States were also very diverse. Health-related measures were distributed rather evenly across three categories: (1) preventive measures against COVID-19, (2) additional labour costs to recruit and support healthcare staff, and (3) purchase of healthcare equipment and medication, including vaccines. Moreover, 22% of health-related spending concerned measures taken in the workplace to ensure a safe return to work.

3.5 Coverage of workers and firms

3.5.1 Coverage during the policy use of SURE

The number of workers and firms benefitting from SURE-supported measures varied across years, closely reflecting the evolution of the COVID-19 pandemic. This data was reported by Member States to the Commission for monitoring purposes. It is of high quality as it is largely based on administrative data.

In 2020, SURE-supported measures covered almost one third of total employment and about 30% of self-employed, reflecting the peak intensity of the crisis. Specifically, SURE-supported measures covered 31.5 million people of which 9¼ million self-employed in 19 Member States. The coverage of workers was the highest in Slovenia (68%), followed by Italy (57%), Cyprus, Greece and Croatia (around 40%) see Table 2. Meanwhile, four Member States had less than 20% of workers covered by SURE-supported measures: Romania, Bulgaria, Hungary, and Latvia. The share of self-

employed among supported workers was the highest in Poland (52%), Czechia (44%), Belgium (35%) and Italy (33%) while in six Member States, the coverage of self-employed was below 10%.

Table 2: Workers and firms covered by SURE, 2020-2022 (% of total employment)

	2020				2021			2022		
	Workers	*Share of self-employed (% of workers)*	*Firms*	*Share of SMEs (% of firms)*	*Workers*	*Share of self-employed (% of workers)*	*Firms*	*Workers*	*Share of self-employed (% of workers)*	*Firms*
Slovenia	68.4	9.3	78.5	99.6	-	-	-	-	-	-
Italy	57.0	33.4	50.0	99.6	22.1	28.8	24.5	-	-	-
Cyprus	42.4	12.8	25.9	99.9	22.3	10.8	12.0	-	-	-
Greece	41.3	11.4	44.9	99.8	17.1	0.0	29.3	2.1	0.0	2.9
Croatia	39.4	6.5	28.6	99.8	12.8	10.8	14.3	0.8	7.4	0.6
Malta	31.9	13.1	41.1	99.3	32.4	11.1	34.1	-	-	-
Czechia	29.8	44.0	11.1	97.8	17.4	20.0	9.3	-	-	-
Slovakia	29.4	14.5	28.6	99.0	10.8	23.4	14.8	-	-	-
Spain	28.1	26.3	35.8	99.1	-	-	-	-	-	-
Poland	25.3	52.3	14.2	100.0	0.0	-	0.0	-	-	-
Belgium	24.3	35.5	41.6	68.0	8.5	37.7	21.8	-	-	-
Portugal	23.7	23.6	27.3	99.5	15.6	30.8	20.3	2.9	86.9	0.7
Lithuania	23.6	28.7	27.0	99.7	21.0	20.5	26.9	-	-	-
Ireland	21.1	0.4	37.3	99.1	-	-	-	-	-	-
Estonia	20.3	0.0	15.0	99.8	-	-	-	-	-	-
Romania	15.3	11.2	27.1	93.3	3.0	20.3	5.1	-	-	-
Bulgaria	9.3	0.0	4.5	98.4	7.8	0.0	3.2	3.5	0.0	1.5
Hungary	7.9	32.8	2.9	99.8	4.9	30.6	2.4	-	-	-
Latvia	7.7	7.8	8.4	99.2	8.9	19.3	12.1	-	-	-

Source: Member States' reporting in February 2023; see European Commission, 5th biannual report on SURE.

Notes: "-" indicates that Member States did not report coverage for that year.

In the same period, SURE-funded measures covered beneficiaries in over one quarter of all companies, mostly SMEs. Around 2.5 million companies benefitted from SURE-financed measures in 2020 across the 19 beneficiary Member States. The highest shares of companies covered was recorded in Slovenia (78%), Italy (50%), Greece (45%), Spain (36%) and Croatia (29%) – Table 2. SMEs accounted for most of companies covered (98%), broadly in line with their share in total firms at the level of the

EU (99.8%). The share of SMEs among covered companies was at least 98% in most of beneficiary Member States apart from Belgium (68%) and Romania (93%)[22].

In 2021, the firm and employment coverage of SURE measures decreased by around two thirds, while becoming very modest in relative terms in 2022. SURE-supported measures covered around 9 million people and over 900,000 firms in 15 Member States over the course of 2021. This decline was largely due to the improvement in the epidemiological situation and the ensuing reduction in the need for support measures, which was particularly pronounced in the second half of the year. By 2022, the coverage of SURE-financed measures had further decreased, with only around 350,000 people and 40,000 firms covered in four Member States. The decrease in coverage reflected the continued improvement in the epidemiological situation (see Figure 3) and the phasing out of emergency job-retention measures by most Member States.

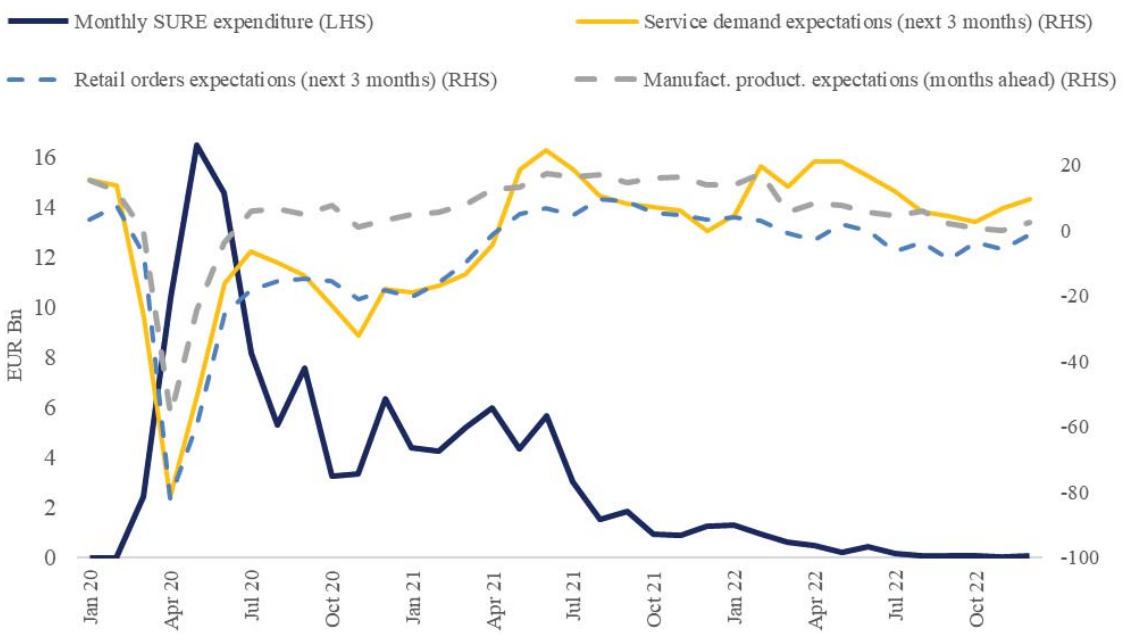
3.5.2 Coverage of sectors, SMEs and non-standard workers

The sectoral coverage of SURE-financed measures reflected the pandemic's impact across different sectors of the economy. The sectors with the highest share of expenditure to support employment were accommodation and food services, wholesale and retail trade and manufacturing. In addition to exposure, this also reflects the size of those respective sectors in the economy. At the same time, take-up of JRS was also high in sectors such as arts and transportation and storage. As shown in the fifth biannual report, pairing the EU Business and Consumer Survey data with that of spending on SURE-supported measures demonstrated that SURE measures' support was most prominent during the time of the most severe downturn in the most affected sectors (see Figure 8). Findings from the country case studies suggest that sectoral coverage was overall adequate, which can in part be attributed to the broad eligibility criteria of SURE-financed measures, which tended not to differentiate between sectors directly. This allowed for a more inclusive approach, ensuring that sectors most affected by the pandemic received necessary support. Overall, the Delphi survey[23] widely considered (33 out of 45 respondents) sectoral coverage good or very good. At the same time, stakeholder interviews suggest that sectoral coverage would have likely been narrower in some Member States in the absence of SURE (see Annex V).

[22] In those two countries, there are indications that this apparent underrepresentation of SMEs is due to methodological inconsistencies, rather than actual coverage.

[23] The Delphi survey collected views from a wider array of national respondents – mostly academics with expertise in labour markets and macroeconomics.

Figure 8: Market expectations and spending on SURE-supported measures



Source: European Commission, 5th biannual report on SURE

Strong coverage of SMEs was crucial because they generally have lower financial reserves and higher share of personnel costs. As shown in the previous sub-section, the coverage of SMEs largely corresponded to their share in the economy (98%). SMEs typically have lower profitability and limited financial buffers compared to large companies. At the same time, they tend to have less options for accessing capital and are therefore more reliant on banks, where they face lower availability of loans and higher costs compared to large companies, notably in times of crises[24]. For this reason, SMEs tend to be more vulnerable to downturns and economic uncertainty, faced with which they could be more inclined to lay off workers as a way to avoid insolvency, particularly given that compensation of employees typically accounts for a higher share of their overall costs compared to large companies (OECD, 2017). This suggests that the adequate coverage of SMEs added to the effectiveness of measures in dampening unemployment and prevented a stronger deterioration of the productivity gap between the SMEs and large companies.

The coverage of workers in non-standard forms of employment under SURE-supported measures varied across Member States, reflecting the diversity in labour market structures and approaches to the protection of such workers. While most short-time work schemes tended to include employees covered by social security, eligibility conditions sometimes restricted access for certain categories (e.g. fixed-term contracts and temporary workers and recent hires). However, during the COVID-19 pandemic, some countries (e.g. Spain), relaxed STW eligibility criteria to ensure broader

[24] See ECB and European Commission (recurring)

coverage of workers in non-standard forms of employment. Other countries introduced ad hoc income support measures for atypical workers, including gig workers, seasonal workers, temporary and part-time workers, while retaining the focus of their main scheme on workers in standard forms of employment. For instance, Italy and Greece complemented its main scheme with additional measures for seasonal workers. In addition, 13 out of 19 beneficiary Member States had dedicated measures for self-employed people[25]. Overall, the respondents in the Delphi survey assessed the coverage of the self-employed rather positively (with 29 out of 45 respondents considering it good or very good). According to various stakeholders, the explicit reference to the self-employed in the SURE Regulation facilitated their wider coverage during the pandemic. Conversely, the respondents to the Delphi survey considered the coverage of gig, temporary and part-time workers to be rather poor (with only 16 of 45 respondents rating it as good or very good) (see Annex V).

Differences in coverage of SURE-supported measures across Member States can be explained by country specificities and preferences to a large extent. Countries with the lowest coverage of workers tend to be those with economies least exposed to the negative impact of the containment measures. Conversely, the countries with the highest worker coverage were largely those with the highest share of employment in the sectors most affected by containment measures. Different labour market structures also played a role, as well as the different design and targeting of national measures and choices about which measures to finance with SURE. As mentioned above, some Member States chose to use SURE funding for flagship measures focused largely on workers in standard forms of employment, while covering self-employed and non-standard workers through other measures.

4 EVALUATION FINDINGS

This chapter carefully assesses SURE according to the following five evaluation criteria: effectiveness, efficiency, coherence, relevance, and EU added value of the intervention.

4.1 To what extent was the intervention successful and why?

Labour market developments in SURE beneficiary Member States in 2020, along with the swift recovery that followed the lifting of lockdown restrictions, and comparisons with alternative policy responses, suggest that SURE effectively achieved its main objective of protecting jobs and incomes, despite challenges in precisely estimating its impact, in a cost-effective and fiscally sound manner. The success of SURE can be attributed to its appropriate scope with low prescriptiveness, a robust financial design that ensured sufficient budget, its coherence with other emergency actions by the Commission and the EU, and the overall high aggregate efficiency of national job

[25] 6 Member States (Bulgaria, Croatia, Ireland, Latvia, Malta and Slovakia) did not finance them through SURE.

retention schemes (JRS) it supported, with no indications of significant negative unintended consequences. The success of SURE is also confirmed by stakeholders[26]. Overall, the findings presented in this section strongly suggest that SURE delivered value for money.

This section focuses on the effectiveness and efficiency of SURE and its coherence with other related policies.

4.1.1 Effectiveness

The effectiveness of SURE is evaluated against its main purpose, that is to provide financial assistance to Member States to protect employment and income. First, in the context of high uncertainty, the speed of creation and deployment of SURE was crucial for its effectiveness. The rapid policy response is presented in Section 3.1. Second, a preliminary descriptive analysis of SURE's potential role in protecting employment and income will be provided by comparing the economic and labour market performance of SURE beneficiary Member States against several points of comparison (i.e. other crises, non-beneficiary Member States, and the use of alternative labour market measures) where SURE was not used. These insights will be complemented by the analysis of additionality. The aim of this analysis will be to identify the effects brought about by SURE over and above what would have happened if there had been no intervention, in terms of additional policy outcomes (i.e. SURE providing greater fiscal space and enabling stronger policy response), additional socio-economic impacts (i.e. SURE contributing to lower unemployment, higher income protection, reduced disparity and improved resilience) and additional inputs (i.e. SURE reducing borrowing costs). These are the effects which would not have been seen in the absence of SURE. Furthermore, this evaluation report will (qualitatively) assess additionality of health-related measures that SURE supported as an ancillary. Lastly, the section examines the unintended consequences and other impacts of SURE, positive and negative.

4.1.1.1 Economic and labour market performance

SURE beneficiaries' economies and labour markets recovered swiftly and strongly in the aftermath of the COVID-19 shock. While SURE beneficiaries experienced an even sharper decline of economic output as a result of the COVID-19 shock compared to the global financial crisis (-6.7% in 2020 compared to -4.2% in 2009), the initial shock to their labour markets was substantially more muted. In 2020, the employment rate contracted by 1.2 percentage points (2.7pp in 2009) and the unemployment rate increased by 0.4pp (2.6pp in 2009). Moreover, as economic output recovered (+8.0% in 2021 and +5.2% in 2022) their labour markets were quick to rebound, with the employment rate

[26] Almost all ministry officials who responded to the targeted survey considered SURE to be either successful or very successful. Similarly, the majority of respondents to the Delphi survey considered SURE to be either successful to a large extent or fully successful.

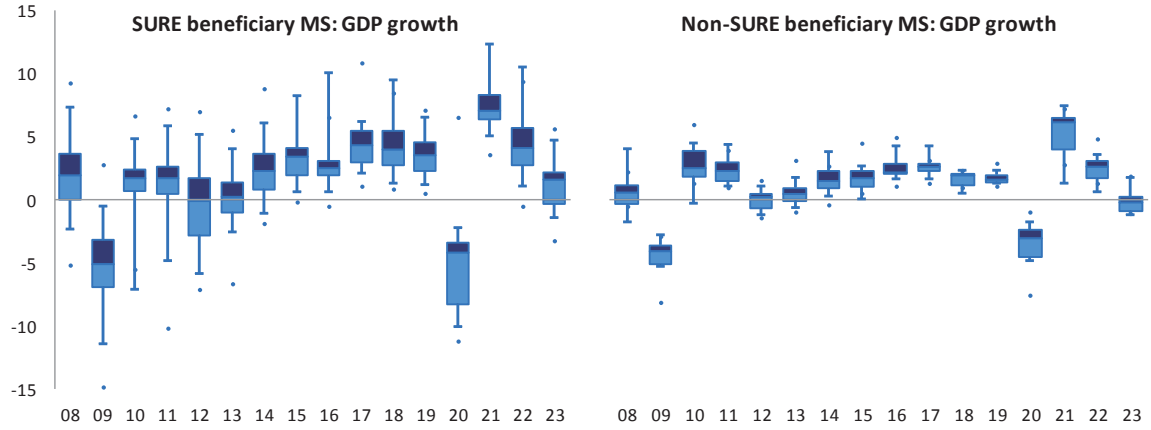
increasing (by 1.4pp in 2021 and 1.7pp in 2022) and the unemployment rate decreasing (by 0.3pp in 2021 and 0.9pp in 2022).

a. Comparing the performance at the time of COVID-19 with the global financial crisis and with non-beneficiary Member States

Such trends are in stark contrast to the experience of the global financial crisis, when labour markets were strongly impacted in the absence of short-time work schemes in the vast majority of countries. SURE beneficiary Member States were hit hard by the GFC in 2009, and took very long to recover. They had not yet reached their pre-crisis output level when they were hit hard by the "double-dip" euro area debt crisis (see Figure 9). In addition to the initial severe reaction of the labour markets in SURE beneficiaries, it also took a long time for those economies to start adding jobs again.

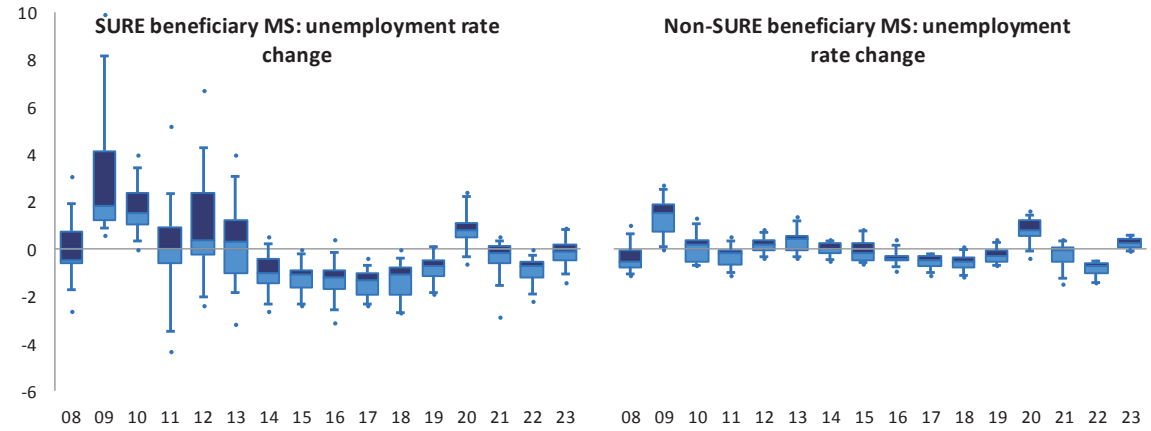
The comparison with non-beneficiary Member States, which financed JRS by themselves, points to a convergence of trends between the two groups. During the GFC, non-beneficiary Member States had fared substantially better compared to SURE beneficiaries. Their output on aggregate recovered in less than two years, leaving them better prepared for the euro area debt crisis, which they largely escaped unscathed (see Figure 9). Moreover, their labour markets had recovered much more quickly. During the COVID-19 crisis, the experience of non-beneficiary Member States was not very different to their experience during the GFC. In contrast, SURE beneficiaries fared substantially better during the COVID-19 pandemic than during the GFC and the subsequent euro area debt crisis. As a result, rather than diverging, the dispersion of unemployment rate changes across SURE beneficiaries closely tracked that in non-beneficiaries following the COVID-19 pandemic (see Figure 10).

Figure 9: Distribution of GDP growth rates in SURE and non-beneficiary Member States, 2008-2023



Source: Eurostat,[nama_10_gdp]
Notes: the extremes (minimum and maximum values) are represented by dots; the edges of the boxes delineate the lower and the upper quartiles; the median value splits the box.

Figure 10: Labour market trends in SURE and non-beneficiary Member States, 2009-2023



Source: AMECO [1.0.0.0 ZUTN]
Notes: (1) Unemployment rate change is expressed in percentage points of active population. (2) The extremes (minimum and maximum values) are represented by dots; the edges of the boxes delineate the lower and the upper quartiles; the median value splits the box.

b. Alternative policy response to labour market challenges and the example of the US

During the COVID-19 pandemic, the labour market in the United States – supported by other policy measures – fared a lot worse compared to SURE beneficiaries and the wider EU. The experience of the US during the pandemic was remarkably similar to its experience during the GFC: GDP dropped by 2.2% (compared

to 2.6% in 2009)[27], while the unemployment rate shot up from 3.7% in 2019 to 8.1% in 2020 (compared to a rise from 5.8% in 2008 to 9.3% in 2009)[28]. Such a big jump in the unemployment rate compared to the EU in the context of a substantially milder drop in GDP suggests that the policy response to the crisis was more effective in the EU. Although 26 US States did operate the so-called Short Time Compensation programmes, their take-up was very low in the beginning of 2020 (OECD, 2020). Meanwhile, the abundant (USD 800 billion) federal Paycheck Protection Programme (PPP) was found to be relatively ineffective overall, having "preserved only a moderate number of jobs at a high cost per job-year retained and transferred resources overwhelmingly to the highest quintile of households" (Autor et al, 2022). The programme was based on providing loans of up to 2.5 times the average monthly payroll costs to employers (mostly SMEs), which could be written off if employers maintained their staff. While the programme was clearly aimed at job retention, its design, implementation and communication challenges likely limited its effectiveness in curbing unemployment.

The United States relied on the widening of its unemployment benefits system rather than JRS to cushion the social impact of the crisis. The United States resorted to increasing benefits, extending their duration and broadening the coverage to include non-standard workers (through the Pandemic Unemployment Assistance programme). As a result, US spending on unemployment benefits increased by 438% in 2020[29]. This increase eclipsed the 78% growth in unemployment benefit outlays in the EU[30], although in relative terms the level of unemployment benefits in the United States in 2020 remained well below the EU average (0.8% vis-à-vis 2.2% of GDP). This reflects the already strong safety net in the form of unemployment insurance in the EU.

The approach adopted by the United States likely contributed to protecting households' incomes, however, it lacked the broader and lasting beneficial effects of JRS. More generous unemployment benefits helped reduce the poverty rate in the US[31], although the large fiscal stimulus to combat the COVID-19 crisis was likely an even

[27] Source: U.S. Bureau of Economic Analysis, National accounts (NIPA) Third estimate for 2023 Q4 (publication date 29 March 2024).
[28] Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS), annual average data.
[29] OECD (2024), Public unemployment spending (indicator). doi: 10.1787/55557fd4-en (Accessed on 13 June 2024).
[30] Eurostat data (ESSPROS – European system of integrated social protection statistics): https://doi.org/10.2908/SPR_EXP_FUN
[31] The poverty rate in the US recorded a substantial decrease from a relatively stable 18% before the pandemic to 16% in 2020. While that rate was still higher than in all but two EU Member States (Romania and Latvia), such an improvement in the trend was not observed across the EU, where the poverty rate stagnated, increasing in some countries and decreasing in others. Poverty rates are taken from the OECD in order to ensure consistency: OECD (2024), Poverty rate (indicator). doi: 10.1787/0fe1315d-en (Accessed on 13 June 2024).

more important driver of this decline[32]. However, unlike JRS, unemployment benefits are reactive and lack the benefits that come with preventative JRS such as the protection of the employment relationship, preservation of skills, prevention of labour market scarring and the prevention of the attrition of the workforce by means of early retirement (see Section 4.3.2).

The benefits of JRS are associated with better outcomes during the recovery, namely alleviating shortages and maintaining the activity rate. In contrast with the United States where the activity rate dropped by more than three percentage points, the activity rate decreased temporarily and mildly in the EU (-0.6 percentage points) in 2020 before exceeding pre-crisis levels already in 2021. Moreover, four years later, the activity rate in the United States is still almost one percentage point below pre-crisis levels. This phenomenon can likely be in part attributed to the impact of layoffs on the probability of staying in the labour market and early retirements during the crisis. The drop in the activity rate contributed to the labour shortages in the United States. Labour shortages are also present in the EU, where they are largely driven by structural issues predating the COVID-19 crisis, which were further accelerated by strong demand shifts after the pandemic (European Commission, 2023).

While unemployment benefits play an important role in mitigating the social fallout of temporary crises, they can be seen as complementary rather than a substitute for JRS. There is a range of economic literature on the effects of JRS and alternative measures to cushion the impact on the labour market during crises[33]. The literature suggests that short-time work schemes are particularly effective during temporary downturns, while unemployment benefits are more suitable for cushioning persistent economic shocks. In addition, while short-time work schemes have a lower welfare value, they also come with less moral hazard risk compared to unemployment benefits. In addition, short-time work schemes are highly compatible with unemployment benefits, especially in countries with high employment protection legislation.

4.1.1.2 Additionality of policy outcomes: enhancing fiscal space and stronger national policy response

This sub-section discusses the role of SURE in easing fiscal constraints during the pandemic, thus providing additional fiscal space for financing JRS. In addition, this sub-section assesses the extent to which SURE contributed to a stronger policy response to protect employment and income.

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[32] In addition to the expansion of unemployment benefits and the Paycheck Protection Programme, the fiscal stimulus package in the United States encompassed many other measures that likely contributed to the drop in poverty, including stimulus checks, extended food assistance, moratorium on evictions in federally-backed housing, tax credits and state aid for both large and small businesses hit by the pandemic.

[33] See Annex 6 of the external evaluation study for an overview.

Enhancing fiscal space

Financing needs soared as a result of the COVID-19 crisis, mostly to the detriment of Member States with relatively higher yield spreads and elevated debt ratios. As the COVID-19 crisis hit the EU, public spending needs surged, driven most notably by measures aimed at offsetting the negative impact of the pandemic and the containment measures on companies and households. At the same time, government revenue tanked as a result of the decline in economic activity. The need to finance the resulting deficits coincided with the initial stress in the financial markets, which presented a challenge to the Member States with comparatively higher yield spreads and public debt-to-GDP ratios. Those Member States had the biggest incentive to benefit from the SURE instrument.

SURE beneficiary Member States were predominantly those with higher spending needs and most affected by the pandemic. SURE beneficiaries included most notably Member States with strong exposures to the most affected sectors during the pandemic (namely, tourism and entertainment) such as Portugal, Spain, Italy, Malta, Croatia, Greece and Cyprus (see Section 3.3.1), most of which at the same time had elevated public debt levels. The group also included Belgium and Ireland and all new Member States, which tend to have higher yield spreads. At the same time, all but four of SURE beneficiary Member States faced increases in spending needs above the EU average[34].

Existence of fiscal constraints during the pandemic was confirmed by stakeholders in some SURE beneficiary Member States. A third of respondents from national Finance ministries interviewed in the targeted survey considered their country's fiscal capacity to have been severely limited or constrained at the onset of the COVID-19 crisis in 2020 (see Annex V). Meanwhile, the Delphi survey found that 37 out of 45 respondents considered their country to have been fiscally constrained in early 2020 to some or to a large extent. Only 3 respondents considered that their country was not fiscally constrained at that time.

SURE acted as a fiscal backstop, providing much-needed fiscal space at a time of high uncertainty. As illustrated by the results of the targeted surveys, 22 out of the 25 respondents from the Finance and Labour ministries in beneficiary Member States found that SURE was relevant or extremely relevant in assisting Member States confronted with fiscal or borrowing challenges in providing adequate support to workers and firms during the pandemic (see Annex V). Such views were upheld by the interviewed credit rating agencies. In addition, SURE financing, by providing fiscal space, contributed to avoiding negative spillovers across the EU, as suggested in interviews with stakeholders.

[34] For an overview of spending needs, see Figure 14 in the external evaluation study.

Stronger national response

A counterfactual scenario was considered to estimate the additionality of SURE. The purpose of the counterfactual scenario was to assess how the scope of SURE-financed measures would have been different in the absence of SURE, i.e. to estimate the extent of reduced JRS realised by Member States in the scenario where SURE was not available. Disentangling SURE's impact from national measures is very challenging, as SURE provided financial assistance to Member States to fund national measures, acting as a second line of defence.

A range of qualitative methodological tools and indicators were applied to explore the counterfactual scenario of the absence of SURE. For the construction of counterfactual scenarios, various sources were considered, notably the survey targeting ministry officials carried out by the external contractor in early 2024 ("targeted survey"), the Commission survey conducted in early 2021 in the Employment Committee ("EMCO Survey") and macroeconomic data. For the case studies, additional sources were used (interviews, Delphi survey). The results of the Open Public Consultation could not be considered given the very low response rate.

However, a meaningful counterfactual scenario could not be quantified with sufficient accuracy, due to significant discrepancies in the information provided across different sources of evidence. According to the EMCO Survey, a majority of beneficiary Member States reported that the availability of SURE financing influenced their decision to adopt new short-time work schemes and similar measures or to modify existing ones. By contrast, according to the targeted survey, most respondents reported that the decision to introduce STW and similar measures in their country was, in many cases, made independently of SURE[35]. At the same time, some respondents did not provide consistent answers, especially within the targeted survey. For example, some claimed that their Member State was (severely) fiscally constrained at the onset of the pandemic and that the availability of SURE financing bolstered the ability of Member State to protect jobs and incomes during the pandemic. Yet, they also stated that their Member State would have maintained full capacity to implement emergency measures without SURE financing.[36]

[35] They claimed that SURE did not influence their initial decisions to adopt JRS, as all Member States (except Poland) had already announced them by March 2020, i.e. before the Commission put forward the proposal for the SURE Regulation on 2 April 2020.

[36] The external evaluation study quantified counterfactual scenarios, with a very wide-ranged estimates of reduced spending on SURE-supported measures in the absence of SURE for each Member State. The wide ranges reflect the contradicting evidence across surveys and do not account for the presence of various cognitive biases in surveys (e.g. hindsight bias and selective recollection), that can lead to exaggeration of the extent to which Member States would have funded JRS on their own in the absence of SURE. The biases might become stronger as the time elapses; therefore, they might be more relevant for targeted surveys conducted in early 2024 than the EMCO survey that was carried out in early 2021.

At the same time, there is overall robust evidence that, in the absence of SURE financing, many Member States would have had to reduce the scope of their JRS. According to the EMCO Survey, a majority of Member States indicated that SURE support played a role in their decision to temporarily increase the coverage and generosity of short-time work schemes and similar measures. Similarly, interviews with a wide range of stakeholders indicated that the announcement of SURE in March 2020 gave countries the confidence to dedicate substantial fiscal resources to JRS and provided them with the flexibility to adapt the scope of their measures in response to the evolving dynamics of the COVID-19 pandemic. In addition, findings from the Delphi survey indicate that reduced government spending on anti-crisis support measures would have been one of the most likely alternatives to SURE support (see Annex 5)[37]. The evidence from the targeted surveys is less strong, even though about one third of respondents suggested that SURE had a positive impact on generosity (coverage, duration, replacement rate) of short time work schemes and similar measures. Although this analysis is beyond the scope of this evaluation, the availability of ESIF financing is also expected to have contributed to enhancing the generosity of JRS in particular by extending their duration[38].

4.1.1.3 Additionality of policy impact: lower unemployment, income stabilisation, reduced disparity, and improved resilience

This sub-section focuses on the specific contribution of SURE to the socio-economic performances during the COVID-19 and its aftermath.

a. Lower unemployment

The role of JRS in avoiding unemployment

Estimating SURE additionality in terms of jobs saved requires first assessing the number of jobs saved that could be attributable to the JRS in place in Member States. To this end, various macro- and micro-level approaches were considered, each presenting its own challenges. Challenges related to micro-level approaches include the scarcity of detailed data on specific schemes and the methodological difficulties to establish an evidence-backed counterfactual scenario. Challenges related to macro-level

[37] Other alternatives included additional cuts in other public spending, applying for pandemic crisis support from the ESM, and raising funds from markets on their own. However, these alternatives are not assessed in this evaluation.

[38] ESIF co-financed 16 SURE-supported measures (out of a total of 187 in the 19 beneficiary Member States) in 12 beneficiary Member States (out of 19), in the total amount of EUR 5.3 billion (out of EUR 127.3 billion) (see Section 4.1.3.1). All of 16 SURE-supported measures cofinanced by ESIF were extended to either 2021 or 2022, while the ESIF funding itself was extended beyond 2020 for 12 measures. This is consistent with the finding reported in the Preliminary evaluation of the support provided by ESF and FEAD under the Coronavirus Response Investment Initiatives (CRII and CRII+), namely that REACT-EU was often used to extend (in duration and scope) the measures introduced under CRII and CRII+. See European Commission (2023c).

approaches primarily involve comparability issues between treatment and control groups when estimating jobs saved[39].

A method based on Okun's law was selected for the estimation of the number of jobs saved that could be attributable to the JRS. Following Okun's law, a quantitative model was estimated to predict the (counterfactual) unemployment rate in 2020 in the absence of SURE, based on the pre-pandemic relationship between GDP growth and the change in the unemployment rate, both for SURE-beneficiary Member States taken altogether (Figure 11) and for each beneficiary Member State (Figure 12). As seen from both Figures, the rise in unemployment in 2020 was significantly less than expected in all SURE-beneficiary Members, except Ireland[40]. Historically, a fall in GDP in 2020 would typically lead to a significant rise in unemployment. However, the swift policy response, notably sizeable JRS taken in 2020 to address the COVID-19 crisis mitigated the impact of the fall in output on unemployment. Accordingly, the difference between the predicted (higher) and actual (lower) unemployment rate was converted into the number of jobs saved and attributed to JRS.

Figure 11: Actual vs. expected changes in the group of SURE beneficiary MSs: unemployment rate in 2019 vs. 2020

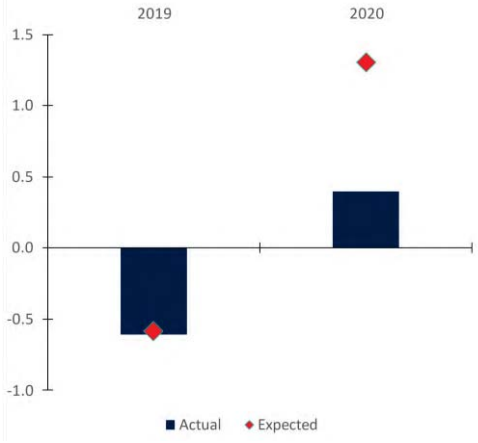
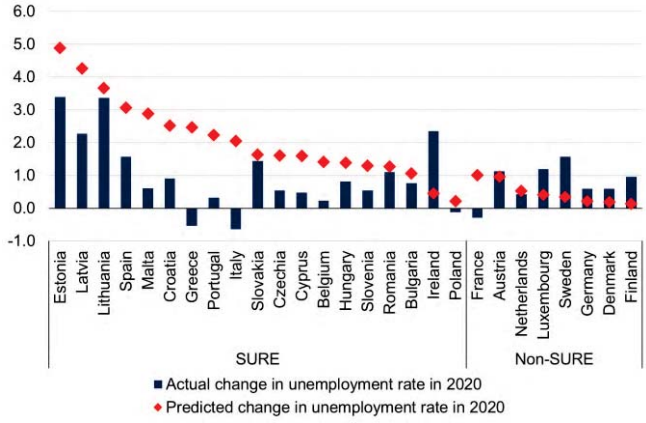


Figure 12: Actual vs. expected changes in unemployment rates by beneficiary Member State in 2020



Source: Commission's fifth bi-annual report, complemented with the insights from External evaluation study. In Figure 12, for Ireland, Estonia, Latvia, Lithuania and Slovakia the regression model to predict unemployment rate in 2020 was estimated based on quarterly data.

[39] See Box 3 in the External evaluation study.

[40] The exceptions are also non-beneficiary Member States (excluding France and Netherlands) that already had JRS in place before the pandemic to mitigate rising unemployment following an output shock. As a result, non-beneficiary Member States have lower historic relationship between output and unemployment changes, i.e. lower Okun's law coefficient. Therefore, most of them are estimated not to have avoided unemployment in 2020 (see Figure 12).

Between 1.03 million and 1.66 million jobs saved in 2020 could be attributed to JRS in SURE beneficiary Member States[41,42]**.** These estimates provided by the external evaluation study (Table 3) are in line with the earlier estimate of 1.5 million jobs saved reported in the Commission's fifth biannual report[43]. The difference between the estimates mostly stems from data revisions given that the assessments have been conducted at different points in time. While both estimates are aligned in terms of magnitude and are consistent with the broader literature, they show some uncertainty around the exact estimate[44].

Table 3: Jobs saved that could be attributed to JRS, in 2020, based on Okun's law (in 1000)

Member State	Lower bound	Upper bound
Belgium	38.6	62
Bulgaria	6.1	10
Croatia	17.9	29
Cyprus	3.2	5
Czechia	34.4	56
Estonia	6.4	10
Greece	99.7	161
Hungary	15.9	26
Ireland*	0.0	0
Italy	453.9	733
Latvia	12.4	20
Lithuania	2.3	4
Malta	3.8	6
Poland	39.1	63
Portugal	60.4	98
Romania	9.6	16
Slovakia	2.9	5
Slovenia	5.3	9
Spain	218.0	352
Total	1030.0	1662

**There was no evidence of unemployment avoided in Ireland*

Source: Annex 8 of the external evaluation study (Counterfactual Analysis)

[41] For estimating the quantitative model, the contractor used data from 1999 onwards (or from the year a Member State joined the EU), thus having altogether 331 observations. For five Member States (Ireland, Estonia, Latvia, Lithuania and Slovakia) the contractor used quarterly data from 1999 onwards (or from the year, the Member State joined the EU). See external evaluation study, Annex 8.1.

[42] The lower bound estimate of 1.03 million jobs is obtained by estimating a panel data model for 18 beneficiary Member States (including a separate model for Croatia, due to limited data availability) while the higher bound estimate of 1.66 million jobs is obtained by including country dummies within the model and aggregating corresponding country-specific jobs saved. See external evaluation study, Annex 8.1.

[43] The estimate of 1.5 million jobs saved is consistent with the total number of individual beneficiaries (31.5 million in 2020). First, the latter counts people irrespective of whether they received support during one month or three quarters of 2020. By contrast, the former is an annual average, considering the number of jobs saved over a full year.

[44] For more details see the external evaluation study, Annex 8.1, Section 8.2.2.6.

There are inherent limitations related to the interpretation of Okun's law, most notably that the estimated number of jobs saved cannot be mechanically attributed to JRS. First, Okun's law establishes a statistical relationship rather than a direct cause-and-effect relationship. Moreover, while JRS played a key role in shaping employment dynamics during the pandemic, the number of jobs saved cannot be attributed only to them. There are also other important flanking measures that national authorities implemented during the pandemic, such as accommodative monetary policy, loan guarantee schemes, suspension of insolvency proceedings, liquidity support to firms etc.

At the same time, the approach based on Okun's law likely underestimates the total number of jobs saved during the pandemic. The pre-pandemic relationship between changes in GDP and unemployment rates was likely affected by JRS already in place before the COVID-19 pandemic, i.e. during the reference period 1999-2019, particularly in Belgium, Italy and Spain. Consequently, in these Member States the number of jobs saved is likely underestimated[45]. Moreover, the estimated impact is static in nature, which means that it does not include the prevention of possible negative spillovers onto other sectors, which could have occurred in the absence of measures. These negative spillovers had materialised in previous crises. Finally, the estimate based on Okun's law could only be performed for 2020, since GDP recovered strongly in 2021 and 2022, although SURE-funded JRS remained in place in 2021 and 2022 (with a narrower coverage).

Results of an alternative approach to quantifying jobs saved by JRS seem to confirm the conservative nature of the estimates of jobs saved by JRS using Okun's law. Namely, CEPS (2024) constructed a model based on EU-LFS (Labour Force Survey) micro-level data to build "proxy" take-up indicators for JRS, which are highly comparable across Member States, and contain detailed information on the characteristics of individual beneficiaries. Micro-level EU-LFS data allowed estimating causality between the take-up of JRS and employment, not just correlation. The model estimates that JRS had significant positive effects in supporting employment in 2020 for which the most cautious estimate is a ratio of 0.6 jobs saved per beneficiary (annualised)[46]. Applying this lower bound ratio to the annualised estimate of the beneficiaries of SURE-supported JRS in 2020[47] would result in around 2.8 million jobs saved, i.e. around 70% more than 1.66 million jobs, which is the upper bound (country-specific) estimate

[45] The existence of job retention schemes before the pandemic likely lowers the historic relationship between output and unemployment changes, i.e. reduces the Okun's law coefficient. This is confirmed in the case of non-beneficiary Member States, except France and Netherlands (Figure 12).

[46] Most specifications yield a ratio of 0.75. To remain in line with the prudent approach, we take the most conservative estimate. The model is estimated by applying the difference-in-difference (DID) estimator developed by de Chaisemartin and D'Haultfoeuille (2024) to the proxy variables constructed using EU-LFS data.

[47] In 2020, SURE-supported JRS covered 31.5 million people at one point in time during the year. In annualised terms, the number of beneficiaries is estimated at around 4.6 million by CEPS (2024).

derived using Okun's law (based on macro-level data)[48]. This finding confirms the theoretical expectation that Okun's law underestimates the number of jobs saved, as discussed in the previous paragraph.

SURE additionality in avoiding unemployment

Based on the estimate of jobs saved that could be attributed to JRS, it was attempted to estimate how additional SURE was in terms of jobs saved. As found in the previous sub-section, between 1.03 and 1.66 million jobs saved could be attributed to JRS, which was found to be a conservative estimate. To disentangle the impact of SURE, we would need to know how the scope of SURE-financed measures would have been different in the absence of SURE. However, as discussed in Section 4.1.1.2, the counterfactual scenarios could not be quantified due to their highly speculative nature and the lack of congruent supporting evidence.

Although it was not possible to quantify SURE additionality with a sufficient degree of certainty, there is robust evidence that SURE had a significant additional impact on jobs saved. The existence of an additional impact is underpinned by various pieces of evidence. As argued in Section 4.1.1.2, there is robust evidence that SURE encouraged Member States to increase generosity of JRS, resulting in additional jobs saved compared to uncoordinated national policy responses. In addition, there is a general agreement that JRS (the national measures and SURE taken altogether) have contributed to the observed shift in the unemployment behaviour during the pandemic and the sharp rebound of economic activity in the second half of 2021. This is further supported by comparing the behaviour of unemployment in the EU and the US, where the policy response was based on unemployment benefits rather than JRS and led to worse labour market outcomes than in the EU (Section 4.1.1.1).

SURE is expected to have saved more jobs in countries with larger financing constraints and with more effective measures. The additionality of SURE's impact is expected to be higher in Member States that were less inclined to borrow on the market owing to higher financial costs or were driven by SURE to implement efficient job retention measures.

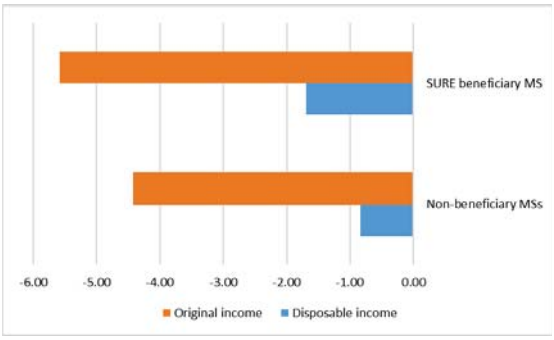
[48] To some extent, this reflects the fact that not all workers who are laid off enter unemployment, but some exit the labour force. Thus, a focus on employment should result in a higher estimate of jobs saved, as it also captures employees that would have become inactive if they were laid off.

b. Stabilisation of income

The role of JRS in stabilisation of income[49]

The pandemic affected labour markets in EU countries in varied ways, as seen in the corresponding decrease in market income of households. Market income declined in 2020 in all Member States, with the greatest decline in Malta, Italy, Greece and Croatia. Beneficiary Member States were hit harder than non-beneficiary Member States (Figure 13). However, tax and benefits significantly cushioned the impact of the pandemic on disposable income.

Figure 13: The impact of the pandemic on the market (original) and disposable income in SURE beneficiary and non-beneficiary Member States, in 2020



Source: JRC data, based on EUROMOD

JRS played a key role in stabilising disposable incomes, complementing automatic stabilisers. JRS[50] absorbed the largest share of the market income loss (38%), followed by taxes and social security contributions (23%) and unemployment benefits (8%) The respective shares for non-beneficiary MSs are 45%, 22% and 12% – see Figure 14 and Figure 15. The stabilisation provided by unemployment benefits was smaller than that provided by JRS, in line with fewer transitions from work to unemployment compared to transitions from work to JRS.

JRS were highly progressive, especially in beneficiary Member States. The pandemic hit lower-income households particularly hard, i.e. their market income dropped more compared to higher-income households, both in beneficiary and non-beneficiary Member States. Nevertheless, their disposable income remained almost unchanged, primarily due

[49] This Section is primarily based on the results of the EUROMOD model, provided by the European Commission, Joint Research Centre. The results for all 27 EU countries are presented in the paper by Christl et al. (2022). For the purposes of this Staff Working Document, we used country-specific estimates from the paper to produce aggregate figures for SURE beneficiary and non-beneficiary Member States, based on simple averages.

[50] The paper by Christl et al. (2022) refers to monetary compensation schemes that include short time work schemes and compensation measures for the self-employed. While the coverage of monetary compensation schemes is narrower than the one of SURE (that also includes parental leave etc.), SURE did not finance all JRS (83% of all in 2020).

to JRS. In the lowest income quintile, in 2020, JRS in beneficiary Member States absorbed 63% of the income shock, twice as much as in the highest income quintile (Figure 14). The lowest quintile is also the only income group where income stabilisation in beneficiary Member States was larger than in non-beneficiary Member States (Figure 15).

Figure 14: Income stabilisation, SURE beneficiary Member States, 2020

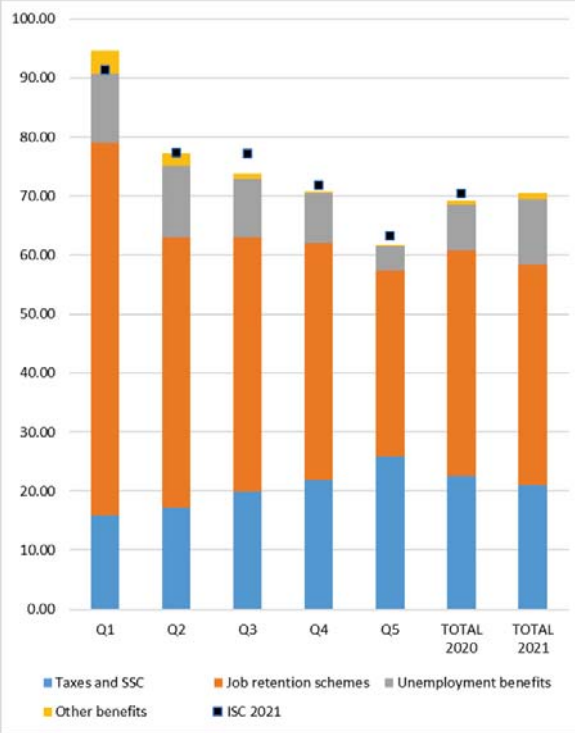
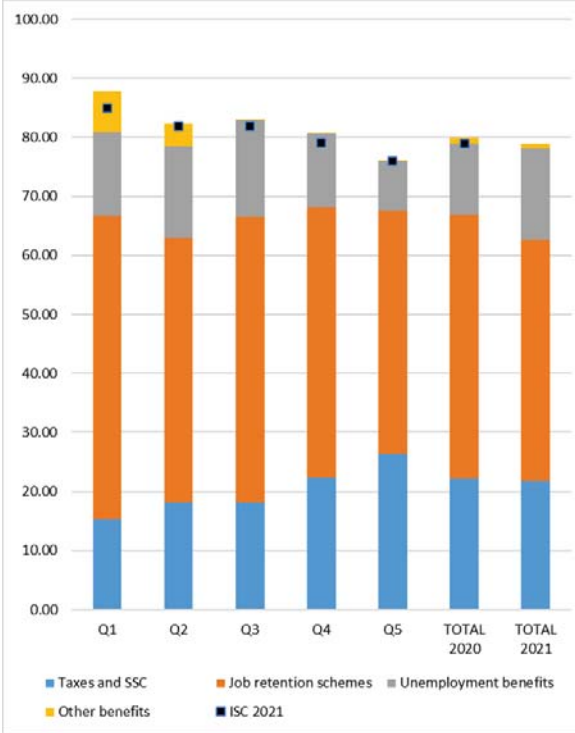


Figure 15: Income stabilisation, non-beneficiary Member States, 2020



Source: JRC data, based on EUROMOD;

The role of JRS in income stabilisation varied significantly across countries, reflecting diversity in national tax and benefit systems. Specifically, JRS absorbed between 20% of the income shock in Latvia and 68% in Romania (between 5% in Finland and 84% in Denmark among non-beneficiary Member States) – Figure 16. JRS played the primary role in income stabilisation in most countries both in 2020 and 2021 (Figure 14 and Figure 15), regardless of the occupational status (Figure 17).

Figure 16: Income stabilisation, SURE-beneficiary vs non-beneficiary Member States, 2020

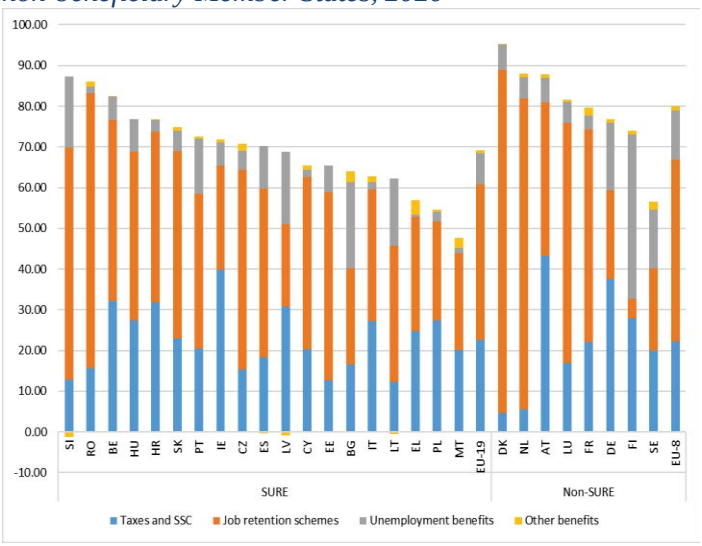
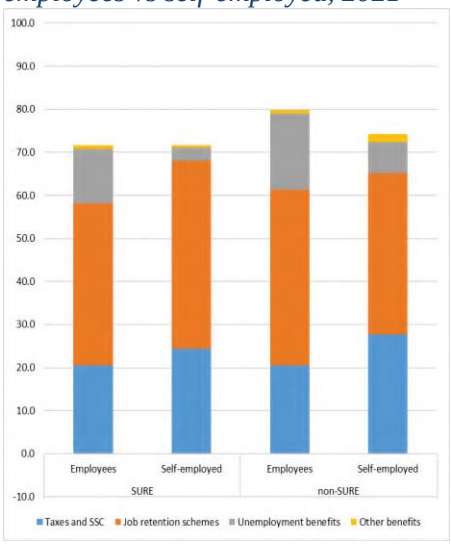


Figure 17: Income stabilisation, employees vs self-employed, 2021



Source: JRC data, based on EUROMOD
Note: In Figure 17, Malta is not included among SURE-beneficiary Member States due to lack of data.

SURE additionality in protecting against income loss

By enabling more generous JRS, SURE helped cushion the impact of the COVID-19 pandemic on household incomes. As found in the previous sub-section, JRS absorbed around 38% of the labour market income loss. To disentangle the specific impact of SURE alone, we would have needed to know how the scope of SURE-financed measures would have been different in the absence of SURE. As discussed in Section 4.1.1.2, a lack of congruent supporting evidence on the latter, has not enabled such analysis. This said, from a more qualitative perspective, SURE helped to smooth disposable income during the pandemic by saving jobs and enabling additional income support.

c. Reduced disparity

SURE contributed to preventing a rise in labour market inequality across Member States. According to the analysis in the fifth bi-annual report, dispersion of unemployment rates across SURE beneficiary Member States decreased and converged with non-beneficiaries during the COVID-19 pandemic. Furthermore, SURE contributed to a more equitable labour market environment across the EU in the face of extraordinary economic challenges. The case study of Spain found evidence that SURE-supported measures effectively addressed labour market disparities and inequality within the country[51]. These measures included support for workers on temporary contracts and the self-employed, with a particular emphasis on older workers. The gender impact was also notable, with nearly 50% of female benefit recipients. Furthermore, the transformation of

[51] See the case study on Spain included in the external evaluation study.

285,000 informal jobs into formal employment marked a significant shift from the informal to the formal sector. In other beneficiary Member States, the SURE-funded measures aimed to cover a wide range of employment sectors and worker types, including those in precarious situations. For example, in Portugal, the extension of support to self-employed and informal workers aimed to reduce labour market disparities, which also positively affected the shift of activities to the formal sector. However, the literature reviews suggests that, in general, JRS tend to specifically protect permanent workers and, to a lesser extent, atypical, temporary and seasonal workers[52]. In addition, JRS, by definition, do not provide support to the unemployed. Therefore, inequalities can be exacerbated during crises, even with support from JRS, as experts at the validation workshop pointed out. Complementary social and income support measures may, therefore, be needed.

d. Improved resilience

By helping firms maintain their workforce, SURE contributed to a more rapid economic recovery in 2021 when economic demand picked up. It supported economic resilience by limiting the friction in the labour market caused by re-hiring employees that were previously made redundant. Namely, recruiting again comes with costs and delays in the labour market during the resumption of economic activity after the lifting of restrictions. The contribution of SURE in supporting recovery at the national level was recognised by almost all respondents to the survey targeting ministry officials. In addition, case studies show that labour markets proved to be exceptionally resilient, given the size of the shock. Employment in Spain continued increasing, reaching a record high in 2023, with unemployment rates at their lowest in 15 years and labour market participation rates currently above pre-pandemic levels. Italy also experienced historically low unemployment levels in 2022 and 2023, likely due to measures which allowed companies to retain their workforce and quickly resume activities. Greece and Portugal also saw the benefits of maintaining employment relationships and preventing mass layoffs, which facilitated a faster return to normal operations as the pandemic subsided.

4.1.1.4 Additionality of spending: lower borrowing costs, supporting fiscal sustainability

SURE provided beneficiary Member States with loans at below their market interest rates and with relatively longer maturities, leveraging the EU's favourable credit rating. This favourable rating was maintained due to the credibility of SURE in the eyes of market actors. SURE financing was financially attractive not only for highly indebted countries such as Italy and Spain (for whom raising additional sovereign debt would have been more expensive), but also for those with smaller local debt markets which, despite their low debt-to-GDP ratio (e.g. Bulgaria, Estonia) struggled to achieve

[52] For the literature review, see Annex 6 of the external evaluation study.

long maturities on debt issuances. As illustrated by the results of the targeted surveys, 10 out of 15 respondents from the Finance ministries in beneficiary Member States agreed or strongly agreed that SURE contributed to the sustainability of public finances in their country.

The average maturity of SURE loans was 14.5 years, with more than half of the total repayment falling due in the period 2035-2051. Stakeholders in Spain and Portugal highlighted the long maturity of SURE loans as an element of SURE's spending additionality. The long maturities proved especially advantageous also ex-post, as interest rates increased since 2022 and shorter maturities would have required refinancing amid the trend of rising yields.

As a direct impact, SURE is estimated to have saved EUR 9 billion in interest for SURE beneficiary Member States, that is, almost 10% of the total amount of loans[53]**.** In the absence of SURE, implementing the same measures in full using market financing would have cost Member States at least EUR 9 billion more in interest payments (see Table 4). This estimate is based on yield spreads which clearly indicate that, in the absence of SURE, beneficiary Member States would have had to take on more expensive debt to secure the funding needed to finance the SURE-supported measures (for more details see the fifth biannual report). Member States' interest savings were mainly a function of their respective yield spreads and the amounts that they borrowed, which were in turn related mainly to their economies' exposures to the crisis and credit ratings. Moreover, interest savings were also influenced by the breakdown of their total disbursements by issuance. For example, savings for Bulgaria, Croatia, Czechia and Latvia would have been bigger had their disbursements been more frontloaded. This in part reflects the fact that these countries opted for late top-ups, thereby increasing the share of their total loan amounts from the last two issuances, when interest rates were higher. Even so, these Member States mostly recorded substantial savings. Relative to the amount disbursed, the highest interest savings accrued to Romania (28.4%), Hungary (22.5%), Bulgaria (18.3%), Italy (13.7%), Croatia (13.4%) and Greece (10.6%).

[53] This estimate was presented in the fifth bi-annual report.

Table 4: Interest savings attributable to SURE financing

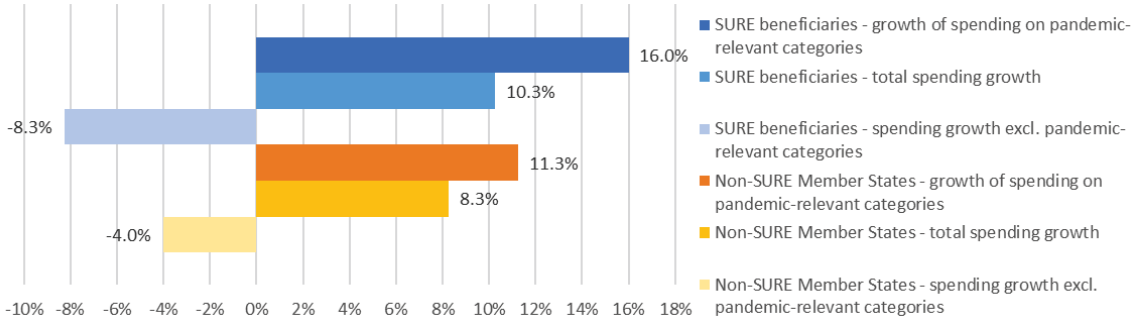
Member State	Amount disbursed (EUR bn)	Savings (EUR bn) – from 5th biannual report	Savings (% of disbursement) – from 5th biannual report
Belgium	8.20	0.14	1.7
Bulgaria	0.97	0.18	18.3
Croatia	1.57	0.21	13.4
Cyprus	0.63	0.06	9.7
Czechia	4.50	0.04	1.9
Estonia	0.23	0.00	0.0
Greece	6.17	0.65	10.6
Hungary	0.65	0.15	22.5
Ireland	2.47	0.05	2.1
Italy	27.44	3.76	13.7
Latvia	0.47	0.02	4.1
Lithuania	1.10	0.02	1.5
Malta	0.42	0.04	8.4
Poland	11.24	0.80	7.2
Portugal	6.23	0.42	6.8
Romania	3.00	0.85	28.4
Slovakia	0.63	0.01	1.3
Slovenia	1.11	0.05	4.3
Spain	21.32	1.58	7.4
Total	**98.36**	**9.03**	**9.42**

Source: Fifth biannual report, Annex 8 of the external evaluation study (Counterfactual Analysis)

While SURE loans directly added to the beneficiary Member States' stocks of public debt, overall SURE had a positive impact on fiscal sustainability by limiting the aggravation of the fiscal situation due to COVID-19. This positive effect unfolded through multiple channels. First, SURE provided a clear signal early on about the policy direction and priorities, acting as guidance as to which type of expenditure was most important to secure in the context of fiscal constraints aggravated by plummeting revenues. The data on spending by function of the government (COFOG) reveals that spending on economic affairs, health, social protection and unemployment grew faster in 2020 in the SURE beneficiary Member States than in the other Member States (+16% compared with +11%). These categories of spending were particularly relevant to respond to the socio-economic fallout of the COVID crisis. However, other expenditures contracted much more in SURE beneficiaries than in other Member States (-8% compared with -4%). This points to the relevance of the SURE support in the most affected Member States that needed to – and did – prioritise spending on the most pertinent categories (see Figure 18). Hence, the favourable financing through SURE appears to have served the intended purpose of providing funding for the most necessary spending and not to have incentivised fiscal profligacy. Second, the temporary nature of SURE sent a clear signal about the need to phase out support as soon as the situation allowed it, thus minimising the strain on public finances. Third, the substantial interest rate savings and a favourable maturity profile of SURE loans contributed to debt sustainability compared with a situation in which Member States would have funded the

same measures using market financing. Finally, as, shown by the EUROMOD simulation (see Table 5 in Section 4.1.2.4), reliance on JRS is likely to have been cheaper than the alternative of financing unemployment benefits for the laid-off workers, while also being superior in terms of outcomes, particularly as regards limiting the deterioration of economic sentiment, avoiding labour market scarring, a permanent drop in the activity rate and a lasting deterioration of skills (see Sections 4.1.1.1 and 4.3.2).

Figure 18: Expenditure developments in SURE beneficiaries and other Member States in 2020



Source: European Commission, Eurostat [gov_10a_exp]

Notes: Pandemic-relevant categories are economic affairs, health, social protection and unemployment.

4.1.1.5 A flexible scope and innovative design

The design of SURE was key to its rapid deployment and implementation amid high uncertainty, which significantly contributed to its effectiveness. As discussed in Section 3.2, SURE was swiftly rolled out to mitigate the impact of the pandemic on the labour market. This rapid deployment was highly appreciated by Ministries of Labour and Finance in the targeted survey and it was largely due to its well-conceived design.

SURE's key features include a strong focus on JRS, which are considered effective in protecting jobs during temporary crises. The COVID-19 pandemic created an unprecedented exogenous shock, leading to an economic crisis driven largely by lockdowns rather than by accumulated macroeconomic imbalances. In this context, job and income protection measures became a priority, as confirmed by Ministries of Labour and Finance in the targeted survey, due to their proven effectiveness in sustaining employment during temporary downturns (see Section 4.1.1.1b[54]). Although the crisis was severe, it was followed by a quick recovery.

The flexible scope of SURE supported national ownership and fast assistance to Member States with diverse labour markets and measures. This flexibility allowed national policymakers to design and adapt JRS tailored to country-specific needs and institutions without being limited by cumbersome eligibility requirements. Eligibility

[54] For a literature review confirming the effectiveness of short time work schemes during crises, also see Annex 6 of the external evaluation study.

criteria were purpose-driven: they required that measures are related to the pandemic, aim to maintain the employment contract with the firm and provide income support. Stakeholders, in hindsight, viewed this low prescriptiveness as a key feature that facilitated SURE's rapid deployment and high uptake.

The innovative financial architecture of SURE enabled borrowing on financial markets under favourable conditions. This structure, characterised by a robust system of guarantees and credible prudential rules, allowed the EU to uphold its high credit rating. This was crucial in securing favourable financing terms, resulting in substantial savings for Member States. In addition, this architecture facilitated the EU's emergence as a significant borrower in the financial markets. 13 out of 15 respondents from the Finance ministries considered the innovative financial architecture based on common borrowing appropriate or very appropriate.

The temporary nature of SURE, with a defined end date, facilitated swift consensus among Member States to set it up. The temporary nature of the instrument was fully aligned with the nature of the crisis it was aimed to address. At the same time, the fact that its temporary nature was explicitly reiterated in the SURE regulation (even in the name) contributed to political acceptance of SURE and its financial architecture. SURE's temporary nature was a political requirement for its adoption and endorsement by all Member States through guarantees.

In terms of governance, the Community method enabled an inclusive and transparent decision-making process, while helping avoid stigma. Specifically, relying on the EU's supranational institutions (particularly as regards the right of initiative) rather than the intergovernmental method, which is more reliant on national governments, facilitated the joint handling of Member States' requests for SURE support. As noted independently by the stakeholders in the targeted survey and by the ESM[55], SURE's bundling of requests avoided "first-mover" stigma that applicant Member States could otherwise face when applying for support and encouraged the use of the instrument.

Finally, with the benefit of hindsight, the size of the SURE's envelope was appropriately determined, enabling the instrument to promptly serve all requests. The total disbursements under SURE totalled EUR 98.4 billion, which is very close to the maximum available amount of EUR 100 billion. This included two rounds of top-ups, accounting for 9% of the total amount disbursed. Some Member States received a slightly lower amount of financial assistance than requested but this was due to the binding concentration limit for the three largest beneficiaries (Italy, Spain and Poland).

[55] ESM (2024), ESM Staff Report on the Comprehensive Review of the Maximum Lending Volume, Adequacy of the Authorised Capital Stock and Financial Assistance Instruments, https://www.esm.europa.eu/publications/esm-staff-report-comprehensive-review-maximum-lending-volume-adequacy-authorised.

4.1.1.6 Additionality of health-related measures: a positive qualitative assessment

The evidence on health-related measures supported by SURE is based on qualitative information. SURE provided funding for very diverse measures (see Section 3.4.1 and the fifth bilateral report, Section 2.3) that had different sub-objectives of health policy. As a result, it is not easy to measure their outcome and their specific added value. This was confirmed by the qualitative assessment of health-related measures undertaken, using primarily targeted surveys and stakeholder interviews, and insights from case studies where such measures represented a significant share of total SURE spending (Poland and Portugal).

There is no evidence that availability of SURE financing enabled Member States to support additional health-related measures. Based on the results of the targeted survey, almost all respondents from the Ministries of Finance agreed that the availability of SURE financing did not influence their decision to introduce health-related measures.

However, the availability of SURE funding helped strengthen the response of healthcare systems, ensure workplace safety and prevent labour shortages. For example, in Poland, support from SURE helped to reduce a shortage of medical personnel while in Portugal, SURE contributed to protect workers, reduce contagion and enhance the health response to the crisis. It can be concluded that while the evidence on health-related measures is sparse, patchy and mainly anecdotal, replies to the targeted survey undertaken to inform the evaluation suggest that they were effective.

4.1.1.7 Unintended consequences: a positive overall balance

Unintended consequences, most notably the possibility of certain firms or workers benefiting from support, even if they did not need it, were mentioned as a potential concern by some stakeholders, though with limited evidence. When interviewed in the case studies about their concerns as regards possible negative unintended consequences, stakeholders most notably mentioned possible market distortions. This included the misallocation of labour and capital and the existence of deadweight losses that supported unviable firms, prolonging their lives or delaying their restructuring. However, the interview question did not distinguish between small and major concerns, nor ask to back them with evidence. In most cases, the interviewees focused on consequences that could perpetuate the pre-existing conditions in the Member State. Moreover, national ministries in the targeted survey for the most part did not mention major negative outcomes of SURE-financed measures. Only two out of 12 ministry officials considered that at least some of the SURE-financed measures provided support to unviable firms and only three out of 13 thought that at least some of the SURE-financed measures faced some deadweight loss, since it allowed certain firms or workers to benefit from the support, even if they did not need it (see Annex V). Similarly, experts attending the validation workshop on SURE organised by the external contactor expressed doubts that JRS would have had any major unintended consequences in terms of efficiency during the pandemic.

At the same time, according to experts' opinion and empirical findings, unintended consequences were mitigated by powerful factors. Those include the wide availability of support (which was not specifically targeted at companies with structural difficulties), fewer worker transitions during the pandemic (due to fewer job vacancies) and a swift economic recovery (which facilitated the phasing out of JRS). A review of recent literature findings presented in Box 2 below examines in more detail the extent to which negative unintended consequences pose a concern.

Box 2: Unintended consequences of job retention schemes on market functioning

Researching the extent to which any serious concerns about the impeded reallocation of resources would have been justified would require access to firm-level data (i.e. microdata). This is because firm-level data allows linking the provision of support with individual firm fundamentals and outcomes, and comparing the performance and outcomes of the different groups of supported and unsupported firms. Conversely, relying on macro-level data (most notably registration and bankruptcy rates) to infer the possible impact of SURE-supported measures on the reallocation of resources would not be meaningful, as these indicators are heavily reliant on economic trends, whereby bankruptcy rates increase in downturns and decrease in recoveries, while also being affected substantially by changes in credit conditions. As the changes in both, economic activity and credit conditions were particularly pronounced during and after the implementation of the JRS, any effect of the latter on the churn rate would be impossible to infer from the macro-data.

Although microdata is not readily available for all Member States, such studies have been conducted with varying sample sizes for several Member States, including many SURE beneficiaries, with reassuring findings. A review of that literature reveals that unintended consequences that could be described as severe distortions of the allocative efficiency in the market were largely avoided.

- **Calligaris et al.** (2023) find that "overall business dynamics remained productivity-enhancing in 2020, due in particular to a robust link between firm survival and relative productivity" and that while process of productivity-enhancing labour reallocation was weaker relative to 2019, it was not distorted. This is attributed inter alia to the higher uptake of support by higher-productivity firms, including in both Latvia and Slovakia, two SURE-supported Member States for which data availability allowed for such an analysis. Other findings that suggest the avoidance of unintended consequences at firm level include higher survival rates of higher-productivity supported firms and better employment outcomes for higher-productivity supported firms.
- Using CompNet firm-level data for four countries, including three SURE beneficiaries (Croatia, Slovakia and Slovenia), **Bighelli and Lalinsky** (2021) find that in all countries JRS support (wage subsidies) to growing firms was multiple times higher than the JRS support granted to declining firms, thus dispelling fears of support to zombie firms*. Moreover, they find a positive relationship between productivity and the chance of receiving wage subsidies in Croatia and Slovakia, and a mildly negative relationship in Slovenia (which is however not linear, but mostly due to the most productive firms and otherwise stable). Finally, they find that in all three SURE Member States there was a positive contribution to productivity growth from the between-firm component in 2020 (whereas within-firm productivity deteriorated a lot), which confirms that the productivity-enhancing reallocation continued, even if its effect was mild. Finally, they find a small, but positive impact of wage subsidies on productivity in all countries.
- **Harasztoi and Savšek** (2022), although having a somewhat limited sample of firms, cover 32 countries, including 15 of the 19 SURE beneficiaries.** They find no statistically significant correlation between productivity and the likelihood of receiving government support when controlling for the size of the decline in sales.

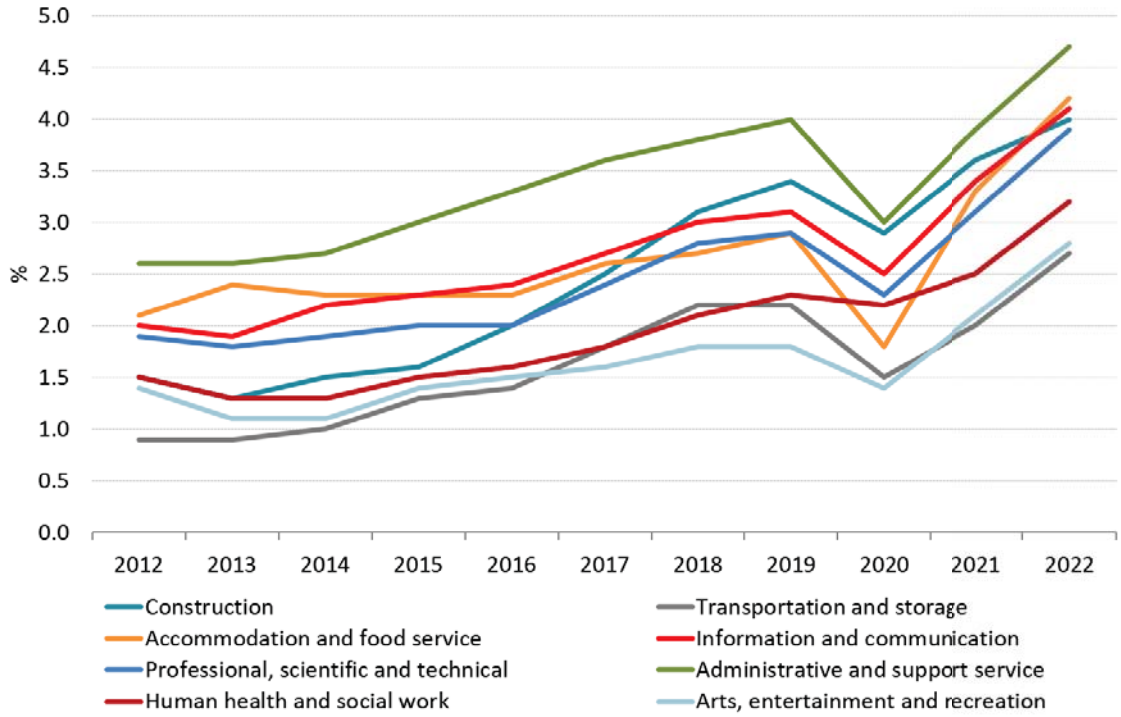
- Only in the case of the Netherlands, which was not a SURE beneficiary, there is early evidence of disruptions in the process of creative destruction that could be linked to the JRS. There, **Bettenford et al.** (2021) find that low productivity firms received more support, which could be linked to a subsequent drop in the exit rate of firms with the lowest productivity, which was more pronounced than for other firms. However, these results reflect the situation in 2020, which leaves open the possibility that the phenomenon observed in the Netherlands was temporary and subsequently reversed, with no lasting effects on the creative destruction process. Given the limited duration of the high intensity of JRS support, it would be expected that the disruptions such as those uncovered in the Netherlands are delays in restructuring of unviable companies rather than structural deteriorations in allocative efficiency of capital. Longer-term or structural effects, if any, would require explanations beyond JRS.

Taken together, these findings strongly suggest that negative unintended consequences of JRS in SURE-beneficiary Member States were largely avoided. In the cases of beneficiary Member States for which there is microdata-based research as regards the existence and gravity of unintended consequences of JRS, evidence points to their absence. The same finding applies to JRS in all non-beneficiary Member States except one for which early evidence is available. Still, it cannot be excluded that there are SURE beneficiary Member States in which such outcomes did materialise. However, from the existing research it can be concluded that such cases, if they exist, would be due to isolated/specific design features of national measures, and could not be attributable to SURE specifically or, more generally, to the reliance on JRS as a policy response to the COVID-crisis.

** Growing firms are defined as those in the top quartile for both labour productivity growth and size growth, whereas declining firms are defined as those in the bottom quartile on both of those metrics*
*** The number of firms in the sample varied from 240 in Cyprus to 1,369 in Poland.*

There are also no indications that any sizable or lasting misallocation of labour occurred as a result of the JRS. While there are literature findings that STWs can contribute to a misallocation of labour (Giupponi and Landais, 2023), this effect is observed mostly with persistent shocks, not temporary ones like COVID-19, and there is no evidence that this was the case with the measures rolled out during COVID-19. This is also in line with the specific nature of the COVID-19 crisis: since it was caused by the lockdowns rather than an accumulation of economic imbalances, it would be expected that this effect would neither be pronounced nor particularly detrimental, given the less pertinent role of the efficient reallocation of labour in the recovery compared to other crises, such as the GFC. The absence of this effect is also supported by the finding that labour market matching has not deteriorated in the EU after COVID-19 (European Commission, 2022). Finally, looking at the sectoral level, labour shortages in the aftermath of COVID-19 seem to be on the rise across the board (European Commission, 2023b), largely following pre-crisis trends and with no apparent link to the sectors most heavily supported by JRS (see Figure 19).

Figure 19: Job vacancy rate (%), by sector, annual (%), 2012-2022, EU-27



Source: Employment and social developments in Europe 2023, https://data.europa.eu/doi/10.2767/089698

At the same time, a number of positive unintended outcomes materialised as a result of SURE and JRS, tilting the overall balance on the positive side. As per the targeted survey, 16 out of 25 ministry officials agreed that employment-related measures contributed to avoiding declines in participation rates (given that the employed are less likely to leave the labour market than the unemployed) and only one disagreed. In addition, three out of nine ministry officials thought that the measures have encouraged a shift from the informal to the formal sector. Country case studies provide evidence of additional positive unintended consequences that could be attributable to SURE and the JRS, such as the transformation of temporary measures into permanent measures and knowledge gained in their implementation, and the acceleration of digital transformation.

SURE played a major role in establishing the EU as a borrower due to the volume of the debt issuance, paving the way to even bigger issuances under the Next Generation EU. Evidence suggests that this benefitted investor relationships and helped establish the EU as an issuer. The higher liquidity of EU bonds pushed the EU closer to sovereign status and improved the bid-ask spread as well as the spread vis-à-vis the bund compared to former peer debt issuers.

SURE also benefitted the development of the social bonds market as the EU became the largest issuer of social bonds globally. This significantly contributed to the development of the social bonds market, attracted new ESG (Environmental, Social and Governance) investors and possibly paved the way to standardisation of the social bonds

market. Issuing social bonds is also considered to have raised the profile of the EU as an issuer from a holistic perspective, while not raising costs (see Section 4.1.2.2).

4.1.2 Efficiency

This section focuses on the efficiency of SURE, taking into account its costs and benefits. The efficiency of SURE-supported national measures is beyond the scope of this evaluation report, and therefore discussed only briefly, when appropriate.

4.1.2.1 Cost of SURE: largely administrative and very small compared to benefits

The Union did not bear any direct costs related to SURE financing, and the financial risk to the EU budget is assessed to be very limited. Given that the SURE instrument consisted of back-to-back lending whereby Union-issued bonds were disbursed to beneficiary Member States in the form of loans at the same conditions, the Union did not bear any direct financial costs of the intervention. Moreover, SURE's financial credibility was buttressed by a system of national guarantees and thus did not require up-front cash contributions ("paid-in capital"). At the same time, financial risks to the EU budget in case of defaults on the loan repayment are considered very limited due to the robust financial architecture of SURE (see Section 4.1.2.2).

The administrative costs involved in the design and implementation of SURE were minor in comparison to the size of the instrument. As summarised in Annex IV, at EU level, SURE required the involvement of ca. 13-18 staff in full-time equivalent terms and minor sporadic involvement of additional staff, both concentrated in the early stages of the instrument and substantially decreasing in the later stages[56]. Moreover, the human resource needs were not met through additional employment, but reallocation from other tasks that were rendered less pertinent in the pandemic context. In that sense, even the opportunity costs of SURE in terms of staffing can be considered very small. At national level, similar data could not be collected due to practical constraints (staff turnover, elapsed time). Instead, qualitative information was collected with surveys and country research. In particular, case studies offer some useful insights (which should also reflect the situation in other beneficiaries, given that the reporting and other administrative requirements did not differ across Member States). Namely, officials from four out of five case study Member States estimated negligible or non-existent additional costs to manage SURE, attributing this to light reporting requirements. Only in one Member State did the officials consider that the administration could have been less burdensome, but they also considered the perceived cost and burden to be commensurate with the benefits. (see Annex IV).

[56] For a more detailed estimate, see Table 8 in the external evaluation study

Overall, the benefits of SURE significantly eclipse the minor costs involved. As mentioned above, SURE was by design associated with no financial costs, very limited financial risk and low administrative costs. At the same time, SURE resulted in large benefits, including additional jobs saved (see Section 4.1.1.3) and interest savings of almost 10% of the total amount of loans (see

Table 4 in Section 4.1.1.4). Furthermore, SURE had additional benefits that are more difficult to quantify, e.g. by contributing to a quick economic recovery, reducing labour market inequality across Member States, preventing potential negative spillovers and having longer-term positive effects on the labour market.

4.1.2.2 A robust financial architecture to fund SURE with low costs

SURE was underpinned by a careful financial risk assessment to ensure the sustainability and protection of the EU budget. The financial risk to the EU budget was assessed by evaluating the sustainability of a large-scale borrowing-for-lending architecture underpinning SURE. Given that SURE entailed back-to-back lending – whereby the EU issued bonds and then provided loans to Member States under identical terms – interest-rate and exchange-rate risks were effectively neutralised from the perspective of the EU budget. This left as the only theoretical concern counterparty risk, i.e. the risk that the beneficiary Member States would default on their loans. The EU budget's headroom – the gap between maximum collectible own resources and actual budgetary needs – was used as the backing for the issuance of bonds[57]. The four key variables affecting the headroom that had to be assessed were the EU Gross National Income (GNI) trends, budget expenditures, issuance profiles for SURE, and other existing contingent liabilities backed by the headroom. An assessment was carried out to ensure a sufficiently ample buffer for the EU budget, safeguarding its sustainability and credit rating.

As a result, three key risk prudential rules were included in the design of SURE. With the aim of diversifying risk, a 60% cap on the amount loaned to the three most heavily supported Member States was introduced. This provision reduced the risk of concentrating support too much on a single beneficiary Member State. Then, a 10% ceiling on yearly repayments was introduced as a way to limit the annual exposure and ensure the robustness of the headroom coverage in a context of uncertain economic developments. Finally, additional guarantees from all 27 Member States equal to 25% of the total SURE envelope were introduced with the aim of confirming the Member States' firm commitment to support the EU and to further relieve the weight on the headroom.

While today there is no consensus on the essential role of the additional guarantees, their political and signalling importance was considerable when SURE was being set up. The guarantees, which were irrevocable, unconditional and on demand, were also meant to provide additional comfort to investors on top of the EU's strong ratings, liquidity position and preferred creditor status. Meanwhile, some credit rating agencies representatives consulted during the evaluation contend that the robust national guarantees provided additional comfort but were not essential. On the other hand,

[57] At the time, the headroom already backed EU-bond issuances for other forms of financial assistance to EU Member States: the European Financial Stabilisation Mechanism, Balance of Payments Facility loans and Euratom loans to Member States.

without prejudice to the appropriateness of such an approach in the future, it should be noted that the time of the establishment of SURE was marked by high uncertainty, which is why taking extra caution was warranted to safeguard the EU's high credit rating. It should also be noted that in December 2020 the Own Resources ceiling was increased from 1.23% to 1.40% of EU GNI (the negotiations for which were ongoing at the time of the SURE adoption). This increase expanded the headroom and retroactively reduced the relative importance of these additional guarantees. Finally, the reliance on guarantees was essential for ensuring the political backing for the instrument.

Issuance of social bonds has widened and diversified the investor base, while it does not seem to have raised costs. The new issue concession for SURE bonds averaged +1.75 basis points[58], below the +2.4 basis points paid for conventional EU bonds issued in the same years. This suggests that the pricing of social bonds issued under SURE was at least competitive with that of the conventional bonds, i.e. that the reliance on social bonds is highly unlikely to have raised costs. At the same time, the Social Bond label of the SURE bonds may have attracted certain ESG investors that had not previously invested in EU bonds. However, in the general market environment the demand for EU bonds depended on many other factors, making it hard to conclude on whether the Social Bond label had a material impact on pushing up aggregate investor interest to the levels witnessed by the high over-subscription rates.

Member States were overall satisfied with the conditions of the SURE loans. Overall, 12 out of 19 Member States reported that the interest rates met or exceeded their expectations while the remaining respondents were unsure (see Annex 5). Only one respondent reported rates below expectations. Similar satisfaction rates were identified as regards maturities, timeliness of disbursements, standardisation of loan agreements and the management of payments.

4.1.2.3 A lean and efficient design

SURE's flexible and not overly prescriptive design was well-adapted to the emergency and uncertainty generated by the pandemic. As mentioned in Section 4.1.1.5, SURE's key design feature was a flexible scope defined by purpose-driven eligibility criteria, requiring only that measures be related to the pandemic, aim to maintain the employment contract with the firm and provide income support. Considering the context, it is clear that such a design was to some extent shaped by the need to react quickly and effectively in the face of a fast-unfolding crisis. This view is confirmed by the stakeholders, who, by and large, heralded the low prescriptiveness as a

[58] Moreover, the average new issue concession for SURE bonds was substantially pushed up by the last issuance, which was at +4bps a clear outlier (preceding 13 tranches having yielded concessions between +1bp and +2.5bps). This elevated concession for the last issuance likely reflected the market pricing in its expectations that the issuance would remain constrained to a fixed volume (i.e. without additional tranches), given that the maximum size of the instrument was almost reached and given the instrument's imminent discontinuation under the sunset clause, all in the context of rising rates at the time.

key strength (see Section 4.1.2.4). Moreover, a design of the SURE instrument that was little prescriptive on the features of eligible national measures proved to be appropriate in hindsight in light of the volatile course of the pandemic and the stringent containment measures (restrictions) that prompted the roll-out of JRS.

As the pandemic evolved, national authorities needed the flexibility to adapt the measures and keep them efficient. In an effort to strike a balance between protecting public health and minimising the socioeconomic fallout, public authorities needed to adapt the restrictions to the evolving situation. The stringency of restrictions depended on the pace of spread of the virus and the severity of the pressure on the health systems (which also had a seasonal nature) and the availability of the vaccines. Anticipating how the pandemic and the restrictions would evolve over time would have been impossible ex-ante, particularly given that their evolution differed across Member States. At the same time, aligning the evolution of the restrictions with the eligibility requirements for JRS was essential for maintaining their efficiency and minimising their misuse and negative unintended consequences. As noted by the OECD (2020b), the risks normally associated with the JRS were minimised in the initial stages of the pandemic, when heavy restrictions were in place that cut sales drastically, impaired economic activity at large and froze hirings. However, "*as countries move out of the strict confinement phase, policy makers have to strike the right balance between ensuring adequate support for jobs that are temporarily unviable and limiting the extent to which subsidies reach jobs that would be preserved anyway or that are unviable even in the long term*." Moreover, according to OECD (2021), "*A careful scaling back of JR support should be implemented flexibly, closely following the evolution of the economic and health situation, and likely requires a differentiated approach across sectors*". And indeed, JRS were in practice tweaked, most notably by way of aligning the sectoral coverage with the scope of the restrictions, but also through other means[59]. As a result, Eurofound (2024) research report finds that "*targeting JRS at the sectors most affected by national health restrictions proved effective in supporting businesses and workers*".

From a forward-looking perspective, there are three main considerations when exploring the appropriateness of such a flexible and low-prescriptive approach that could be helpful for possible future instruments:

[59] As regards the strong link between the restrictions and the use of JRS by sectors, see Section 3.5.2, but also OECD (2021), which finds that the use of JRS closely followed variations in government restrictions and economic activity during the first wave of the pandemic and that the use of JRS across sectors closely mirrored the impact of economic restrictions. Moreover, Eurofound (2024) research report finds inter alia that, "*In the initial phase of the pandemic, the schemes tended to be very generous in terms of accessibility and the level of benefit replacement rates relative to a defined income. However, as the health emergency came under control, the generosity of the schemes was reduced through increased targeting, cuts in benefit levels and stricter limits on the maximum duration of support. Following the first wave of the pandemic, access to schemes was increasingly tied to government-imposed restrictions on economic activities.*"

1. *The very nature of the EU intervention*. SURE was implemented as financial assistance in the form of loans, a choice which naturally minimised moral hazard arising from the beneficiary Member States compared to grants. This theoretical link seems to have been confirmed also in practice by the tendency and agility of Member States to adapt the scope and coverage of the SURE-funded measures in spite of the low prescriptiveness of SURE. Meanwhile, an intervention that would rely on grants as opposed to loans could require higher prescriptiveness to curtail moral hazard.
2. *The width of the EU intervention*. In the case of SURE, the instrument had to be accessible to a wide array of beneficiaries – ultimately 19 Member States – each with their own idiosyncrasies in terms of the size and significance of the most affected sectors, but also labour market institutions and features. Most notably, Member States' labour markets differed in terms of the level of employment protection and the share of temporary and self-employed workers. These differences would likely hinder the efficiency of an alternative, more prescriptive, approach. Given that these are structural features, they would need to be taken into account also under less pressing circumstances.
3. *The different capabilities of Member States to target closely the policy measures*. Efficient targeting requires having in place comprehensive data about potential beneficiaries with a minimum time lag. As noted in Apedo-Amah et al. (2020): "*…a critical challenge for policy makers: it is difficult to identify which firms should be targeted. We show that in a crisis of this magnitude, targeting variables that are relatively easy to observe, such as size and sector, might be a poor proxy to identify the firms most in need of support. This is because most of the variations in sales drops are not explained by the variables we can usually observe in a data set*." One way to get around this issue could be to rely more on "ex-post targeting", i.e. conditioning support with an expected revenue drop that is to be verified at a later date, whereby funds granted to companies subsequently found to have been ineligible would be recovered. This was indeed the approach taken by some beneficiary Member States in the early stage of the pandemic. However, this approach could amplify the perverse incentive for beneficiary companies to underreport revenue, which comes with a fiscal cost of its own.

In conclusion, while a more prescriptive approach could be considered in the future, it could come with increased complexity, given the structural differences across Member States. In theory, more precise targeting of measures could reduce deadweight costs and support to non-viable companies. Whether increasing prescriptiveness would on balance bring positive effects would likely depend on several factors, such as the capacity of Member States to implement certain eligibility criteria (i.e. conduct efficient targeting) in real time and whether the intervention would be financed by loans or grants.

4.1.2.4 Efficiency of SURE-supported measures

While the efficiency of national measures funded by SURE lies outside the scope of this evaluation, literature findings and microsimulation results suggest overall high efficiency, showing the relevance of the scope of SURE support. Given that SURE

was a financing instrument that served as a temporary financial assistance, the focus of this evaluation is not on the efficiency of the individual measures it supported, the design of which was the prerogative of national policymakers. Nevertheless, the aggregate efficiency of national measures is considered indirectly in order to assess the appropriateness of the reliance on JRS and in particular short-time work schemes in the SURE regulation. Namely, SURE financed mostly short-time work schemes (see Section 3.4.2), which were considered cost-effective and particularly appropriate for temporary shocks. Short-time work schemes were found to be more equitable and cost-effective than relying on layoffs, while being highly complementary to other automatic stabilisers[60]. The efficiency of JRS during the COVID-19 crisis has since been upheld by a growing body of research. As summarised in Section 4.1.1.7 on unintended consequences, JRS in SURE beneficiaries had rather low deadweight costs, with minimal negative impact on the creative destruction process. At the same time, in addition to preventing a significant rise in unemployment, they were shown to have provided high levels of income stabilisation (see Section 4.1.1.3).

A simulation conducted by the Joint Research Centre (JRC) confirms that the JRS were likely more cost effective compared to unemployment benefits. Namely, the microsimulation finds that the counterfactual scenario in which the persons covered by the JRS would have instead been out of work and covered by unemployment benefits would have led to 32% higher fiscal costs on aggregate (see Table 5 below). It should be noted that the difference is possibly overestimated, as probably not all persons covered by JRS would have been laid off. Moreover, not all of those that would have been laid off would have been eligible for unemployment benefits. On the other hand, many persons out of work – in particular those ineligible for unemployment benefits, but also some among those that were eligible – would have been covered by social assistance benefits, which were not factored into the calculation.

[60] For more details, see Annex 6 of the external evaluation study.

Table 5: Costs of national schemes - net effects and comparison with unemployment benefits (EUROMOD simulation results)

	Net costs of JRS for employees	Net costs of compensation measures for the self-employed	Costs of JRS and compensation measures
	as share of gross costs	*as share of gross costs*	*as share of costs for unemployment (hypothetical)*
Belgium	0.58	0.80	0.66
Bulgaria	0.79	0.71	0.94
Cyprus	1.00	1.00	0.52
Czechia	0.76	1.00	0.76
Estonia	0.75	1.00	0.88
Greece	1.00	1.00	0.80
Spain	0.82	0.96	0.77
Croatia	1.00	N/A	1.04
Hungary	0.84	1.00	0.96
Ireland	1.00	0.78	0.88
Italy	0.66	1.00	0.65
Lithuania	0.95	1.00	0.70
Latvia	1.00	N/A	0.75
Malta	0.77	0.87	1.03
Poland	0.82	0.96	0.88
Portugal	0.75	0.70	0.79
Romania	0.57	0.88	0.98
Slovenia	0.78	1.00	1.02
Slovakia	0.71	1.00	1.00
Simple average	***0.82***	***0.92***	***0.84***
Weighted average	***0.76***	***0.92***	
Weighted average – all workers		***0.82***	***0.76***

Source: European Commission, Joint Research Centre, calculation based on EUROMOD

Notes: (1) The schemes in the JRC database include short-time work schemes and similar schemes and compensation measures for the self-employed. The coverage differs from that of SURE on account of both, SURE having supported some measures that are not included in the database and vice versa; nevertheless, the overlap between the two sets is substantial (2) Net costs take into account the share of support that flows back into the respective national budgets via direct taxation (social security contributions and personal income taxes); (3) The costs of JRS as share of hypothetical additional unemployment benefits costs assume a counterfactual in which persons enrolled in the schemes would have been out of work during that same period and receiving the average unemployment benefit (full take-up is assumed); (4) Weights used to construct the weighted average are the respective shares of the loans of SURE beneficiaries in the total SURE allocation.

The efficiency of the SURE-financed measures can also be contextualised by considering unit costs and should consider the existence of tax and benefit gains. The average unit cost of SURE-supported measures was just over EUR 3,100 per beneficiary. It should be noted that international comparisons are limited, most notably

due to the differences in the scope and design of JRS as well as price levels that influence the level of benefits, duration and certain methodological differences. At the same time, the unit cost of SURE is lower compared to similar JRS during COVID, roughly at around half of the unit cost in the UK and around two thirds of the cost in New Zealand[61]. By adjusting this gross unit cost for the direct taxes that flow directly back into the respective national budgets, a net unit cost of just over EUR 2,500 is obtained[62]. This does not factor in the second-round effects, namely the budget revenues from VAT and other consumption taxes that further alleviate the net costs for the national budgets, thus making the schemes more cost-effective. Those second-round effects are expected to be sizable, particularly given that JRS had the biggest income stabilisation effect in the lower income deciles (see Section 4.1.1.3), where the marginal propensity to consume tends to be the highest.

Stakeholders interviewed in the six case study Member States have largely confirmed the efficient design of the SURE-supported measures, while identifying some areas for improvement. The stakeholders interviewed within the case studies covering Greece, Italy, Lithuania, Poland, Portugal and Spain overwhelmingly recognized the broad eligibility criteria and low prescriptiveness of the measures, which facilitated their rapid approval and deployment. In addition to the overall endorsement, the stakeholders consistently identified the need for more precise targeting of national measures as a key area for improvement. Another common thread in the feedback was the lack of enhanced assistance for the self-employed, youth, and seasonal workers, which was identified by stakeholders in Greece, Italy and Portugal. Furthermore, the complexity of the application process for the SURE-supported measures has been flagged by Italian stakeholders as a stumbling block, causing errors and delays that hinder timely

[61] For SURE-eligible measures, the unit cost is calculated as the total amount of financing spent on SURE-eligible measures, including SURE and national financing and divided by the total number of workers covered in 2020-2022 (Source: Member State reporting).
For the UK, the unit cost is estimated at just below GBP 6,000. It is calculated as the total amount claimed by 21 November 2021 divided by the total number of unique jobs covered during the same period by the Coronavirus Job Retention Scheme (Source: HM Revenue and Customs, 2021). A furlough scheme by design, the Coronavirus Job Retention Scheme was the flagship job retention measure in the UK. Other measures aimed at job retention (such as the Self-Employment Income Support Scheme and the Job Retention Bonus) were not included in the calculation.
For New Zealand, the unit cost is estimated at just above NZD 8,600. It is calculated as the total amount claimed from March 2020 to February 2022 (corrected for refunds) divided by the total number of workers covered during the same period (corrected by recipients covered by refunds) by the COVID-19 Wage Subsidy Scheme and the extensions thereof (Source: Hyslop et al., 2023). The COVID-19 Wage Subsidy Scheme (WSS) (with extensions) was by far the biggest scheme, which provided subsidy payments to firms with a substantial drop in revenue because of the pandemic. Other measures aimed at job retention (such as various leave support schemes) were not included in the calculation.

[62] An aggregate net-to-gross ratio of 0.82 is obtained by first calculating a weighted average ratio for every Member State (ratios for employees and the self-employed from Table 55 are weighted by the shares of employees and self-employed among supported workers from Table 2). Then, a weighted average of those averages is calculated by using the respective shares of the loans of SURE beneficiaries in the total SURE allocation.

access to the intended support. At the same time, light bureaucratic reporting obligations were lauded by the stakeholders in Poland as facilitating implementation.

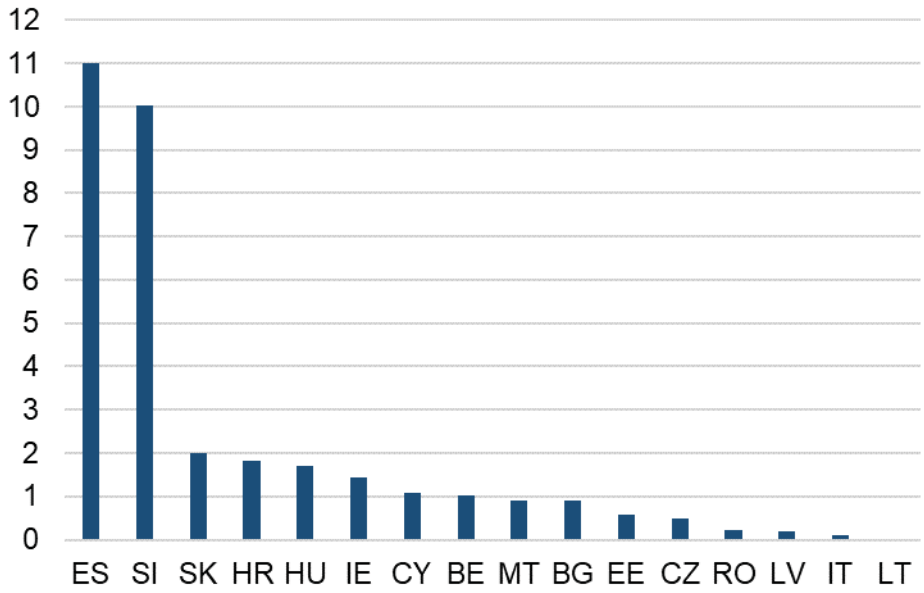
However, comprehensive evaluations have not been carried out in most beneficiary Member States. When this evaluation of SURE was being conducted, only four Member States were identified in which some type of performance evaluation of JRS was undertaken. In addition to Spain, where the Court of Auditors performed two evaluations of the measures and OECD conducted a study of effectiveness, evaluations were conducted in Lithuania, Czechia and Belgium.

Conducting further evaluations of individual national measures is key for further understanding the efficiency of national JRS and promoting their future use. Evaluations of national JRS would result in lessons relevant for national policy makers. In addition, national evaluations offer the potential to provide an additional evidence base to inform the policy development of any future Union scheme akin to SURE. Namely, should a similar instrument be rolled out in the future under less pressing circumstances, imposing somewhat more demanding eligibility conditions could be considered, with a view to maximising efficiency and additionality (see Section 4.1.2.3 for a discussion on this issue).

SURE beneficiary Member States honoured their legal obligations with regard to financial control and audit of the funding provided under SURE. As summarized in the fifth biannual report (Section 4), the consolidated findings of the two questionnaires carried out by the Commission showed that all Member States reported to have controlled all SURE-supported measures, including those at the highest risk of irregularities or fraud, either ex-ante or ex-post (or both), in line with their legal obligations. The evaluation case studies further found that Member States used different methods of control ranging from post-payment inspections at different levels of government to expenditure checks with specialised software.

The overall incidence of fraud or irregularities for national measures supported by SURE was limited. As reported in the fifth bi-annual report (Section 4), the amounts to be recovered – as a proxy for the incidence of irregularities or fraud – for the largest SURE-supported measure have been in most cases below 2% of total expenditure (Figure 20). A relatively high level of irregularities was found in a couple of Member States where ex-post control led to significant recovery of incorrectly paid benefits. The case studies also found high incidence of irregularities in relation to costs of extra pay for medical staff in one Member State, possibly due to unclear and detailed regulations. However, overall, apart from these Member States, no unusual levels of fraud or errors were found on average in SURE-financed measures. By the time of the fifth bi-annual report (see Graph 31), the majority of Member States had recovered more than 75% of the total amount due.

Figure 20: Incidence of irregularities or fraud for the largest SURE-supported measure (as % of total expenditure)



Source: European Commission (2023), Fifth bi-annual report, based on Member States' questionnaires and own calculations.

Notes: The incidence of irregularities or fraud is calculated as the amount to be recovered with respect to the total expenditure for the largest SURE-supported measure in each Member State. The data is only indicative and not comparable across countries due to heterogenous measures (e.g. Slovenia reported that in case of their largest measure ("waiting for work", which is a short-time work scheme), the support was granted in 2020 on the basis of the applicant's subjective assessment of the expected fall in revenue in 2020. Given uncertainty in the economy it was difficult to predict the exact fall in revenue, therefore, the majority of irregularities for this measure was related to the (non)fulfilment of this eligibility condition ex-post. This also explains a relatively high incidence of irregularities or fraud (10% in the graph).

The incidence of irregularities or fraud is reported for all measures in the case of Croatia and Cyprus and for the second largest measure in the case of Czechia. In those cases, the incidence is calculated with respect to the total expenditure for all or the second largest measure, as applicable. For Bulgaria, the incidence is calculated based on the amount recovered and not the amount to be recovered. Greece, Poland and Portugal did not provide info either on the amount to be recovered or the amount recovered.

4.1.3 Coherence

This sub-section looks at the coherence of SURE with other emergency actions implemented by the Commission, including structural funds, General Escape Clause of the Stability and Growth Pact and the temporary framework for state aid. In addition, it will explore the contribution of SURE to the principle of the European Pillar of Social Rights and Employment Guidelines, as well as its role for the sub-sequent Next Generation EU. Furthermore, it discusses the relationship between SURE and the other EU pandemic response instruments, notably the European Central Bank's Pandemic

Emergency Purchase Programme (PEPP), the European Stability Mechanism's Pandemic Crisis Support instrument (PCS) and the European Guarantee Fund (EGF) of the European Investment Bank group. It also looks at the contribution of SURE to the UN Sustainable Development Goals. Finally, it shortly discusses complementarity of SURE with other national measures.

4.1.3.1 Synergies with other emergency action by the Commission

The high degree of coherence of the EU response was ensured inter alia through timely coordination efforts at the highest level and the overall approach to combatting the pandemic. The activation of the ARGUS general rapid alert system for crisis coordination and the regular meetings of the Crisis Coordination Committee coordinated the actions of all the relevant departments and services of the Commission and the EU agencies. The Commission also established a coordinating response team at political level, comprised of the five Commissioners responsible for the most affected policies. On 13 March 2020, the Commission published a Communication to the European Parliament, the European Council, the Council, the European Central Bank, the European Investment Bank and the Eurogroup for a "coordinated economic response to the COVID-19 outbreak"[63]. In the same Communication, the Commission announced emergency actions to counter the socio-economic effects of the COVID-19 pandemic, including adjustments to structural funds, the activation of the General Escape Clause, exceptions to state aid provisions, and acceleration of the preparation of its legislative proposal for a European Unemployment Reinsurance Scheme (which would be operationalised in an emergency context as SURE)[64].

SURE was fully coherent with the emergency action related to structural funds (ESIF). The Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII+), announced in March and April 2020, respectively, brought about flexibility to use existing, unspent cohesion resources and re-direct them to priority areas to counter the effects of the pandemic and containment measures, including spending on JRS. On top of that, the REACT-EU package topped up the 2014-2020 programmes and added allocations for 2021-2027, including for short-time work schemes and support to self-employed through the European Social Fund (ESF). As a result, 12 (out of 19) beneficiary Member States combined ESIF financing with SURE financing (in the form of loans) to support 14 JRS and 2 health-related measures (out of 187 SURE-supported measures)[65]. On average, ESIF co-financed 19%

[63] Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Investment Bank and the Eurogroup: Coordinated economic response to the COVID-19 Outbreak, COM/2020/112 final.

[64] SURE did not, however, constitute unemployment reinsurance per se. Rather, it served as a safety net for jobs and was not designed to support the unemployed.

[65] These measures were predominantly large. Although they represented less than 10% of all SURE-eligible measures in headcount, their share in total expenditure on all SURE-eligible measures was more than 20% (i.e. EUR 28 billion out of EUR 127 billion spent on all SURE-eligible measures).

of the total expenditure on these measures, though with a great heterogeneity across countries (e.g. co-financing ranged from 1% for a health-related scheme in Poland to full financing for a job retention scheme in Slovenia). In aggregate terms, ESIF's role in the co-financing of all SURE-eligible measures was relatively small, at about 4% (EUR 5.3 billion out of EUR 127 billion spent on all SURE-eligible measures). Nevertheless, ESIF financing played an important role in Member States that used it. ESIF co-financing accounted for nearly 30% of the total expenditure on all SURE-supported measures in Croatia, almost 20% in Cyprus, approximately 15% in Slovakia, around 10% in Lithuania and Romania, and 7% in Spain. It is important to note that Member States were required to report ESIF funding as part of the SURE reporting so as to ensure that there was no double funding[66].

SURE was also consistent with the fiscal policy guidance by the Commission under the General Escape Clause and the temporary framework for state aid. The increase in government spending needed to finance the temporary JRS at the height of the COVID-19 pandemic would not have been permissible under budgetary requirements that would normally apply under the Stability and Growth Pact. Due to the exceptionality and gravity of the crisis and its impact on public finances, the Commission proposed to activate the general escape clause, which the Council endorsed. The clause did not suspend the fiscal rules, but allowed for a temporary deviation from the budgetary requirements in a severe economic downturn. In that Communication, the Commission underscored the need to use the full flexibility of the European fiscal framework to cater for the unusual events outside the control of governments. It also highlighted as one of the three priorities the spending to protect jobs and incomes of affected workers. The focus on the need to support the recovery was maintained in subsequent policy guidance and orientation of the Commission (e.g., in the Communication on Economic policy coordination of June 2021)[67]. The General Escape Clause was deactivated at the end of 2023. In parallel, the Commission proposed a temporary framework for state aid to enable Member States to use the full flexibility under State aid rules to sustain affected companies during the pandemic. In line with the principle that exceptional measures are needed in exceptional times, these temporary measures enabled Member States to use the full flexibility under State ais rules to sustain their economy during the COVID-19 pandemic and accelerate its recovery, while preserving the level playing field in the EU Single Market.

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[66] As reported in the Preliminary evaluation of the support provided by ESF and FEAD under the Coronavirus Response Investment Initiatives (CRII and CRII+), there are no indications that the use of various EU and national funding sources for short-time work schemes resulted in contradictions or duplications. Available here: (https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8558&furtherPubs=yes).

[67] https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/applying-rules-stability-and-growth-pact_en; https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM:2021:500:FIN.

The deployment of SURE helped pave the way, both institutionally and by means of signalling, for the subsequent Next Generation EU (NGEU). This is the case most notably for the Recovery and Resilience Facility (RRF), which provided EU grants and loans to Member States to support a rapid recovery and aimed to kick-start sustainable growth through a combination of investments and reforms in Member States. From a public finances perspective, NGEU took forward SURE's positive effect on the fiscal space of Member States by including grants in addition to loans. Thematically, SURE was well aligned with the focus of the RRF on supporting resilience in the labour markets, particularly by promoting policies such as upskilling and reskilling that support workers in the dual transition and investments that add quality employment and enhance skills.

4.1.3.2 Reflecting the overall social agenda of the EU, including the European Pillar of Social Rights

SURE was fully aligned with and safeguarded the principles under the European Pillar of Social Rights. In particular, SURE's focus on active support to employment and its support to employers to adapt swiftly to changes in the economic context has been particularly relevant for principles 4 (Active support to employment) and 5 (Secure and adaptable employment). As regards the latter, SURE was also relevant considering its ancillary aim to support safe working conditions in the workplace in the context of the pandemic. Moreover, its focus on short-time work schemes coupled with the low level of prescriptiveness and the explicit reference to self-employed made it particularly pertinent for principle 12 (Social protection), which advocates for adequate social protection regardless of the type and duration of the employment relationship, including for the self-employed. Finally, SURE's aim to protect employment against dropping-out from the labour force aligned it with the aim of principle 13 (Unemployment benefits), which underscores the need for (re)integration in the labour market and support from employment services of reasonable duration in a way that does not constitute a disincentive for a quick return to [full] employment.

SURE was also well aligned with the European Commission's Employment Guidelines. SURE was well aligned with Guideline 5, which calls for boosting the demand for labour, and Guideline 7, which stresses the importance of enhancing labour market policies to promote job creation, job preservation, and job quality. Moreover, by directly supporting the maintenance of employment during a downturn, SURE was in line with the objective of Guideline 6 to tackle unemployment. Finally, SURE's focus on preserving jobs and supporting workers contributed to Guideline 8, which emphasises social inclusion and combating poverty. SURE's explicit reference to self-employed helped protect vulnerable groups from the economic fallout of the crisis.

4.1.3.3 Complementarities with other EU emergency response instruments

SURE was complementary and benefitted from monetary policy direction, most notably the European Central Bank's Pandemic Emergency Purchase Programme (PEPP). The PEPP was launched as a non-standard monetary policy measure by the

ECB in March 2020 with the aim of countering the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the COVID-19 pandemic. This temporary asset purchase programme involved the purchase of EUR 1,850 billion in securities with broad eligibility. The PEPP played a significant role in ensuring that the increase in net issuance of securities by EU governments did not lead to significant upward pressure on funding costs, which was essential for the implementation of SURE and other fiscal measures.

SURE was designed to work in tandem with other EU instruments, namely the European Stability Mechanism's Pandemic Crisis Support (PCS) and the European Investment Bank group's European Guarantee Fund (EGF). While SURE was envisaged as a safety net for workers, the European Stability Mechanism's PCS and the European Investment Bank group's EGF were set up as safety nets for Member States and businesses, respectively. The PCS was a EUR 240 billion credit line designed to support ESM members with up to 2% of a country's GDP on favourable terms to finance direct and indirect healthcare costs related to the COVID-19 crisis. The PCS and SURE were complementary in that they addressed the two key aspects of the crisis – healthcare systems and employment, respectively. However, the PCS facility, although available through 2022 eventually remained unused. The low share of SURE spending on health-related measures (5%) concentrated in only 8 of the 19 beneficiaries (see Section 3.4.2) suggests that it was unlikely SURE was the reason why PCS was not used. Instead, it is likely that the PCS was not attractive because of the stigma associated with past ESM lending to support Member States whose market access was lost or disrupted and with the "first-mover" approach, which was not the issue with SURE (see Section 4.1.1.5). In addition, some Member States cited conditionality constraints for not requesting support under the PCS, even though very light conditionality was attached to the PCS. Meanwhile, the EGF was complementary to SURE also in practice: as of 31 December 2022, EUR 23.5 billion of guarantees (out of EUR 24.4 billion available) were provided to businesses under the EGF. The guarantees are expected to have mobilised more than EUR 180 billion of investment in 22 participating Member States, including 14 out of 19 SURE beneficiaries. The guarantees were provided via national promotional banks and other intermediaries to mobilise extra finance to businesses during the COVID-19 pandemic. Its complementarity with SURE is strengthened by its focus on SMEs, who received more than 65% of the mobilised investment.

4.1.3.4 Alignment with and contribution to SDGs

SURE contributed to the UN Sustainable Development Goals (SDGs). The vast majority (95%) of SURE funding was spent on reducing the risk of unemployment and loss of income, supporting SDG 8 – Decent Work and Economic Growth. The remaining 5% of funding was dedicated to health-related measures, thus supporting SDG 3 – Good Health and Well-being. In addition, SURE funding may have indirectly helped achieving SDG 5 – Gender Quality and SDG 10 – reduced inequalities (see Section 4.1.1.3c). The extent of this effect, however, is contingent upon the design of national JRS. JRS may have not adequately protected atypical, temporary and seasonal workers and by definition

those who were not employed or lost their job. On the other hand, the explicit reference to protect self-employed in the SURE Regulation is believed by stakeholders to have facilitated wider coverage of workers.

4.1.3.5 Complementarity with other national measures

Based largely on the case studies conducted in six countries, there is some evidence of complementarity of SURE with other national measures. While a comprehensive examination of the complementarity of SURE with non-SURE financed national measures across beneficiary Member States is beyond the scope of this evaluation report, the case studies offer some insights. Complementary measures most notably included the expansion of unemployment benefits as an additional safety net (for example in Greece and Portugal) and deferrals and subsidies for taxes and social security contributions (such as in Greece, Lithuania and Poland). Support provided by JRS was especially important in those Member States where social safety nets are less developed. Other common complementary measures included the financial support for businesses in the form of grants, subsidised loans and guarantees (notably in Poland and Spain), moratoria and deferrals on loan repayments (e.g. in Poland and Portugal), as well as regulatory measures, such as a ban on individual and collective dismissals (e.g. in Italy).

SURE was by design highly complementary to the health measures implemented during the COVID-19 pandemic. Having enabled the national authorities to implement JRS of adequate scope and duration, SURE helped reduce physical contact and limit the pace of spread of the virus during the critical period. This gained the much-needed time for healthcare systems to adapt to the pandemic and for the vaccines to become available. SURE-financed measures also boosted health insurance coverage, not only by supporting employment, but also by helping formalise informal employment. More directly, a small share of SURE funding was used to finance national health-related measures in line with its ancillary goal. These measures focused on strengthening the health care sectors as well as safety in the workplace (see Section 3.4.1).

4.2 How did the EU intervention make a difference and to whom?

SURE made a difference to the beneficiary Member States by providing them with financing at favourable interest rates to fund the much-needed JRS, bringing about substantial interest savings. Together with its effect of steering policy in the direction of JRS, this resulted in additional jobs saved vis-à-vis what would have been achievable by the sum of individual national responses in its absence, thus making a difference to individual beneficiaries of the schemes whose jobs and incomes were supported. Based on interest savings and additionality considerations, SURE is likely to have made the biggest difference in Italy, Greece, Croatia, Cyprus, Portugal, Malta and Spain.

This section draws on other parts of the evaluation to summarise how the SURE instrument provided EU added value to its beneficiaries, above and beyond what would have likely been otherwise generated by Member States' individual responses to the

pandemic. In addition, it discusses potential lessons of SURE's emergency model for the future while also outlining some areas for improvement.

4.2.1 Impact of EU intervention

4.2.1.1 Aggregate impact

A crisis response at the level of the Union, represented by SURE, resulted in benefits over and above what could reasonably have been expected from individual national actions. In the spring of 2020, Member States were faced with the same type of shock to their economies, but with different levels of resilience and vulnerability thereto. In the spirit of solidarity, all 27 Member States issued guarantees for the debt issued by the Union (leveraging its excellent credit rating) to provide the most exposed Member States with sufficient funding at more favourable terms than those available to them on the financial markets. The fact that the Union was facing the same exogenous shock that was unrelated to individual Member States' macroeconomic imbalances, gave extra merit to pursuing a joint Union response without concerns of moral hazard. In that sense, in addition to being an enabler of economic stability in the Union as a whole, the joint approach was also a statement of unity and solidarity to the most exposed and vulnerable Member States, much like the NGEU that followed.

This is most easily illustrated by the direct interest rate savings. The most palpable and easily measurable benefit of the joint Union response were the interest rate savings attained by the beneficiary Member States. As mentioned in Section 4.1.1.4, implementing the SURE-funded measures in full with market financing would have cost at least EUR 9 billion more. The savings on interest were made on account of the Union's favourable credit rating and the robust financial architecture underpinning SURE.

Importantly, the EU response resulted in employment saved beyond what would have been achievable by the sum of individual national responses. As noted in Section 4.1.1.2 and 4.1.1.3, while it was not possible to precisely quantify the sole impact of SURE in terms of additional jobs saved, there is robust evidence that SURE had a significant additional impact per se, as many Member States would have had to reduce the scope of their JRS in its absence.

Finally, the EU response generated much broader benefits, albeit not quantifiable, in the form of avoiding stigma, supporting economic resilience, and paving the way to the recovery. Among the benefits of the joint response that are nearly impossible to quantify is the signalling effect to the Member States, employers and financial markets. In the context of high uncertainty, Member States were reassured of the appropriateness of the policy direction and avoided stigma related to increased expenditure growth or resorting to emergency assistance. Employers' sentiment was supported through additional certainty about the backing not just from national governments, but also at the European level. Financial markets were reassured by the announced three safety nets, including SURE, as reported by the credit rating agencies. Finally, SURE's focus on the

economies that were at the same time most vulnerable and at the core of the Euro Area meant that it possibly prevented negative spillovers to the rest of the Euro Area.

4.2.1.2 Impact by Member State

The value added of the EU approach differed across Member States, largely on account of their structural features and composition effects. As discussed in Section 4.1.1.4, countries' savings on interest depended mostly on their respective credit ratings and the prevalence of earlier (cheaper) issuances in their overall disbursements. Similarly, countries' additionality of outputs and thus outcomes depended on their propensity to pursue expansive measures in the absence of SURE. Again, this was to a large extent determined by their financing constraints (ability to raise money in the market under bearable conditions).

As a result, Member States that seem to have benefitted the most from the joint EU response tend to be those with strongest exposures to the pandemic and higher national interest rates. Specifically, the setup of SURE appears to have led to additional jobs saved as well as large interest savings, most notably in Italy, Greece and Croatia. Other Member States for which evidence points to strong additionality by and large include countries with a high reliance on tourism (Cyprus, Portugal, Malta and Spain). Meanwhile, among the Member States with the biggest interest savings were also some less exposed Member States that had elevated spreads, such as Romania, Hungary and Bulgaria.

4.2.2 Need for better communication and EU citizens' awareness

Although SURE was highly relevant, the awareness by EU citizens has been low, partly due to communication weaknesses. While citizens were well aware and supportive of the national JRS, there was little awareness of the SURE instrument that bolstered many of them. The finding of the lack of awareness is based on the case studies, and was also demonstrated by the extremely low response rate in the open public consultation, which gathered only ten respondents despite having been advertised through multiple channels and in all EU languages. Another possible contributor to the low awareness of SURE support to national JRS could be the strong national ownership of the measures, which was a positive feature in itself, which supported implementation.

The insufficient awareness of SURE achievements likely also reflects the short lifetime of SURE and its possible confusion with other emergency measures. SURE's low level of awareness among citizens compared to the European structural funds or the Recovery and Resilience Facility could also be due to its comparatively short duration and its coincidence with an array of other measures in the COVID-19 context. Consequently, it is possible that citizens might no longer differentiate between SURE and the other measures working towards achieving the same main goal.

However, when questions are properly framed, citizens seem to acknowledge the merit and impact of loan-based instruments during the pandemic. Eurobarometer surveys showed a very high level of citizen awareness and a high level of support

towards the measures initiated by the EU to fight the pandemic, and in particular loans to help interested Member States keep people in employment[68]. A plausible interpretation of this could be that, while citizens might not widely recognise SURE by name, there is awareness of the existence of the common EU approach underpinning SURE.

Information sharing across Member States about JRS could have been improved. While extensive exchanges took place at the early stages of the COVID-19 pandemic among Ministers for Labour (including on SURE) and through the iterative discussions about the eligibility of proposed measures with the Commission services, sharing of experience seems to have subsided in the later stages of SURE implementation. Stakeholders interviewed in the case study countries reiterated the importance of sharing lessons in implementing SURE-financed measures to benefit from each other's expertise and prepare for future crises.

4.2.3 An emergency model for the future

Operational elements of SURE could be quickly replicated as an emergency model. As discussed in this evaluation, SURE was above all well-tailored to the specific nature of the COVID-19 crisis. Its main strengths lay in its clear scope and purpose, low prescriptiveness and a robust financial architecture, the combination of which enabled a fast response to an intense crisis. A future emergency model could potentially build on this experience and might even accelerate the process of adoption and implementation. The provision of loans as a second line of defence would have potential to increase the political acceptance of the instrument also in future. However, the choice and scope of a crisis instrument might need to be adapted to the specific context and characteristics of a future crisis, acknowledging the different possible nature and drivers of downturns, with repercussions on the policies to address them.

4.3 Is the intervention relevant?

Strong take up of SURE was a sign of its high relevance to Member States needs. Specifically, SURE's focus on JRS along with its rapid setup and implementation, made it highly relevant for addressing the immediate labour market needs of Member States to protect jobs and income, amid very high economic and epidemiological uncertainty.

[68] A Special Eurobarometer survey conducted for the European Parliament between March and April 2021 showed that 80% of citizens were aware of the EU measures against the pandemic. Moreover, the results of the Flash Eurobarometer 501 conducted between October and November 2021 showed that 82% of respondents considered it was good to provide loans to help interested Member States keep people in employment. Subsequent standard Eurobarometer surveys showed a level of support around 50% of the EU measures against the pandemic. The most recent Eurobarometer survey to have researched attitudes in that regard (Standard Eurobarometer 96) was conducted between January and February 2022 and found above-average support in 13 of the 19 SURE beneficiary Member States, most notably Portugal (79%), Ireland (75%), Malta (71%), Poland (62%), Hungary (60%), Cyprus (59%) and Italy (56%).

SURE was also relevant for the labour market outcomes and resilience beyond the pandemic.

This section primarily examines SURE's relevance during its implementation period, in line with its temporary nature and the discontinuation of its policy use in 2022. Specifically, this section will assess how the design features of SURE shaped its relevance on the labour market, including in the longer term.

4.3.1 Rapid implementation and timely discontinuation

SURE's focus on JRS in the context of a deep crisis and the lack of this type of schemes before the pandemic in many Member States was key to its relevance. As discussed in Sections 4.1.1.7 and 4.1.2.4, JRS were an appropriate policy response given the nature of the crisis. However, at the onset of the pandemic, 12 Member States, mostly from the Central and Eastern Europe, did not have such schemes in place (see Section 4.3.3). SURE's announcement was therefore important to reassure about the policy response. At the same time, the low share of SURE spending allocated to health-related measures confirms their ancillary status in the SURE regulation. However, these measures were considered highly relevant by stakeholders. Specifically, health measures, particularly in the workplace, complemented JRS and contributed to their shorter duration. Although they could not substitute for containment measures that prompted a strong rollout of JRS at the peak of the crisis, their inclusion was crucial for securing political endorsement of SURE.

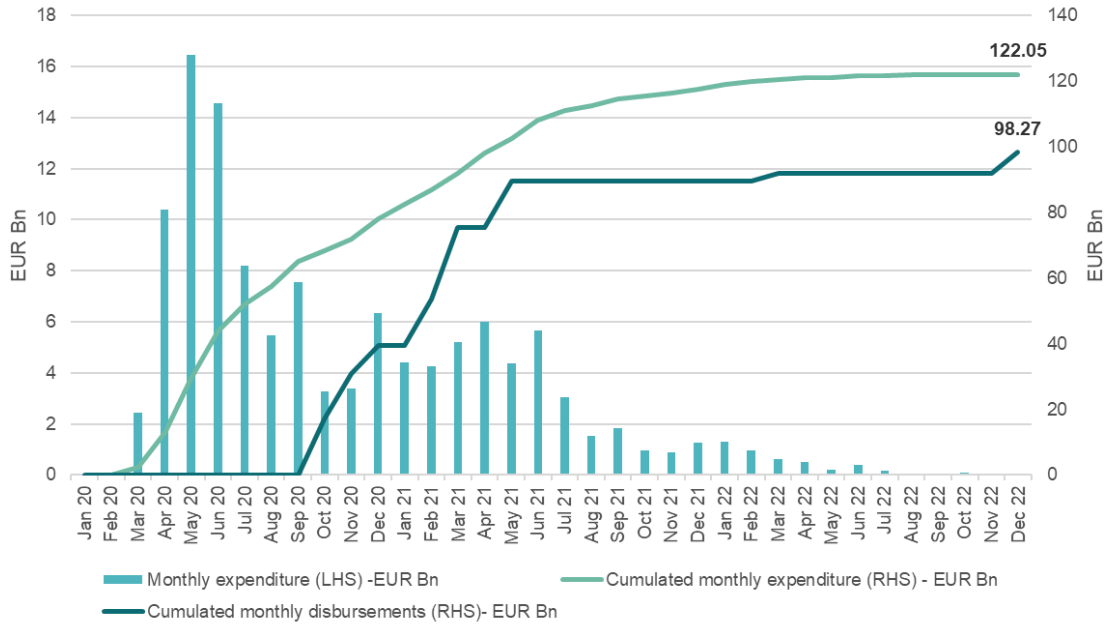
Similarly, SURE's fast setup and implementation was crucial for its relevance at a time of high uncertainty. The COVID-19 pandemic and the ensuing crisis developed very rapidly, which meant that policy instruments needed to keep up with the fast pace in order to remain relevant. This was particularly the case for funding instruments such as SURE, in the context of elevated financing needs and deteriorated conditions on the financial market. As explained in Section 3.2, SURE was set up and implemented with rapid speed.

The relevance of SURE is well illustrated by the dynamics of spending on SURE-supported measures that followed closely the evolution of the pandemic. Both, national spending on JRS funded largely by SURE[69] and the proportion of jobs benefiting from them peaked in spring 2020, stabilised in the second half of 2020 in the majority of Member States and showed a marked and continuous decline since the summer of 2021. Thereafter, the instrument remained relevant most notably as a recourse to top-ups with minor funding in 2022, after which the instrument was no longer deemed needed (see Sections 3.4.1 and 3.5). As the epidemiological situation improved and the containment

[69] In spring 2020, expenditure on JRS were initially covered by Member States themselves and then retroactively re-financed by SURE (Table 1). According to stakeholders, this was not an issue.

measures were gradually phased out, the instrument was discontinued after 31 December 2022, in line with the sunset clause.

Figure 21: Expenditure on SURE-eligible measures, cumulative expenditure and cumulative disbursements



Source: External evaluation study (Section 1.3)

4.3.2 Lasting positive effect on the labour market

Although SURE was conceived as a temporary instrument to address immediate labour market concerns, it also had lasting positive effects on the labour market. SURE-supported measures contributed to the resilience of the labour market participation rate since employed people are less likely to exit the labour market compared to those who are unemployed. This effect was also noted in the targeted survey (see Section 4.1.1.7) and is commensurate with the comparison with the labour market developments in the United States (see Section 4.1.1.1b). In addition, these measures have likely prevented labour market scarring, especially among the youngest cohorts, in contrast to the experience after the global financial crisis when the use of such schemes was very limited. Younger cohorts were especially exposed to the impact of the pandemic as they were over-represented in the sectors most exposed to the impact of the pandemic and the containment measures. Namely, in accommodation and food service activities, workers aged 15-29 comprised 36.2% of all employment at the level of the EU in 2019, and in arts, entertainment and recreation the same cohort comprised 29.5% of employment, both significantly above the share of this cohort at the level of all NACE activities (19.4%). In addition, younger cohorts are already a vulnerable group on the labour market as they have very low employment rates in many SURE beneficiaries (particularly Greece, Italy, Bulgaria, Romania and Spain). Finally, the effect of incentivising transitions from the informal to the formal economy is likely to be at least in part sustained in the aftermath of the COVID-19 crisis, in the context of labour shortages.

4.3.3 Stronger policy attention to national JRS

Prior to the pandemic, only a few Member States had JRS in place. At the onset of the pandemic, only five beneficiary Member States (namely Belgium, Spain, Italy, Portugal and Slovakia) had some form of short-time work scheme in place (see the First biannual report on SURE[70]). In response to the pandemic, 12 Member States, mostly from Central and Eastern Europe, launched entirely new short-time work schemes, with 11 of them using SURE support to co-finance them (see the First biannual report on SURE, Table 6)[71].

SURE supported Member States in their pandemic policy responses, which focused on JRS. While stakeholder consultations provide some evidence that SURE helped steer policy toward JRS (see Section 4.1.1.2), nearly all Member States had already announced such schemes by March 2020 (Poland in April 2020), before the Commission proposed the SURE Regulation on April 2, 2020. Member States without pre-existing schemes often introduced wage subsidy schemes or furlough schemes in the early stages of the pandemic. While these schemes could be deployed more quickly at short notice, they are, according to experts attending the validation workshop, less efficient, as they are associated with higher levels of deadweight loss. In the later stage of the pandemic, these Member States often introduced "proper" short-time work schemes (e.g. Romania, Slovenia).

Total expenditure on SURE-eligible measures was clearly in excess of total financial assistance, confirming both their relevance for Member States and the relevance of SURE's scope. Most Member States spent over 2020-2022 more on eligible measures than the financial assistance they requested and were granted. The excess suggests the continued relevance of the scope of SURE to Member States after they first applied for it in 2020. In addition, SURE financed all main JRS in all Member States, except in Italy. Moreover, SURE-financed measures were additionally funded by ESIF and domestic financing sources[72], which is another testament to their relevance.

[70] COM/2021/148 final - SURE: Taking Stock After Six Months.
[71] Table 6 does not provide information on the (new) short-time work scheme of another beneficiary Member State (Estonia) that received SURE support after the cut-off date of the first report.
[72] For more details, see Section 3.3 in the external evaluation study.

5 WHAT ARE THE CONCLUSIONS AND LESSONS LEARNED?

This chapter concludes the evaluation by summarising the key findings. It also draws lessons both on process and substance to the benefit of potential future policy instruments.

5.1 Conclusions

SURE was an important element of the EU's comprehensive response to protect citizens and mitigate the negative socio-economic consequences of the COVID-19 pandemic. Established in May 2020 and ended on 31 December 2022, SURE was one of the three emergency safety nets that were set up at the onset of the pandemic. It was a precursor of the Recovery and Resilience Facility, providing targeted financial assistance to Member States financed by EU debt issuance. SURE was a novel instrument with a clear social purpose, based on an innovative financial architecture, a light conditionality and the respect of national competencies on labour market policies and social protection.

This evaluation of SURE provides a comprehensive ex-post assessment of how SURE delivered on its objectives, as required by the Financial Regulation and recommended by the European Court of Auditors. The evaluation covers the design and implementation of SURE and assesses the five evaluation criteria of effectiveness, efficiency, coherence, relevance, and EU added value over the lifetime of the instrument. This report extensively uses analytical findings from an independent external evaluation study. In addition, it uses findings from five bi-annual reports prepared by the Commission during the implementation period of SURE, as well as additional analytical insights by Commission services.

Effectiveness and additionality

SURE provided additional fiscal space to Member States amid high uncertainty about economic and epidemiological developments. The early stages of the pandemic were marked by significant market turbulence. At the same time, financing needs soared due to the COVID-19 crisis, especially in Member States with large sectors directly exposed to the pandemic and subsequent lockdowns. The Member States with high interest rate spreads and elevated debt ratios were particularly affected by fiscal constraints. In this context, the temporary financial assistance from SURE, contributed, alongside other policy responses at the EU and national levels and from the monetary authorities, to the preservation of financial stability.

SURE financial assistance was frontloaded to relieve emergency needs at the onset of the pandemic. 19 Member States requested and benefitted from SURE support making nearly full use of the financial envelope of SURE. Expenditure on SURE-eligible measures peaked in spring 2020 during the containment of the pandemic and bottomed out in 2022 as the pandemic’s impact eased. To address emergency needs, almost 90% of financial assistance under SURE was granted by September 2020, with more than 40% of funds disbursed to 15 Member States by December 2020 and more than 90% of funds

disbursed to all 19 beneficiaries by May 2021. The remaining financial assistance (about 10%) was granted and disbursed in spring 2021 and autumn 2022. Absorption issues occurred in a limited number of Member States, but they were resolved by the end of 2022.

The rapid deployment and timeliness of SURE, enabled by an appropriate design promoting national ownership and flexible processes, were crucial for its effectiveness. The timely adoption and implementation of SURE was enabled by a design tailored to the nature of the pandemic and political preferences of Member States. The design involved the clear purpose of the policy intervention, light eligibility criteria, the sunset clause to ensure temporary nature of the instrument, the prudential rules to mitigate concentration risks, and support for health-related measures, as ancillary. Eligibility was based on the purpose of funded measures rather than a closed list of eligible measures, thus not constraining the design of national job retention schemes. A more precise targeting of measures could be considered in a future, less pressing context. While this could further reduce deadweight costs and support to non-viable firms, it could come with increased complexity, given the structural differences across Member States. Important factors to consider would be the capacity of Member States to implement efficient targeting in real time and whether the intervention would be financed by loans or grants.

SURE financed very diverse types of job retention schemes across Member States, reflecting different needs on the labour market. Almost half of total public expenditure on SURE-eligible measures was allocated to short-time work schemes, almost a third to similar measures for self-employed and 5% to health-related measures. Most of SURE-eligible schemes were new – as many Member States did not have them in place before the pandemic – and temporary, reflecting emergency needs. The health-related measures financed by SURE in 8 Member States were also very diverse.

The number of employees and firms benefitting from SURE-supported measures closely followed the evolution of the COVID-19 pandemic. In 2020, at the peak intensity of the crisis, SURE-supported measures covered almost one third of total employment (31.5 million people) of which about 30% of self-employed. In the same period, SURE-funded measures covered over one quarter of all companies, mostly SMEs (2.5 million firms). In 2021, the firm and employment coverage of SURE measures decreased by around two thirds, while becoming modest in relative terms in 2022. Sectors with the largest share of expenditure were those that were the most affected by the COVID-19 pandemic.

Job retention schemes, including those funded by SURE, are estimated to have saved between 1.03 million and 1.62 million jobs in 2020 in SURE-beneficiary Member States. These estimates, provided by the external evaluation study, are in line with the Commission’s previous estimate of 1.5 million jobs saved by job retention schemes, including SURE, as reported in bi-annual reports, based on the Okun’s law methodology. While Okun's law does not establish causality, job retention schemes likely played a crucial role in protecting employment.

There is evidence of an additional impact of SURE in terms of jobs saved. Disentangling the specific impact attributed to SURE proved challenging due to the conflicting evidence across different methodological tools. While this prevents a precise quantitative estimation, the evaluation presents robust evidence supporting the additionality of SURE from a more qualitative perspective. Specifically, SURE appears to have incentivised Member States to increase the generosity of job retention schemes to protect jobs and income during the COVID-19 crisis. Most notably, findings suggest that SURE incentivised MSs to implement more ambitious schemes – particularly with longer durations and broader coverage – resulting in additional jobs saved compared to uncoordinated national policy responses. Meanwhile, SURE's role in incentivising the adoption of entirely new schemes seems to have been more limited.

SURE also helped to shield household incomes from the effects of the COVID-19 pandemic and contain inequality. Job retention schemes were the most significant absorber of the income shock, complementing automatic stabilisers. They absorbed the largest share of income loss (38%), followed by taxes and social security contributions (23%) and unemployment benefits (8%). These schemes were highly progressive, offsetting twice as much of the income shock for the poorest households compared to the richest ones. Disentangling the specific effect of SURE in terms of income stabilisation proved to be challenging in the absence of a robust quantitative counterfactual scenario. Nonetheless, by enabling more generous JRS, SURE helped cushion the impact of the pandemic on household incomes.

At the macro level, SURE also helped prevent an increase in labour market inequality across Member States. Specifically, the dispersion of unemployment rates across SURE beneficiary Member States decreased and converged with those of non-beneficiaries during the COVID-19 pandemic. In addition, as SURE-financed measures supported a wide range of sectors and worker types - including self-employed and those in precarious situations - SURE contributed to a more equitable labour market environment across the EU.

SURE supported a swift recovery from the pandemic, following the lifting of containment restrictions and the resurgence of demand. By helping firms maintain their workforce, SURE strengthened labour market resilience, thus contributing to a faster return to normal operations as the pandemic subsided. This experience stands in stark contrast with that of the global financial crisis, when labour markets were strongly impacted in the absence of short-time work schemes in many SURE beneficiaries (notwithstanding the important differences in both the drivers of the two crises and the economic fundamentals of many of the affected economies). The comparison with the experience of non-beneficiary Member States shows a similar behaviour in labour markets, consistent with the heavy recourse to job retention schemes also in non-SURE beneficiaries. In contrast, the labour market in the US – relying heavily on the unemployment benefit system rather than job retention schemes to cushion the social impact of the crisis – fared much worse in terms of labour market outcomes, notably the

unemployment rate and the participation rate, compared to SURE beneficiaries and the entire EU.

A review of research using microdata shows that negative unintended consequences of job retention schemes were largely avoided, despite some initial concerns. Some case study interviews had raised concerns about possible negative unintended consequences of job retention schemes supported by SURE, namely that they may have supported unviable firms and temporarily hampered labour market functioning. However, research based on microdata finds that the productivity-enhancing reallocation was maintained and support to zombie firms was low. This can probably be linked to the fact that support was temporary and not targeted at specific companies facing structural difficulties. In addition, there were fewer worker transitions due to a lower number of job vacancies, and the swift recovery facilitated the phasing out of job retention schemes.

At the same time positive consequences materialised that were not anticipated. Most notably, the national measures supported by SURE helped to avoid declines in participation rates and scarring in the labour market, as well as facilitated the shift of jobs from the informal to the formal sectors and led to the transformation of temporary job retention schemes into permanent ones. Other positive impacts include the contribution of SURE to establishing the EU as a significant borrower, paving the way to for future large-scale issuances under the Next Generation EU programme, and making it the largest issuer of social bonds globally.

SURE is estimated to have saved EUR 9 billion in interest for SURE beneficiary Member States. The EU raised funds from financial markets on very advantageous terms. Over nine bond issuances, more than 45% of the total SURE debt was issued at negative interest rates, while the average maturity was long, almost reaching the maximum average maturity of 15 years. All issuances were multiple times oversubscribed due to the EU's top credit rating and high demand, supported by quantitative easing.

There is no available evidence that SURE financing enabled Member States to support more health-related measures. However, the availability of SURE funding helped strengthen the response of healthcare systems, ensure safety at the workplace and prevent labour shortages in the health sector during the pandemic. The inclusion of health-related measures contributed to resolving absorption issues in two Member States.

Efficiency

Costs of SURE were largely administrative and very small compared to its benefits. The Union did not bear any direct financial costs related to the provision of loans to Member States while the financial risk to the EU budget is assessed to be very limited due to the SURE's robust financial architecture. The administrative costs incurred by the EU when designing and implementing SURE were minor in comparison to the size of the instrument. At national level, Member States generally reported that costs and reporting requirements associated with SURE were limited, especially with respect to the

achievements of the instrument. Overall, the benefits of SURE eclipsed the minor costs involved.

The overall impact of SURE on fiscal sustainability of beneficiary Member States was positive, as it financed appropriate types of measures while Member States cut costs elsewhere. The gross size of SURE loans for Member States totalled 1.8% of their combined 2020 GDP, ranging from 0.5% in Hungary to 3.7% in Greece (SURE financing was provided in 2020, 2021 and 2022). Meanwhile, data shows that, in 2020, SURE beneficiaries cut non-pandemic-related spending more than other Member States, suggesting that SURE provided affordable financing for priority spending to preserve jobs and incomes, rather than contributed to an unwarranted increase in fiscal deficits. Importantly, research findings and microsimulation results suggest that, in addition to being superior in terms of outcomes – namely preventing unemployment and stabilising incomes – job retention schemes were in most countries also more cost-effective compared to unemployment benefits, which were the most viable alternative. Moreover, the net fiscal costs of job retention schemes were substantially lower than the gross costs (size of the loans), as a sizable share of the support flowed back into the national budgets via labour and consumption taxes. Finally, the low interest rates of SURE loans, combined with its long average maturities, positively contributes to the fiscal sustainability of SURE-related debt.

A robust system of guarantees and prudential regulations underpinned the operation of SURE. Member States' guarantees were provided in addition to the guarantee constituted by the safety margin of the EU budget, also known as the 'headroom' between the own resources ceiling and the spending ceiling. They were irrevocable, unconditional and on demand and provided by all 27 Member States. They enabled the EU to give the instrument a sufficient financial firepower (EUR 100 billion) while retaining its high credit rating. Guarantees were considered indispensable at the time of the creation of SURE, not least to reassure EU Member States in the Council against the risk of default. However, credit rating agencies consulted did not always consider the guarantees strictly necessary due to the EU's strong liquidity position. This was even more the case since 2021, when the increase in the EU own resources ceiling for payments to 1.4% of EU's GNI has, in turn, increased the 'headroom'.

National control and audit systems were found to be adequate. In response to questionnaires, all Member States reported to have controlled all SURE-supported measures, either ex-ante or ex-post (or both), with varying degrees of rigour. No unusual average levels of fraud or irregularities were found in SURE-financed measures. In case of confirmed fraud of irregularities, all Member States took a proactive approach to successfully recover most misused funds. Comprehensive evaluations of national schemes - complementing this SURE ex-post evaluation with national evidence - have so far not been carried out in most beneficiary Member States.

Coherence of SURE with other policy instruments and policy agendas

SURE was fully coherent with other emergency actions implemented by the Commission. First, SURE was consistent with the General Escape Clause activated in March 2020. The latter allowed a temporary deviation from the budgetary requirements of the Stability and Growth Pact, so that Member States could run large emergency spending to respond to the socioeconomic costs of the pandemic. Second, SURE was coherent with the emergency actions to mobilise and enhance the use of cohesion policy funds. Twelve Member States combined financing provided by the European Social Fund with SURE loans to support job retention. Third, SURE was coherent with the Temporary Framework for state aid that enabled Member States to use the full flexibility under State aid rules to sustain their economy during the pandemic. Lastly, the deployment of SURE helped pave the way, both institutionally and by means of signalling, for the subsequent Next Generation EU (NGEU).

SURE also contributed to long-standing social policy priorities of the EU. SURE contributed to several principles of the European Pillar of Social Rights, not least the active support to employment, the secure and adaptable employment and an adequate social protection, while being well aligned with the European Commission's Employment Guidelines. SURE also contributed to the UN Sustainable Development Goals (SDGs), most notably "Decent Work and Economic Growth" and "Good Health and Well-being", while there is no evidence that they negatively impacted other SDGs.

SURE also worked in tandem with broader other EU instruments and paved the way for subsequent actions while contributing to Sustainable Development Goals. First, the fiscal policy response (including the part supported by SURE) and the ECB monetary policy response (the quantitative easing through the Pandemic Emergency Purchase Programme, abbreviated as PEPP) complemented each other and enhanced the effectiveness of the overall macroeconomic policy response to the pandemic. Second, SURE was complementary to the pandemic credit line put forward by the European Stability Mechanism in that both addressed the two key aspects of the crisis – employment and healthcare systems respectively. However, the PCS facility remained unused, to a large extent due to the perceived risk of stigma effects.

Relevance and EU value added

SURE's financial envelope of EUR 100 billion was almost used to the full, pointing to the instrument's usefulness to Member States and appropriateness of its financial scope. There is convincing evidence that job retention schemes were the appropriate policy response in the context of an exogenous health-related shock and the mandated closure of whole parts of the economy. SURE was highly relevant as it was the main source of funding of job retention schemes in beneficiary Member States. Specifically, it financed EUR 98.4 billion out of EUR 127 billion of total public expenditure on SURE-eligible measures. In addition, SURE financed the main job retention schemes in most Member States during the COVID-19 crisis. Its relevance is also well illustrated by the

dynamics of spending funded by SURE and the coverage of SURE-supported measures that closely mirrored the evolution of the COVID-19 pandemic.

SURE resulted in benefits over and above what could reasonably have been expected from individual national actions. The EU approach delivered substantial advantages, including additional jobs saved, a quicker economic rebound due to dampened labour market frictions, and significant interest savings for national budget. More indirectly, SURE contributed to calming the financial markets and subsequently stabilising the economy. SURE brought longer-term positive effects on the labour market by avoiding an erosion of skills, social scarring, and a reduction of the labour force (e.g., discouraged workers, early retirement). SURE also fostered a sense of solidarity among Member States. The EU approach was particularly beneficial for Member States that were heavily impacted by the pandemic, faced fiscal constraints, and experienced elevated sovereign risk premia. In turn, this benefitted the Union as a whole.

5.2 Lessons learned

SURE's swift establishment and implementation illustrated the EU's capacity to react to a developing crisis in a quick, efficient, and solidary manner. The EU demonstrated its ability to coordinate a unified response, leveraging its excellent credit rating to provide financial support to Member States facing funding pressures at a time of high uncertainty.

SURE illustrates the benefits of setting up instruments with a clear purpose and a well-calibrated scope. In particular, the clear purpose of the policy intervention – namely, preserving jobs and incomes in an emergency – and its clear policy scope, focused on short-time work schemes, were key to its legitimacy and effectiveness. The expected tangible impact for EU citizens and firms helped gain credibility and communicate upon. The calibration of a sufficient but realistic financial envelope added to the perceived and actual reliability of the instrument.

The governance choices and design matters a great deal to deploy a policy instrument in a timely and effective manner. First, SURE benefitted from the Community method as an inclusive and transparent decision-making process. Second, the design of SURE promoted ownership by Member States regarding the choice of national measures, with SURE acting as a second line of defence against the pandemic. Third, the horizontal' approach of SURE, supporting a large set of Member States with similar needs and using light conditionality, was highly coherent with and complementary to the broader EU and national emergency response and helped avoid stigma for individual Member States. This governance allowed a clear application of the principle of EU solidarity and proportionality, ensuing an efficient cooperation between the EU and national level. Lastly, the temporary nature of the instrument reassured some key stakeholders, in particular non-beneficiary Member States, about the targeted nature of the scheme.

The financial architecture proved effective, while there could be potential for streamlining in case of future uses. The financial structure underpinning SURE, characterised by a robust system of guarantees and credible prudential rules, allowed the EU to maintain its high credit rating. This played a crucial role in ensuring favourable financing conditions and, thereby, resulted in substantial savings for Member States. This architecture also facilitated the EU's emergence as a significant borrower in the financial markets. At the same time, the improved profile of the EU as a borrower and the adoption of the diversified funding strategy since 2022 as a general borrowing method (already used to finance borrowing for Next Generation EU and MFA+ loans to Ukraine) suggest that there is potential for future emergency responses to adopt a more flexible financial architecture instead of 'back-to-back' lending.[73] This would reduce complexity and enhance speed and efficiency.

Requesting Member States to provide more granular data could enable simpler and more robust evaluations but would come at the cost of a higher administrative burden. This evaluation made extensive use of several different methodological approaches (surveys, Okun's law, microsimulations) to assess SURE, which was in part due to the limitations in data availability. Streamlined reporting requirements were a necessity in the context of the strain on the resources of national public employment services, which were mobilised to manage numerous new and evolving measures under urgent circumstances. In an emergency context, it may be advisable to request less frequent data (e.g. annual rather than quarterly or monthly), but with more detailed composition for example by sector, gender and age. This would facilitate a fruitful exchange of experience and best practices between Member States. In addition, it would be important for Member States to indicate the data source (estimates versus administrative data) and, in the case of estimates, to specify the underlying assumptions. More detailed data reporting by Member States would bring benefits in terms of monitoring and evaluation, however it would also entail costs for Member States and would need to take into account their administrative capacity.

The issuance of social bonds under SURE showed that policy instruments could be funded with 'sustainable finance' tools at favourable conditions. The success in issuing SURE social bonds, has contributed to the development of this market, attracted new investors and potentially paved the way for standardisation within the sector, also thanks to the creation of the EU social bond framework. Alongside the experience of green bonds issuances for Next Generation EU (NGEU), the finding that the recourse to social bonds has not raised borrowing costs could be useful for future EU financial instruments. Those could continue to leverage the market for ESG (Environmental,

[73] REGULATION (EU, Euratom) 2022/2434 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 6 December 2022 amending Regulation (EU, Euratom) 2018/1046 as regards the establishment of a diversified funding strategy as a general borrowing method.

Social and Governance) bonds to fund specific initiatives, while at the same time reinforcing the EU's commitment to sustainable finance.

Limited public awareness of SURE highlights the need for enhanced communication and better outreach. Insufficient communication at the level of Member States, with no clear "EU tag", likely limited the public awareness of SURE and its impact, while shortening the "memory" of SURE achievements. The low response rate to the open public consultation and the general lack of citizens' knowledge about the instrument point to the need for better communication strategies at the level of the EU and better and clearer recognition of the EU contribution by national authorities. Future EU interventions could benefit from a wider dissemination of information to ensure that citizens understand the EU's role in addressing crises and the benefits of such interventions.

Evaluations of national job retention schemes are warranted to inform future policy instruments and responses. The evaluation of SURE highlighted the need for greater policy focus on national job retention schemes, in particular short-time work schemes. Performance audits of these schemes are essential to further understand the drivers and determinants of their efficiency, with a view to improving their efficiency and effectiveness. Such evaluations can provide valuable lessons for national policymakers and inform the assessment of the need for potential future Union support and its design. Advancing IT systems for robust business intelligence and risk analysis can also enhance the effectiveness of these measures and minimise misuse. Having robust analytical findings about how key parameters of these schemes – such as eligibility criteria, duration, and generosity – affect their efficiency would be useful to inform the policy debate. The coverage and direct and indirect impacts of these national schemes should continue to be monitored and assessed.

ANNEX I: PROCEDURAL INFORMATION

The ex-post evaluation of the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency ('SURE') has been completed as legally required under the Financial Regulation (Article 34)[74] and as recommended by the European Court of Auditors (Special report 28/2022 on SURE)[75]. The Decide planning entry for the mid-term evaluation is PLAN/2023/654.

In line with the requirements set out in the Commission Better Regulation Guidelines, the evaluation considered the criteria of relevance, effectiveness, efficiency, EU value added and coherence. The Commission commissioned an independent evaluation study (hereafter referred to as *the external evaluation study*) that was carried out between July 2023 and May 2024. In order to ensure validity, the analysis and conclusions of the external evaluation study are based on the evidence obtained using several evaluation methods (literature review, semi-structured interviews with targeted stakeholders, targeted consultations, open public consultation, case studies and a validation workshop). The cut-off date of the external evaluation study was end of April 2024. A few limitations were experienced during the preparation and completion of the external evaluation study. Annex 2 provides a detailed overview of these shortcomings.

The evaluation has been undertaken by DG ECFIN. DG ECFIN also chaired the inter-service group ('ISG') that was set up to manage the external evaluation study and has been involved in all key steps of the process to ensure the quality of the evaluation. Apart from DG ECFIN, members of the ISG were from DG EMPL, DG BUDG and SG that are responsible for policies relevant to the SURE. The ISG provided information, expertise and quality assurance in line with evaluation standards and provided a useful steer to both the supporting study and this SWD. Specifically, the ISG was involved in:

a) Establishing the evaluation roadmap and call for evidence;

b) Establishing the Terms of Reference ('ToR') for the supporting study;

c) Designing the stakeholder consultation strategy;

d) Reviewing and quality assuring the deliverables of the supporting study;

e) Preparing the Commission services' Staff Working Document.

The call for tenders was launched in April 2023. Following the assessment by the evaluation committee, the specific contract to undertake the external evaluation was awarded to ICF SA, sole tenderer, using Framework Contract number ECFIN-050-2023 – ref. Ares(2023)693646.

[74] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32018R1046
[75] https://www.eca.europa.eu/Lists/ECADocuments/SR22_28/SR_SURE_EN.pdf

The evaluation call for evidence ran between 21 June 2023 and 19 July 2023, to seek wider feedback. This was followed by an open public consultation (OPC) which ran from 26 October (in English) / 24 November 2023 (in all official EU languages) to 15 February 2024. (OPC Decide planning entry PLAN/2023/654).

A kick-off meeting on the supporting study, where the ISG and the external contractor discussed the deliverables and the evaluation methods, took place on 10 July 2023. ISG meetings on the inception and interim reports of the external study were held on 21 September 2023 and 6 December 2023 and an ISG meeting on the draft final report was held on 14 March 2024. Following a validation workshop with a range of experts, the definitive final report was approved by ISG on 14 March 2024 and the final report in the written procedure on 28 May 2024. To provide appropriate support and ensure the contractor's access to the necessary information as comprehensively as possible, regular dialogues were organised between the contractor and DG ECFIN from July 2023 onwards. These dialogues continued until the finalisation of the supporting study. The content of the external evaluation study remains the sole responsibility of the authors and does not necessarily reflect the views of the Commission.

This Staff Working Document (SWD) extensively uses analytical findings from the external evaluation study. The external evaluation study was concluded in May 2024 and is published together with this SWD. In addition, the SWD deploys findings from five bi-annual reports to the European Parliament, the Council, the Economic and Financial Committee and the Employment Committee that were prepared by the Commission during the implementation of SURE. Additional analytical insights by Commission services have also been reflected in the SWD. The SWD was drafted in May and June 2024 by ECFIN staff. The draft SWD was presented and discussed at the ISG meeting on 2 July and advice, input, and feedback from ISG members was incorporated. A revised version of the SWD was then circulated and supported by all ISG members by 5 July 2024 in a written procedure.

As with all evaluations related to programmes with a major impact on the EU budget or which are of strategic importance for the Union, the evaluation carried out by DG ECFIN was subject to scrutiny by the Regulatory Scrutiny Board ('RSB'). An RSB upstream meeting was held on 15 January 2024, followed by a meeting with the RSB on 11 September 2024. The RSB provided recommendations for improvement and gave a positive opinion on 16 September 2024. Commission services incorporated the RSB recommendations in the revised SWD.

Table A1.1 below summarises the main points of the RSB review and how they have been integrated into the evaluation.

Board's Recommendations	**Integration of the recommendations into the ex-post evaluation report**
The logic of intervention is unclear in terms of objectives, design parameters and indicators of success, resulting in a shifting evaluation narrative throughout the report.	The intervention logic has been rewritten to provide a clear narrative, focused on SURE's primary objective, to facilitate its evaluation in terms of effectiveness, efficiency and additionality. In line with the strengthened focus on SURE's primary objective, a new sub-section 4.1.1.3b has been added to examine the role of job retention schemes and specifically SURE in stabilisation of income, based on estimates from EUROMOD. Key design features of SURE have also been evaluated under effectiveness, efficiency and relevance. The aspect of fiscal sustainability has been contextualised using COFOG data in Section 4.1.1.4.
The methodological approach to the analysis is not sufficiently clear making it difficult to determine the full costs and benefits of the SURE instrument.	The methodological approach has been re-written, based on the intervention logic, and is transparently explained step-by-step. Methodological and data limitations have been clearly presented and reflected in the findings. While the efficiency of national job retention schemes falls outside the scope of the evaluation, an analysis based on EUROMOD microsimulations was added to support the efficiency assessment of SURE. Specifically, Section 4.1.2.4 has been expanded with additional indicators: (i) ratios of net-to-gross costs of job retention schemes, taking into account the share of support that flows back into the budget through labour taxes and (ii) cost ratios of job retention schemes compared to the counterfactual scenario in which unemployment benefits would have been paid out instead. The analysis of unintended consequences of SURE has been expanded (Section 4.1.1.7), incorporating additional evidence from a literature review of micro-level, country-specific studies. These findings are

	also referenced in the section on the efficiency of national measures.
The conclusions do not adequately reflect the limitations of the underpinning evidence base.	The conclusions have been revised, based on the revised intervention logic, with findings carefully presented to account for the limitations of the methodological approach.
The lessons learned do not sufficiently address the weaknesses in the monitoring and reporting framework leading to a lack of performance data, including on the Member State implementation of SURE.	The lessons learned have been complemented with these aspects.

ANNEX II. METHODOLOGY AND ANALYTICAL MODELS USED

This annex presents the methodological approach to the SURE evaluation. It describes the design of the methodology, the tools used for data and information gathering and the results obtained. It also provides insights on the limitations encountered and the mitigation strategies adopted.

1. Evaluation design

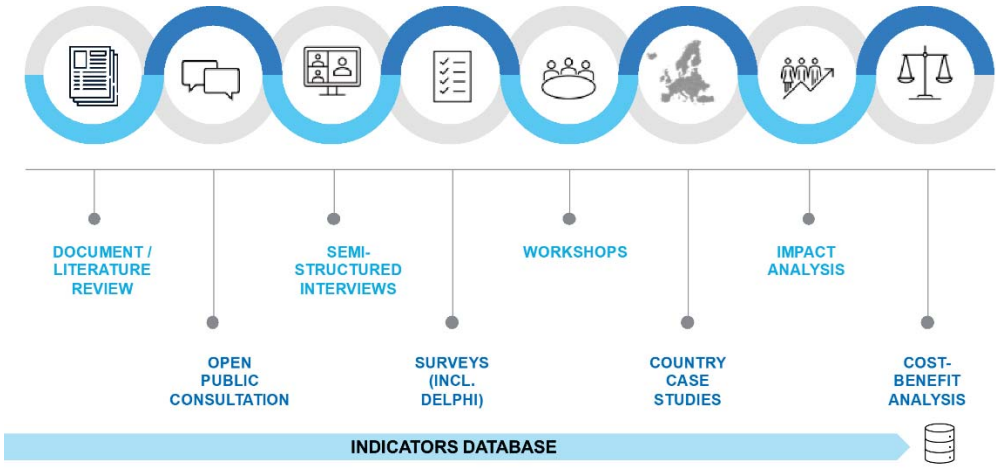
The methodology of the SURE evaluation was designed to respond to (i) the evaluation questions detailed in the Terms of Reference for the external evaluation study of SURE, and (ii) the Better Regulation Guidelines evaluation criteria. It rests on three pillars:

- Participatory and inclusive data collection and analysis through a stakeholder consultation programme (semi-structured interviews, surveys, public consultation and case studies) and a validation workshop;
- A mixture of qualitative and quantitative input, with qualitative input obtained mainly through literature review and stakeholder input, and quantitative input, based on Okun's law and EUROMOD microsimulations, supporting the qualitative information to the extent possible.
- Triangulation, i.e. the information and data collected from a range of different sources (results from stakeholder consultations, a review of literature, Member States reporting, statistical databases) using a range of methods to provides answers to the evaluation questions.

2. Tools for information gathering and results obtained

The information and data required for the SURE evaluation were collected using the methodological tools as shown in Figure A1.

Figure A1: Overview of methods



Document and literature review

The document and literature review was carried out by the contractor and involved the compilation of information and evidence concerning the evaluation questions. Specifically, it included:

- Review and analysis of official data, documentation and reporting on SURE;
- Review of economic literature assessing the impacts of JRS;
- Review of grey literature, including relevant ECA reports, as well as national evaluations and performance audits of STW schemes implemented during the COVID-19 pandemic;
- Mapping the main JRS implemented in each EU Member State.

A complete list of references is presented in Annex 11 of the external evaluation study. The findings from the review of economic and grey literature are provided in Annex 6 of the external evaluation study.

An additional review of literature was performed by DG ECFIN, focusing on the comparison of outcomes with non-SURE economies (most notably the US) and on the efficiency and unintended consequences (most notably market distortions) of national schemes documented in studies using microdata.

Open Public Consultation (OPC)

The OPC aimed at gathering the views of wider stakeholders including firms and workers on the relevance, effectiveness and added value of SURE and the national measures it supported. It was launched in English on 26 October 2023 and in all EU national languages at the end of November 2023; it was closed on 15 February 2024.

The response rate to the OPC was very low (only 10 respondents) which limits the validity of the results. Nevertheless, the responses gathered support the evaluation's main evidence base. Annex 5 includes a descriptive analysis of the responses from the OPC.

The consultation outcome and the summary report are available on the following website: Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) – evaluation (europa.eu)

Semi-structured interviews

The contractor conducted over 100 interviews with a range of stakeholders to collect a diversity of perspectives, including:

- 21 EU-level interviews to gather in-depth information on the functioning and performance of SURE:
  - Nine scoping interviews with Commission officials;

  - Eight interviews on the funding side of SURE (on SURE Social Bond Framework, with credit rating agencies and primary dealers/underwriters, as well as other issuers);
  - Four interviews with EU-level social partners and other organisations.
- Eight interviews with representatives of non-beneficiary Member States to collect their perspectives as providers of national guarantees.
- Finally, 76 interviews with various stakeholders in the six case study countries, covering ministries and other national administrations, social partners and wider stakeholders.

Surveys

Three online surveys were carried out between October 2023 and February 2024 in the context of the external evaluation study:

- A survey targeting Ministries of Finance in beneficiary Member States to gather information on the extent to which Member States were financially constrained at the onset of and during the COVID-19 pandemic, the role played by SURE in providing fiscal space and influencing decisions on creation and/or expansion of national STW schemes and similar measures, the impact of SURE financing and measures implemented, feedback on various design and efficiency aspects, and the added value of SURE;
- A survey targeting Ministries of Labour in beneficiary Member States to gather information on the role played by SURE in providing fiscal space and influencing decisions on creation and/or expansion of national STW schemes and similar measures (including on design features of national schemes), and the impact of SURE-financed measures;
- A survey of experts on the socioeconomic effects of SURE and the measures it supported, hypothetical scenarios without SURE, and its overall added value. This involved distributing one survey per case study country to a panel of experts, including economists, labour market specialists from academia, think tanks, and representatives from the private sector and social partners. It used the Delphi method and aimed to reach a consensus on the counterfactual scenarios and impacts of measures supported by SURE.

Workshop with academics and experts (validation workshop)

The contractor carried out a workshop on 29 February 2024 to gather opinions and feedback on the emerging findings from eight experts and academics who have published on SURE and JRS. The workshop focused on topics where the experts' insights were of particular value:

- Whether the European Commission's ex-ante emphasis on JRS was the most appropriate strategy for cushioning the impact of the COVID-19 pandemic (and lockdown measures) on workers' jobs and incomes;
- Ex-post evidence on the effectiveness of JRS (financed by SURE) in maintaining employment and protecting incomes;

- Most effective measures in varying circumstances, as well as lessons and potential pitfalls to avoid in designing and implementing JRS;
- Unintended consequences – both positive and negative – of JRS on the labour market and beyond;
- Distilling critical lessons from the SURE experience, particularly how its design and implementation can inform the development of robust, resilient future crisis response at EU level.

Country case studies

The evaluation incorporates six country case studies (Greece, Italy, Lithuania, Poland, Portugal, Spain) - carried out by the contractor - to analyse the relevance and effectiveness of SURE and supported measures across various contexts and settings. Countries were selected based on criteria including the diversity of supported schemes, wider context and geographical coverage, and practical data accessibility considerations. The case studies use a mixed-methods approach, incorporating evidence the contractor collected via desk research, national-level interviews, surveys and micro-data analysis (subject to data availability). The case studies are not country-level evaluations of SURE, but, rather, provide depth, and nuance to the evaluation.

Southern countries collectively received 75 % of SURE financial support, thus the evaluation covers a significant portion of SURE financing. Geographical, institutional, and contextual diversity is achieved by including Poland and Lithuania in the sample.

Impact analysis (assessment based on Okun's law and qualitative counterfactual scenarios)

A structured, two-step methodology was used to determine the specific contribution of SURE financing to macroeconomic impacts (notably, unemployment avoided), amid a complex array of COVID-19-pandemic-related economic measures.

First, based on Okun's law[76], the empirical relationship between the output growth and the change in the unemployment rate over the last two decades preceding the COVID-19 pandemic was estimated. This allowed us to estimate the expected unemployment rate in 2020, given the size of the observed drop in GDP. The difference between the predicted and the observed (actual) unemployment rate could be attributed to SURE and other job retention schemes. Despite its descriptive nature and its known limitations, the Okun's law approach is preferrable to studies based on microdata, which are available in only a few countries, and thus, would not lead to aggregate results[77]. A comprehensive discussion on the limitations of Okun's Law and the justification for this methodological approach is presented in Section 4.1.1.3.

[76] Okun's law describes an empirically observed relationship between the change in unemployment and economic output.
[77] For more details, see Box on page 54 of the external evaluation study.

Second, to estimate the impact that could be attributable only to SURE, a counterfactual analysis was considered to assess how Member States would have reduced their spending on job retention schemes in absence of SURE. To identify the hypothetical situation that would have prevailed in the absence of SURE (counterfactual scenario), a range of qualitative methodological tools and indicators were considered, such as targeted survey, EMCO survey, macro data, Delphi survey and interviews.

EUROMOD microsimulations

The EUROMOD microsimulations were designed by DG ECFIN and the Joint Research Centre and conducted by the Joint Research Centre. Their results were utilised most notably in Sections 4.1.1.3 and 4.1.2.3 to gauge the effects of job retention schemes on income stabilisation and compare their costs to those of unemployment benefits, respectively. EUROMOD is a tax-benefit microsimulation model managed by the Joint Research Centre. It can be used to conduct comparative analyses of the effects of taxes and benefits on household incomes and work incentives for the population of each EU Member State and for the EU as a whole. The model rests on coded policy systems of EU Member States, which ensures cross-country comparability.

Analysis of costs and benefits

The contractor compared the costs and benefits of the SURE instrument to ascertain its efficiency. The primary costs are not directly linked to the instrument itself (considering that support was provided in the form of loans which are repayable by Member States), but, rather, to the deployment of employment and health-related measures eligible under SURE, which it outside of the scope of this evaluation.

The costs intrinsically linked to SURE as a lending facility were:

- EU level: Commission staff time of (Directorates-General (DG) for Economic and Financial Affairs (ECFIN), Budget (BUDG), and Employment, Social Affairs and Inclusion (EMPL)) involved in designing and managing the SURE instrument. This includes a broad array of responsibilities, such as developing the legal basis, negotiation of national guarantees, eligibility checks of measures proposed, overseeing implementation, managing bond issuances, loan administration, and the facilitation of disbursements and repayments. The time-related costs were estimated in full-time equivalent terms;
- Member State level: Beneficiary Member States incurred costs in discussing eligibility of measures, negotiating loan agreements, complying with reporting requirements, etc. All Member States incurred costs in negotiating the guarantee agreement essential for the SURE mechanism's functioning. These costs were estimated qualitatively (through interviews) for the six country case studies, with largely consistent results (showing insignificant costs) that could be generalised for the other Member States.

Given the relatively limited nature of the costs associated with the SURE instrument, they were assessed primarily qualitatively. The evaluation also examined the efficiency of the financial architecture of SURE and the audit and control of SURE-financed measures by

Member States in order to understand what worked well and what could be done better or differently. Finally, the evaluation assessed the proportionality of these costs in relation to the benefits realised. The latter are significant and wide-ranging and correspond to outcomes and impacts identified in the impact pathway (see Section 4.1.2.1).

Assessment of the external evaluation study

The work carried out by the external contractor delivered on the objectives and tasks set in the Terms of Reference and followed the work plan agreed with the ISG.

Although the external evaluation study had to be performed within a short timeframe (July 2023-May 2024), the consultants carried out all the expected tasks as planned: they performed the interviews as planned and carried out targeted and Delphi surveys, they analysed the relevance and effectiveness of SURE and supported measures in six in-depth case studies. They also performed an impact analysis to assess the additionality of SURE, using the Okun's law and counterfactual scenarios. Only a workshop with social partners at the EU level was dropped due to their low responsiveness, in agreement with the Commission.

The supporting study is overall of good quality, presenting the facts and the diverse views of relevant stakeholders. In addition, it identified lessons learned.

3. Limitations and caveats

The evaluation encountered a series of conceptual and practical challenges. These are summarised below, together with the solutions adopted.

- *Challenges and limitations of determining the macroeconomic impact of employment-related measures and attributing these to SURE financing:* The evaluation uses an approach based on Okun's Law to assess the impact of SURE financing on unemployment rates, while acknowledging its limitations in establishing causality. Alternative methodologies, such as difference-in-differences, comparing SURE beneficiaries (treatment group) to non-beneficiaries (control group), were considered but discarded, given the difficulties in ensuring comparability between the groups, exacerbated by varying economic and structural conditions and the widespread implementation of JRS during the COVID-19 pandemic. Methodological approaches based on micro-datasets were not used because of their costs and feasibility issues. They also face a number of specific challenges (see Section 4 and Annex 8 of the external evaluation study);
- *A quantitative counterfactual analysis was attempted but later abandoned due to conflicting results across different methodological tools.* In addition, the counterfactual analysis would not be immune to cognitive biases. Hindsight bias and selective recollection can lead to both, underestimation as well as exaggeration of the extent to which Member States would have funded JRS on their own in the absence of SURE. The biases might become stronger as the time elapses. However, the quantification of these suspected biases appears quasi-impossible in practice.

- *Assessing the effectiveness of health-related measures:* Although SURE's support for health-related measures was crucial, assessing its effectiveness presents challenges due to the diversity of measures. From COVID-19 testing to healthcare worker bonuses, the range of measures complicates efforts to measure outcomes accurately. The evaluation thus adopted a qualitative assessment approach, using targeted surveys, stakeholder interviews, and public consultations to gain insights into the effectiveness and EU added value of health-related measures. In-depth analysis was prioritised for specific case study countries (Poland and Portugal) where such measures represent a significant portion of SURE spending, enabling a more nuanced understanding of their effects;
- *Determining the share of JRS spending financed by SURE:* This was challenging due to differences in scope and purpose of the two main sources of information, the SURE and labour market policy (LMP) databases. Differences in naming conventions, grouping of measures, inclusion of out-of-scope measures, omission of in-scope measures, and discrepancies in reported spending on same measures all contributed to difficulties in calculating totals and data inconsistencies. The contractor prioritised the SURE database as the main source for determining overall spending on JRS. In-depth analysis for case study countries involved manual cross-referencing and consultation with relevant ministries to ensure the accuracy of spending calculations. For non-case study countries, calculations rely solely on the SURE database (with insights from the LMP database), targeted surveys, and consideration of country-specific factors;
- *Mapping of flagship JRS*: Mapping the main JRS in each Member State was challenging due to difficulties in reconciling different sources of information (language ambiguities, lack of clarity on the measure to which the mapped information relates, changes over time). The evaluation focused on key characteristics of the schemes using authoritative sources on the subject matter (e.g. European Trade Union Institute (ETUI), European Foundation for the Improvement of Living and Working Conditions (Eurofound)). Country researchers of the contactor validated information for case study countries;
- *Challenges with comparing the job retention schemes to unemployment benefits:* The difficulty partly stems from the impossibility to predict the share of persons that were covered by JRS that would have been laid off and the share of those eligible for unemployment benefits among the persons that would have been laid off. In addition, job retention schemes substituted not only unemployment benefits, but also other forms of social assistance, that would have been taken up by both those eligible and ineligible for unemployment benefits. Job retention schemes were not compared to these other forms of social assistance.
- *Low response rate of OPC and incomplete coverage of surveys targeting ministerial officials:* The low level of awareness or familiarity with SURE may have contributed to the very low response rate to the OPC (only 10 respondents, despite various promotional activities, including translation into all EU languages and

dissemination through official Commission channels). Nor did the targeted surveys achieve full participation, despite close follow-up. Responses were received (from Finance and/or the Ministry of Labour) from 16 of the 19 beneficiary Member States.

Notwithstanding these limitations and caveats, the contractor exercised due diligence in interpreting the findings, cautiously drawing conclusions and appropriately qualifying the findings where necessary. The use of a range of methodological approaches, including both qualitative and quantitative analyses, enabled the contractor to triangulate evidence and enhance the reliability and depth of the findings. The emerging findings of the contractor were subject to critical review at a validation workshop with accomplished economists. Finally, the skills and knowledge of the ISG have supported the quality assurance of the external evaluation study and the SWD.

ANNEX III. EVALUATION MATRIX AND DETAILS ON ANSWERS TO THE EVALUATION QUESTIONS (BY CRITERION)

Table A3.1: Evaluation Matrix and questions by criterion

EQ	Core judgement criteria	Examples of indicators	Methods and sources
(1) Additionality and effectiveness of the SURE instrument			
EQ1: How successful was SURE in providing sufficient and timely financial assistance to the Member States that needed it? To what extent were the expectations from the time of the adoption of the SURE Regulation delivered?	SURE financing met the needs and expectations of beneficiary Member States in terms of scale of assistance SURE financing was made available to Member States in a timely manner	Quantitative indicators Timeseries data on national spending on (i) JRS/ STW and similar measures and (ii) unemployment benefits Proportion of JRS/ STW spending that came from SURE (by Member State and year) SURE time to approval, time to disbursement by Member State Qualitative indicators The extent to which Member State authorities were satisfied with the timeliness of SURE The extent to which Member State authorities were satisfied with the volume of financing available via SURE Specific examples where lack of timeliness or scale of financing created challenges or constraints for Member States	Secondary research: Indicators database Document/ literature review Primary research: Targeted surveys Targeted interviews Workshop with social partners Country case studies OPC
EQ2: How successful was SURE and the national measures it supported in protecting employment,	SURE delivered tangible, measurable	Quantitative indicators	Secondary research:

EQ	Core judgement criteria	Examples of indicators	Methods and sources
mitigating unemployment risk and reducing loss of income (in beneficiary MSs)? What were the quantitative and qualitative effects, including compared to non-beneficiary Member States? To what extent were the expectations from the time of the adoption of the SURE Regulation delivered?	benefits, such as: SURE contributed to the development of STW and similar measures in Member States where such schemes previously did not exist SURE contributed to enhancements of STW and similar measures in member States where these schemes already existed SURE contributed to mitigating the socio-economic impacts of the pandemic SURE contributed to a more rapid recovery as compared to previous crises SURE contributed to preventing a rise in labour market inequality across Member States The expectations from SURE are largely met, there is a stakeholder consensus about the success of SURE	Number and share of workers covered by SURE (by type of employment, gender, sector) Number and share of firms covered by SURE (by size, sector) Number and share of workers covered by JRS/ STW schemes in all Member States (by type of employment, gender, sector) Number and share of firms covered by covered by JRS/ STW schemes in all Member States (by size, sector) Outputs, results and impacts of health-related measures Job losses prevented by SURE Time series data on unemployment rates Qualitative indicators Stakeholder feedback on the impact of SURE in mitigating unemployment risk and reducing loss of income Mapping of JRS/ STW and similar schemes in all Member States – coverage, duration, generosity, simplification of access etc. (before and during Covid-19	Indicators database Document/ literature review Counterfactual analysis Primary research: Targeted surveys Targeted interviews Workshop with social partners Country case studies OPC

EQ	Core judgement criteria	Examples of indicators	Methods and sources
EQ3: How did different waves of Covid-19 pandemic affect employment and income (in beneficiary Member States) and how were they linked to demand for SURE?	*Not applicable as this is a descriptive (rather than normative) EQ*	Quantitative Evolution of output and unemployment rates during the pandemic Public expenditure on JRS/ STW schemes during the pandemic SURE allocations and disbursements Qualitative Stakeholder feedback on the link between demand for SURE and epidemiological situation	Secondary research: Indicators database Document/ literature review Primary research: Targeted surveys Targeted interviews Country case studies
EQ4a: What were the unintended consequences of SURE?	*Not applicable as this is a descriptive (rather than normative) EQ* Analytical criteria: Member States designed SURE-eligible measures in a manner that mitigated any potential unintended consequences Any unintended consequence were limited	Quantitative If possible, quantified evidence of delayed restructuring / impaired labour market mobility Qualitative Measures put in place by national governments to prevent free riding by firms or workers Any evidence of SURE-financed measures impairing labour mobility or delaying restructuring of firms Stakeholder feedback on any unintended effects of SURE-financed measures	Secondary research: Indicators database Document/ literature review Counterfactual analysis Primary research: Targeted surveys Targeted interviews Workshop with social partners Country case studies

EQ	Core judgement criteria	Examples of indicators	Methods and sources
			OPC
EQ4b: To what extent have the initiatives supported by SURE proved additional?	SURE demonstrated: Input additionality – SURE financing provided something not available to Member States from other sources (e.g. lower interest rates, longer maturities) Output additionality – by providing Member States with greater fiscal leeway, SURE support allowed them to do something that they would otherwise not be able to do Impact additionality - Member States would not have achieved the same impacts without EU support	Input additionality: Interest rate savings Average SURE maturities compared to sovereign bond maturities Interest rate spreads Output additionality: Number, value and coverage of new schemes created as a result of SURE Number, value and coverage of schemes enhanced as a result of SURE Fiscal space created by SURE (avoiding expenditure cuts in other areas) Stakeholder feedback on output additionality of SURE (to what extent SURE allowed Member States to do something that they would otherwise not be able to do) Impact additionality: Impact on unemployment rates and recovery trajectory in absence of SURE support Firm and worker level impacts	Secondary research: Indicators database Document/ literature review Counterfactual analysis Primary research: Targeted surveys Targeted interviews Workshop with social partners Country case studies OPC

EQ	Core judgement criteria	Examples of indicators	Methods and sources
EQ5: To what extent did the national health-related measures that SURE supported add value?	The national health-related measureealth-related measures were relevant The national heath related measures delivered important benefits The national health-related measures could not have been financed to the same extent without SURE support	Quantitative Public expenditure on SURE eligible health measures Share of expenditure financed by SURE Coverage of health-related measures (hospitals, workers, firms) Qualitative Mapping of national SURE eligible health-related measures – description, rationale, public expenditure, outputs and results, delivery agency Stakeholder perspectives on relevance and usefulness of these measures Stakeholder feedback on the role/ additionality of SURE financing i.e. what extent SURE allowed Member States to do something that they would otherwise not be able to do	Secondary research: Indicators database Document/ literature review Counterfactual analysis (qualitative only given the limited scale of these measures) Primary research: Targeted surveys Targeted interviews Workshop with social partners Country case studies OPC
EQ6: SURE did not impose a targeted support, e.g. for specific sectors, specific (vulnerable) groups, such as young, female etc, leaving each Member State to decide freely on their policy responses within the scope defined by the SURE regulation. Would such a targeted approach - thus more prescriptive and contentious for Member States - be more effective in addressing the negative social impact of Covid-19 pandemic and if yes why?	The extent to which there is compelling evidence that: A targeted approach would have delivered better results and impacts Effectiveness would not have been undermined by the time taken to discuss and	Quantitative Any quantitative indicators that can be drawn from existing literature on enhanced effectiveness resulting from certain design features (e.g. coverage of self employed, extending duration etc.) Qualitative Mapping of best/ good practices in design, preparation and delivery of JRS	Secondary research: Document/ literature review Primary research: Targeted surveys Targeted interviews

EQ	Core judgement criteria	Examples of indicators	Methods and sources
	agree a targeted approach	Identification of deviations of SURE eligible measures from best practices The extent to which these deviations reduced effectiveness of the schemes financed under SURE Stakeholders perspectives on the pros and cons of the two approaches (targeted and prescriptive versus broadly defined)	Workshop with social partners Country case studies OPC
EQ7: To what extent was the novel funding architecture, based on guarantees provided by all Member States, in addition to the guarantee provided by the EU budget, successful in increasing the total SURE financial envelope?	The Member State guarantees provided the necessary credit enhancement to allow Commission to (i) borrow more and thus increase the size of the SURE instrument (ii) borrow on better terms	Quantitative Budgetary headroom available to the Commission Maximum feasible SURE envelope in absence of Member State guarantees Potential borrowing conditions in absence of Member State guarantees Qualitative Dealer feedback on importance of Member State guarantees in achieving successful issuances	Secondary research Document/ literature review Primary research Targeted interviews
EQ8: To what extent were the borrowing operations successful in meeting the needs of individual Member States in terms of the amounts disbursed, timing of disbursement, and maturity?	SURE borrowing was managed by the Commission in a way that ensured timely and suitable borrowing (in terms of size and maturity) at the most advantageous prices	Quantitative SURE borrowing terms obtained by Commission SURE loan repayment terms and schedule by Member State	Secondary research Document/ literature review Indicators database

EQ	Core judgement criteria	Examples of indicators	Methods and sources
		Qualitative Member State satisfaction with SURE loan terms (maturity, interest rate) Member State satisfaction with timing of SURE disbursements Evidence of any mis-match between needs / expectations and actual features and timing of SURE loans	Primary research Targeted interviews Targeted surveys Country case studies
EQ9: How successful was the use of the "EU Social Bond" framework, in particular for developing the social bond market and boosting interest from investors in the SURE bond issuances?	The scale, regularity and diversity of the Commission's SURE social bond issuances have contributed to market growth and depth Commission's social bond framework and reporting provide a template for other issuers There has been demonstration effect of Commission issuances	Quantitative EU share of social bond market Evolution of market size following EU issuance Investor base of EU social bonds vs conventional bonds Qualitative Dealers, SPO providers and peer issuers perceptions of the EU social bond framework Dealers, SPO providers and peer issuers perceptions of the Commission's reporting	Secondary research Document/ literature review Primary research Targeted interviews
EQ10: To what extent was the SURE framework effective in minimising the risk of irregularities and fraud, given the cases reported by Member States?	Estimated scale of error and fraud in SURE is within acceptable bounds Sufficient steps were taken by Member States to mitigate levels of error and fraud in	Quantitative Estimated scale of error and fraud by Member State Nature of error and fraud reported by Member States	Secondary research Document/ literature review Indicators database

EQ	Core judgement criteria	Examples of indicators	Methods and sources
	the SURE scheme	Fraud recoveries Qualitative Nature of ex ante controls and verifications Nature of ex-post (post payment) compliance checks	 Primary research Targeted interviews Targeted surveys Country case studies
EQ11: What were the costs and benefits for different stakeholders (EU, beneficiary and non-beneficiary Member States)? Were the costs and benefits of SURE as expected?	*Not applicable as this is a descriptive (rather than normative) EQ* Suggested analytical criterion: The costs and benefits of SURE are in line with the expectations	Quantitative Commission resources (in FTE) involved in SURE implementation by DG Member State administrative costs Administrative costs as share of total expenditure on SURE eligible measures Interest rate savings by Member State Reduction in unemployment Qualitative + quantitative Contribution to recovery Reduction in labour market inequality across the EU Stakeholder perceptions of costs and benefits	Secondary research Document/ literature review Indicators database Primary research Targeted interviews Targeted surveys Country case studies OPC

EQ	Core judgement criteria	Examples of indicators	Methods and sources
EQ12: If there were significant differences in costs and benefits between Member States, what was causing them? To what extent were they expected?	*Not applicable as this is a descriptive (rather than normative) EQ* Suggested analytical criterion: The main differences between the MS in terms of costs and benefits are in line with the expectations and can be explained	Qualitative + quantitative Extent of cross country variations in costs and benefits Qualitative Explanations for variations Stakeholder perceptions of MS differences in costs and benefits	Secondary research Document/ literature review Indicators database Primary research Targeted interviews Country case studies
EQ13: To what extent was the voluntary guarantees provided by all Member States and the prudential rules applying to the loans necessary to adequately protect the EU budget?	The voluntary guarantees provided by all Member States and the prudential rules adequately protect the EU budget from any potential defaults	Quantitative P(D) of beneficiary Member States as reflected in current credit ratings Implications for repayment of SURE borrowing under hypothetical scenarios of default The scope for drawing on the margin available under the own-resources ceiling for payment appropriations Qualitative The extent to which protections influenced the market appetite for and pricing of EU SURE bonds.	Secondary research Document/ literature review Indicators database Primary research Targeted interviews
EQ14: Have any inefficiencies been identified? What is the simplification and cost reduction potential of	*Not applicable as this is a descriptive (rather than normative) EQ*	Qualitative	Primary research

EQ	Core judgement criteria	Examples of indicators	Methods and sources
SURE? Suggested analytical criterion: The extent of inefficiencies identified is low		Concrete examples or evidence of inefficiencies Identification of areas for simplification Identification of areas for cost reduction	Targeted surveys Targeted interviews Country case studies OPC
EQ15: How timely and efficient has the reporting and monitoring under SURE been?	Reporting by Member States was timely and good quality Reporting requirements were not disproportionate	Quantitative Resources/ costs involved in fulfilling reporting requirements Likert scale based assessment of timeliness and quality of reports submitted by Member States Qualitative Challenges encountered by beneficiary Member States in fulfilling reporting obligations Gaps in reporting	Secondary research Document/ literature review Indicators database Primary research Targeted interviews Country case studies
EQ16: To what extent did SURE remain relevant over the implementation period in terms of protecting employment, mitigating unemployment risk and reducing loss of income?	There was a continuing need for public expenditure on JRS and health-related measures in at least some Member States during the SURE implementation period	Quantitative Macroeconomic indicators: GDP, employment and unemployment, household income, public expenditure, public debt etc.	Secondary research Document/ literature review Indicators database

EQ	Core judgement criteria	Examples of indicators	Methods and sources
	The beneficiary Member States faced borrowing or fiscal constraints throughout the period in which they used SURE support	Public expenditure of JRS and health-related measures Share of public expenditure covered by SURE Share of firms and workers covered by STW schemes Evolution of epidemiological situation and containment measures Beneficiary Member States' fiscal position Evolution during SURE period Borrowing conditions for beneficiary Member States Qualitative Stakeholder perspectives on the relevance of SURE	Primary research Targeted interviews Targeted surveys Country case studies OPC
EQ17: How did the objectives of SURE to protect employment, mitigate unemployment risk and reduce loss of income correspond to wider EU policy goals and priorities? Link to EQ 21	The EU response was comprehensive – there were no critical gaps There was strong alignment between SURE and wider EU policy goals and priorities (we propose to focus on COVID related EU responses, as articulated in the Commission's 2020-24 strategic agenda, the European Pillar of Social Rights) Any trade-offs or contradictions were	Qualitative Mapping of alignment between SURE and EU's policy goals and priorities Identification of any potential contradictions, trade-offs or ambiguities	Secondary research Document/ literature review Primary research Targeted interviews

EQ	Core judgement criteria	Examples of indicators	Methods and sources
	successfully resolved in the course of SURE implementation		
EQ18: How relevant was the intervention to EU citizens?	The JRS and health-related measures supported by SURE were directly relevant to the key needs of EU citizens in the covid-19 pandemic context SURE support was necessary of beneficiary Member States in order to implement the above measures	Quantitative Macroeconomic indicators: GDP, employment, public expenditure, public debt etc. Public expenditure of JRS and health-related measures Share of public expenditure covered by SURE Share of firms and workers covered by STW schemes Beneficiary Member States' fiscal position Borrowing conditions for beneficiary Member States Qualitative Stakeholders' perspectives on the relevance of SURE and supported JRS as well as health-related measures	Secondary research Document/ literature review Indicators database Primary research Targeted interviews Targeted surveys Country case studies OPC
EQ19: Which lessons can be drawn for the optimal design of this emergency response?	*There is a range of lessons which can be drawn, reflecting the key evaluation findings for the optimisation of design of future similar emergency responses, for EC, MS governments, social partners, firms and workers*	Qualitative Identification of lessons on preparation, design, implementation, monitoring and evaluation of emergency response	Secondary research Document/ literature review Primary research Targeted interviews Targeted surveys

EQ	Core judgement criteria	Examples of indicators	Methods and sources
			Country case studies OPC
EQ20: To what extent is SURE coherent with international obligations, including the SDGs?	SDGs were taken into consideration in the design of SURE SURE eligible measures contribute to progress towards specific SDGs SURE eligible measures do no significant harm or undermine any SDGs	Quantitative Share of SURE-supported public expenditure contributing to various SDGs Quantitative + qualitative Nature of SURE's direct contribution to SDGs SURE's indirect contribution to SDGs such as reduced inequalities, gender equality	Secondary research Document/ literature review Indicators database Primary research Country case studies
EQ21: To what extent is SURE coherent with other EU and national interventions that provided financial assistance in emergency and other instruments to mitigate the economic and social impact of the Covid-19pandemic?	SURE was coherent with other relevant EU and national interventions i.e. there were no overlaps (with any potential cannibalising or substitution effects), contradictions and critical gaps in response Any trade-offs or contradictions between SURE and other EU COVID related interventions were identified and	Quantitative Breakdown of funding sources for national JRS and health-related measures Qualitative Mapping of SURE and relevant EU interventions – size, form of instrument, objectives, eligibility criteria, possibilities for co-financing etc. Examples of complementary use of SURE and other	Secondary research Document/ literature review Indicators database Primary research Country case studies

EQ	Core judgement criteria	Examples of indicators	Methods and sources
	successfully resolved The instruments (particularly SURE and ESF) were complementary in nature i.e. offering the possibility to combine resources / cover different need	instruments (EU and/ or national) SURE allocations vs other EU funds allocations to beneficiary Member States Mapping of national schemes in case study countries Examples of overlaps, substitution effect or cannibalisation Stakeholders perceptions and feedbacks	Targeted interviews Targeted surveys
EQ22: To what extent has SURE complemented national measures and how?	SURE contributed to improving the scale/ coverage/ scope of national measures	Quantitative Increased public expenditure on national measures due to SURE Number of Member States introducing new measures as a result of SURE Qualitative Changes in duration, coverage, generosity of national schemes made possible by SURE Stakeholder feedback on how SURE complemented national measures	Secondary research Document/ literature review Indicators database Primary research Country case studies Targeted interviews Targeted surveys
EQ23: To what extent are the various elements of SURE coherent with one another?	There were no inherent contradictions in the SURE intervention logic of different SURE elements	Quantitative + Qualitative Evidence of intended outputs, results, outcomes and	Secondary research Document/ literature review

EQ	Core judgement criteria	Examples of indicators	Methods and sources
		impacts of different SURE elements and their synergies	Indicators database
	Unintended effects of SURE were limited	Evidence of unintended effects such as delayed restructuring of firms or negative effects on labour mobility	Intervention logic analysis
			Primary research
			Country case studies
			Targeted interviews
			Targeted surveys
EQ24: To what extent are the subsidiarity arguments put forward in the explanatory memorandum still valid?	The following subsidiarity arguments remain overall valid	Quantitative	Secondary research
		Contribution of SURE in cushioning the impact of the pandemic	Document/ literature review
	The objectives of SURE would not have been achieved sufficiently by the Member States acting alone	Contribution of SURE in facilitating a rapid economic rebound	Indicators database
		Spillover effects of SURE-supported JRS (by stabilising demand and therefore, imports)	Counterfactual analysis
	National action or the absence of EU level action would have significantly damaged the interests of some Member States	Potential rise in labour market inequality across Member States in absence of SURE	Primary research
		Qualitative	Targeted interviews
		Stakeholder perspectives on the added value of SURE	Targeted surveys

EQ	Core judgement criteria	Examples of indicators	Methods and sources
	In the absence of EU level action, Member States would have lacked the ability or possibility to put in place appropriate measures	particularly in promoting solidarity, unity, cooperation and cohesion among EU Member States Role of SURE in promoting knowledge exchange on design of JRS Role of SURE in maintaining confidence and stability across the EU	Country case studies OPC

ANNEX IV. OVERVIEW OF BENEFITS AND COSTS

Table A4.1 below present an overview of the cost and benefits of SURE for different stakeholders. The typology of cost and benefits presented in this Annex deviates slightly from the Better Regulation Guidance due to SURE specificities.

Table A4.1 Overview of key categories of costs and benefits of SURE

	EU level	Member States – non-beneficiaries	Member States - beneficiaries	Firms - beneficiaries	Workers - beneficiaries
Costs	Budgetary implications: In theory should be zero cost to EU budget if all Member States repay (the Member States are expected to cover any fees, costs and expenses resulting from the funding of SURE loans) Administrative costs: Commission staff time involved in designing and managing the instrument	No cost implications[78]	Public expenditure on JRS and health-related measures: EUR 127 billion (including ESIF funding) Administrative costs associated with SURE: judged to be reasonable and proportionate by Member States	No special costs associated with SURE Firms would incur administrative and organisational costs in applying for and utilising national JRS and other measures – *these fall outside the scope of the study*	No special costs associated with SURE Some types of workers (e.g. self employed) would incur administrative costs in applying for and utilising national JRS – *these fall outside the scope of the study*
Benefits	Preventing a rise in labour market inequality across Member States	Positive spillovers of rapid recovery among beneficiary Member States	Interest rate savings on SURE loans: EUR 9,4 bn	Benefits include:	Protection of jobs

[78] Providing guarantees is unlikely to have a budgetary impact on Member States considering the size of the guarantees (€25 billion across 27 Member States with each Member State being liable for a maximum amount defined in the guarantee contribution key, as a percentage of total GNI of the Union. The maximum contingent liability ranges from 23 million for Malta to 6,4 billion for Germany.

				Retention of workforce	Protection of incomes
	Development of social bond markets	Negative spillovers of high unemployment rates in EU Member States are avoided	Improved debt profile		
			Reduced levels of unemployment	Reduction in hiring and compensation/ redundancy/ layoff costs	Maintained well-being and prevention of stigma and loss of human capital associated with unemployment
			Cushioning the impact of the pandemic (and economic closures) on household incomes	*These fall outside the scope of the study*	*These fall outside the scope of the study*
			More rapid recovery as compared to previous crises		

The costs of SURE as a financing mechanism

The costs specifically associated with SURE as a lending mechanism were limited in scope and scale. These costs, collected by the contractor and presented in Annex 9 of the external evaluation study, primarily encompassed:

- EU level – Commission staff time (DG ECFIN, DG BUDG and DG EMPL) involved in designing and managing the SURE instrument such as conceptualisation and design of the instrument, negotiation of national guarantees, eligibility checks of measures proposed, monitoring implementation, bond issuance, loan administration, handling of disbursements and repayments etc. The contractor collected data on the Commission resources (measured in Full-Time Equivalents, or FTEs) involved in the set-up and management of SURE.

Table A4.2 Human resources involved in the design and management of SURE at the European Commission

Task	Number of FTE	DG / UNIT	Notes
Coordination & Implementation	4 FTE (full-time until Autumn 2022, part-time Nov 2022-Mar 2023)	ECFIN C1	Coordinated implementation, drafted guidance, proposals, and templates. Liaised with DG EMPL. Support from others on specific topics.
Legal Framework Design	2 FTE	ECFIN A2	Involved mostly in the design phase, wrote the Regulation.
Assessment of Measures – eligibility checks and costings	1-2 FTE (quasi full-time in 2020)	19 ECFIN geo desks	Assessed MS measures for eligibility and costing. Summarised assessments into two-pagers.
Public expenditure assessment	Variable	Country desks within ECFIN	Involved especially in fiscal measures and projections, used checklists for specific issues.
Assessment of Measures - coherence with ESIF	~2.5 FTE at 80% (mostly in 2020)	EMPL F2 horizontal team	Involved in coordination on the EMPL side.
Assessment of Measures - coherence with ESIF	Variable	EMPL geo desks	Ensured no double funding, more marginal involvement.
Borrowing activities	4-5 FTEs (full-time in early 2021)	BUDG	Director and head unit supervised issuances, team worked full-time on SURE and NGEU.
Legal support for Loans	1-2 FTE (increased to 4 by end of 2020)	BUDG	Handled loan agreements, requests for funding, and legal opinions in-house. Stretched during debt issuance programme management.

- Member State level – at the Member State level, the beneficiary countries incurred costs related to the preparation of loan requests under SURE, including determining the eligibility and expenses of proposed measures, negotiating loan agreements, and conducting monitoring and reporting duties.

  The quantification of these costs at the Member State level, however, was not feasible due to staff turnover, institutional memory loss, and the time that had elapsed, which together complicate accurate assessment of staff resources involved in SURE in beneficiary Member States. In addition, ministries typically do not have systems in place for tracking staff time, making it difficult to quantify efforts accurately. Moreover, Member States generally face difficulties in providing such information. Therefore, instead of quantitative data, the surveys incorporated questions to allow qualitative assessment and gauge the proportionality of costs. These surveys targeted ministries directly involved, focusing on qualitative aspects to ascertain the proportionality of the expenses related to the SURE mechanism. In case study countries, the information collected via surveys was complemented with interviews.

Box A1: The costs of SURE at Member State level: findings from the case study countries

Lithuania: experienced no direct costs related to negotiating guarantees, loan agreements, and reporting. However, they faced challenges with reporting requirements, such as short deadlines for submissions, changing templates, and the need for data from various institutions. Despite these challenges, the cost and reporting burden was deemed proportionate to the benefits achieved.

Poland: reported that the costs associated with securing the State Treasury guarantee for SURE were negligible, as the process was integrated within the standard operations of relevant Ministry of Finance departments. There were no significant challenges in meeting reporting requirements, indicating an efficient SURE reporting system.

Portugal: incurred negligible costs in negotiating guarantee/loan agreements and reporting, without facing any challenges in meeting reporting requirements. The reporting burden was considered proportionate compared to the benefits achieved.

Italy: found the negotiation of SURE rapid and cost-effective, with an administrative structure that was flexible and easy to manage without the need for additional recruitment. The reporting process was streamlined and the cost of implementation was proportionate to the benefits achieved by the measures.

Spain: 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 programs such as the European Social Funds

Greece: ministries reported no costs specifically associated with negotiating guarantee/loan agreements and faced no challenges with reporting requirements. Achieved relative efficiency, with reporting costs deemed proportionate to the benefits. Suggested that interoperability of IT systems and data exchange among Member States could enhance efficiency.

The costs of implementing SURE-supported measures

The main costs stem from the implementation of SURE-eligible employment and health-related measures. While data on overall expenditure on SURE-eligible measures is provided in the table A4.3 below, it was beyond the scope of this evaluation to determine the cost of administrating these measures versus the share of expenditure that went to firms and workers.

*Table A4.*3 Total Member State spending on SURE-eligible employment and health-related measures versus SURE loan amount

Member State	SURE loan amount	Total eligible expenditure
Belgium	8.198	13.080
Bulgaria	0.971	1.017
Cyprus	0.633	0.643
Czechia	4.500	4.763
Greece	6.165	6.275
Spain	21.325	35.093
Croatia	1.571	1.606
Hungary	0.651	0.743
Ireland	2.474	2.474
Italy	27.438	28.575
Lithuania	1.099	1.121
Latvia	0.473	0.508
Malta	0.421	0.708
Poland	11.237	11.459
Portugal	6.234	6.726
Romania	3.000	3.932
Slovenia	1.114	1.224
Slovakia	0.631	1.877
Estonia	0.230	0.230
	98.364	122.053

Source: Member States' reporting to the Commission

For the case study countries, evidence was collected on the cost of administering and implementing these measures, including any inefficiencies identified. The findings are summarised in the box below.

Box A2: The costs of administering SURE-eligible measures: findings from the case study countries

Lithuania: during the pandemic, about 40% of the Public Employment Service's (PES) workload was dedicated to administering wage subsidies. It is estimated that €18.2 million from the PES wage fund was allocated for this purpose between 2020-2021, with an additional €771,700 for

increased workload supplements.

Poland: lack of data on additional costs and overall administration of SURE eligible measures as well as other support measures implemented to mitigate the impacts of the pandemic.

Portugal: there is no available information on the administrative costs incurred in expanding and enhancing existing SURE-eligible schemes.

Italy: faced implementation difficulties due to the unexpected crisis, which required a substantial increase in beneficiaries, all managed remotely. There were complexities in legislation and support access, especially for the self-employed, leading to low uptake of certain measures.

Spain: Rapid scaling up of ERTEs (temporary layoff schemes) was challenging due to inexperience with large-scale programs and staffing shortages, resulting in payment delays. Designing new regulations for self-employed benefits also posed challenges. Database inter-connectivity issues caused delays and errors in benefit implementation and reporting.

Greece: Reported high administrative costs for implementing SURE measures and conducting audits. There were capacity constraints in the public sector, lack of database and IT system interoperability, and understaffing of public structures.

Quantifiable benefits of SURE and SURE-supported measures

The benefits of SURE and SURE-supported measures were significant and wide-ranging**.** For beneficiary Member States, the quantified benefits include:

- **Unemployment avoided as a result of SURE-supported measures**: Using Okun's Law analysis, it is estimated that between 1.21 and 2.04 million people avoided unemployment in 2020 across the EU. Of this, between 1.03 million and 1.62 million people avoided unemployment in SURE beneficiary Member States. While Okun's Law does not imply causality, the substantial labour market interventions by Member States, including JRS, likely played a key role in safeguarding employment.
- **Interest rate savings:** The 19 Member States using SURE loans have benefitted from EUR 9.03 bn of interest rate savings. See table A4.4 below.

*Table A4.*4 Estimated interest rate savings by Member State

Member State	Average spread	Average maturity	Interest savings (EUR bn)
Belgium	0.06	14.7	0.14
Cyprus	0.64	14.7	0.06
Greece	0.84	14.6	0.65
Spain	0.44	14.7	1.58
Croatia	1.03	14.5	0.21

Member State	Average spread	Average maturity	Interest savings (EUR bn)
Hungary*	1.80	14.8	0.15
Italy	0.96	14.8	3.76
Lithuania	0.13	14.8	0.02
Latvia	0.34	14.8	0.02
Malta	0.56	14.6	0.04
Poland	0.55	13.6	0.80
Portugal	0.46	14.7	0.42
Romania	2.27	14.6	0.85
Slovenia	0.23	14.8	0.05
Slovakia	0.09	14.9	0.01
Bulgaria	1.76	15.0	0.18
Ireland	0.11	14.7	0.05
Czechia**	0.23	10.1	0.04
Estonia***	0.00	15.0	0.00
Total	**0.67**	**14.5**	**9.03**

Source: Commission estimates

Non-quantifiable benefits of SURE and SURE-supported measures:

- Improved debt profile from longer maturities of SURE loans
- Health-related measures financed under SURE contributed to strengthening the health response and ensuring workplace safety.
- SURE beneficiary Member States experienced a swifter recovery as compared to previous crises and SURE-financed JRS are expected to have played a role in supporting this, although exact contribution has not be estimated.
- SURE-financed measures have cushioned the impact of the pandemic (and economic closures) on household incomes.

Benefits at EU level:

- It is possible that SURE financing, by providing fiscal space, may have prevented negative spillovers across the EU. Some interviewees suggested that by providing Member States with the fiscal leeway to mount a more substantial response to the pandemic than otherwise possible, SURE potentially staved off adverse spillover effects within the euro area.
- SURE is estimated to have made a positive contribution to reducing labour market inequalities across the EU. Data shows that dispersion of unemployment rates across SURE beneficiary Member States decreased and converged with non-beneficiaries during the pandemic (see Annex 7 of the external evaluation study). In addition, SURE contributed to longer-term positive effects on the labour market by avoiding an erosion of skills, social scarring and a reduction of the labour force.

The evaluation finds that SURE issuances contributed to the development of social bond markets in the EU. SURE issuances contributed to enhancing the visibility and size of social bonds as an ESG asset class. SURE issuances are also likely to have contributed to attracting new investors to the social bond markets. There is however, mixed feedback on whether the EU social bond framework provided any benchmarks or templates for other issuers.

ANNEX V. STAKEHOLDERS CONSULTATION - SYNOPSIS REPORT

This annex summarises all stakeholder consultation activities undertaken for the evaluation or fitness check.

The Commission ran a call for evidence in June-July 2023 as well as an open public consultation (OPC) between October 2023-February 2024. All other stakeholder consultations have been independently conducted and analysed by the contractor.

Consultation strategy and methodology

The following sub-sections provide an overview of the consultation activities and the main stakeholder groups that were targeted. A mixed methods approach was chosen for the consultation comprising **scoping and semi-structured interviews**, a **public consultation**, two **targeted surveys,** one **Delphi survey** and five **targeted workshops**. All relevant stakeholders were given an opportunity to provide their views and a good response rate from most groups was achieved, with the exclusion of the open public consultation. Table A5.1 shows in detail the response rates to the consultation.

Table A5.1 Summary of stakeholder consultation response rates

Stakeholder type	Semi-structured interviews [Scoping]	Open public consultation (+ call for evidence)	Surveys targeted to officials of national Ministries of Finance / Labour	Delphi survey	Workshops
European Commission	[9]				
Credit rating agencies and financial markets	8				
EU-level social partners and other organisations	4				
Experts and academics				45 from 6 case study countries	8 participants to EU level workshop 4 workshops in case study countries
National stakeholders in case study countries	76	1	25 responses from 17 out of 19 beneficiary MS		
National public authorities in non-SURE recipients	7	2			
EU citizens, businesses and workers, NGOs		7			

Call for evidence

The 'call for evidence' on the SURE evaluation was open for feedback from 21 June to 19 July 2023. The Commission received 5 responses. The key issues raised by respondents to the Call for Evidence were as follows:

- **Additionality of SURE support**: the extent to which some or all of the measures financed by SURE would either not have been implemented at all or would have been implemented with reduced scope, generosity or duration. In a broader sense, the evaluation will examine the extent to which SURE absence might have limited Member States' fiscal responses to the crisis.
- **Impact additionality**: the potential diminished coverage of enterprises and employees or the curtailed macroeconomic effects had SURE not been in place.
- **Unintended consequences**: addressing concerns that measures financed with SURE support might have inadvertently supported unproductive or non-viable companies (so-called "zombie firms"), or impaired labour market mobility.
- **Audit and control:** whether the SURE framework was effective in minimizing the risk of irregularities and fraud.

Public consultation

The public consultation (OPC) on SURE was open for twelve weeks between 24 November 2023 and 15 February 2024 (in all official EU languages) and between 26 October and 15 February 2024 (in English). The OPC aimed to collect the views and evidence from wider stakeholders, including individual firms and workers. The consultation was accessible in all official EU languages via a dedicated page. The consultation outcome and the summary report are available on the Commission's 'Have your say' portal[79].

(a) Sample

Only ten participants took part in the OPC questionnaire, representing different countries and organization types:

- 2 respondents from Business Associations (Czech Republic and Spain);
- 3 respondents from Public Authorities (one from Spain and two from Belgium);
- 2 respondents from NGOs (Italy and Germany);

[79] The consultation outcome and the summary report are available at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13767-Temporary-Support-to-mitigate-Unemployment-Risks-in-an-Emergency-SURE-evaluation/public-consultation_en

- 3 respondents from EU citizens (Italy, Slovakia, and Poland).

(b) Job and income protection measures

All four respondents, two from Belgium and two from Spain, agreed that it was crucial for their respective governments to safeguard workers' jobs and incomes during the COVID-19 pandemic. Their responses offer insights into the effectiveness and impact of the job and income support measures implemented during this crisis. The survey shows that EU citizens consider these measures to be "absolutely essential", from the criticality of these measures in safeguarding jobs to their role in helping workers to cope with economic challenges. Additionally, both workers and firms benefited from the measures, experiencing advantages such as preventing job losses, personal bankruptcy, lay-off costs, and insolvency.

(c) EU support and solidarity

Respondents unanimously agree on the importance of EU support for Member States with limited financial resources during crises. They suggest the establishment of a structural emergency support instrument to enhance EU assistance to Member States, promoting unity and solidarity.

(d) Benefits of the SURE instrument

Respondents consistently recognise SURE's contribution to the development of short-time work and similar measures in their respective countries. They also agree on SURE's role in enhancing anti-crisis responses and ensuring the sustainability of public finances.

(e) Outcomes and impacts

Respondents express some dissatisfaction with certain outcomes of SURE-funded measures. They believe that these measures may have allowed certain firms to benefit from support that was not truly needed, supported unproductive or unviable firms, delayed necessary industry restructuring processes, or impeded the natural movement of workers between jobs.

(f) Healthcare measures

Respondents are uncertain about healthcare-related measures, with most answers categorized as “Unsure/Don't know". However, there is consensus on the effectiveness of health and safety requirements introduced in workplaces to ensure a safe working environment during the pandemic.

(g) Employment-related measures

Respondents generally perceive employment-related measures as efficiently implemented. However, there is no consensus regarding their timeliness. Additionally, opinions vary on whether the application process for SURE-financed employment measures is excessively burdensome. One respondent notes that despite numerous frauds, the measure's impact has been beneficial.

(h) Relevance of the SURE instrument

The respondents collectively agree on the relevance of the SURE instrument, especially during the uncertainties of the early COVID-19 phase. They consider SURE crucial for assisting Member States facing fiscal challenges in supporting workers and firms, demonstrating EU solidarity in both employment and health-related measures during crises. Respondents stress the importance of EU support for protecting jobs and incomes during the pandemic.

(i) Features of the SURE instrument

Respondents generally find certain features of SURE appropriate, such as its clear social purpose and the sufficiency of its financial envelope of EUR 100bn. However, there is uncertainty or disagreement regarding other features, including:

- The speed of SURE financing availability.
- The level of prescriptiveness and absence of detailed specifications or conditionality.
- The innovative financial architecture based on common borrowing.
- The lack of pre-defined national allocations.
- The temporary nature of the SURE instrument.
- The concentration limit for the top 3 beneficiary Member States.

Respondents agree that SURE signals EU solidarity among Member States, but there is uncertainty about its impact on financial markets.

(j) Unified approach of SURE

The respondents acknowledge SURE's demonstration of a unified EU approach in addressing common external shocks and its effectiveness in showcasing the benefits of swift, coordinated action at the EU level. Some perceive SURE as successful, while other express uncertainty regarding its effectiveness.

(k) Role in alleviating fiscal pressure

There is no consensus among respondents regarding SURE's role in alleviating fiscal pressure, with most answers “Don´t know/ Unsure” prevailing.

(l) Conclusion

In summary, the response rate to the OPC was low. The feedback from respondents emphasises the impact of the SURE instrument across various dimensions. The unanimous recognition of the crucial importance of job and income protection measures during the pandemic highlights the effectiveness and added value of SURE in safeguarding workers' incomes and the sustainability of Member States' economies. Although respondents generally perceive employment-related measures as efficiently implemented, there is some divergence in opinions regarding their timeliness and the application process for SURE-

financed employment measures. Additionally, concerns about certain outcomes resulting from SURE-financed measures indicate the need to maximize their effectiveness. Despite the challenges, respondents acknowledge the significance of EU support and solidarity. SURE was a crucial tool in demonstrating unity and providing essential assistance to Member States.

Targeted surveys

Two targeted surveys were launched on 26 October 2023 and closed in February 2024. The survey targeted to Ministries of Finance (MoF) was answered by 15 individuals. The targeted survey for Ministries of Labour (MoL) was answered by 10 individuals.

Table A5.2 Geographical coverage of the answers.

MS	Ministry of Finance	Ministry of Labour
BE	Yes	No
BG	Yes	Yes
CY	No	Yes
CZ	Yes	No
EE	Yes	Yes
EL	Yes	No
ES	Yes	Yes
HR	Yes	No
HU	Yes	Yes
IT	Yes	No
LT	Yes (2 respondents)	Yes (2 respondents)
LV	Yes	No
PL	Yes	Yes
RO	Yes	No
SI	Yes	No
SK	No	Yes

(a) Degree of involvement with SURE

In terms of level of involvement and knowledge of SURE, two MoL respondents and five MoF respondents were involved in discussions with the Commission on the eligibility of actions for SURE funding, two MoL respondents were involved in policy decisions on the design and implementation of SURE-eligible actions, nine MoF respondents were involved in discussions on SURE loan agreements, and 14 MoF respondents and seven MoL respondents were involved in monitoring and reporting activities related to SURE. Two MoL respondents replied that they were not involved in SURE.

(b) Covid-19 reaction

Which of the following measures were activated or implemented in your Member State and how were these financed?

According to 10 MoL and 15 MoF respondents:

- STW schemes were financed by SURE in 11 Member States, by ESIF in one, and by other sources in five.
- Wage subsidies were financed by SURE in 10 Member States, by ESIF in 4, and by other sources in six.

- Reductions in social security contributions for firms retaining workers were financed by SURE in one Member State, by ESIF in two, and by other sources in two.
- Support for the self-employed was financed by SURE in four Member States, by ESIF in two, and by other sources in six.
- Income support for gig workers was only financed by SURE in one Member State.
- Special leave benefits such as paid sick or quarantine leave were only financed by other sources in five Member States.

Besides the measures listed above, were there any other measures introduced in your Member State to protect workers' jobs and incomes during the pandemic?

Various countries implemented measures to protect workers' jobs and incomes during a period of economic difficulty. These measures included benefits such as idleness benefits, state-paid sick leave, and increased child benefits. Some countries offered loan guarantees and subsidies for businesses and the self-employed, while others suspended tax obligations and social security contributions. Additional support measures included rent reduction for suspended labour contracts, subsidization of social security contributions for new hirings, and reductions in the payment of social security contributions. Measures were also taken to avoid layoffs, support remote working, provide bonuses for medical staff, and offer grants to companies.

Reflecting on your Member State's fiscal position during 2020 to 2022, please indicate your level of agreement or disagreement with the following statements: [MoF only]

In accordance with MoF representatives' answers:

- Out of 15 respondents, 10 agree or strongly agree that prior to the Covid-19 outbreak, the country had a comfortable fiscal position, enabling it to address unforeseen economic challenges. Only one disagrees, while four neither agree nor disagree.
- Out of 15 respondents, four agree that, as the Covid-19 crisis emerged in 2020, the country's fiscal capacity to respond to the pandemic was severely limited or constrained. However, 10 disagree, and one neither agrees nor disagrees.
- Out of 15 respondents, five agree that, throughout the period 2020-2022, the country's fiscal capacity to address ongoing pandemic challenges remained limited or constrained. Instead, four disagree and six neither agree nor disagree.

For the main short time work (STW) scheme or wage subsidy (WS) scheme implemented in your Member State during the COVID-19 pandemic, please select the statement that best describes its current status: [MoL only]

This question was answered by six MoL representatives. Five of them replied that it was a temporary scheme and has since been discontinued, while only one replied that it was a temporary scheme, but has now been made permanent.

Please indicate the extent to which the following categories of workers are now covered by a permanent scheme in your country. If there are any categories missing from the above list or any additional comments, please indicate these here: [MoL only]

All of the MoL respondents replied that the categories were not covered, except for one country which marked as covered or fully covered all of the following categories of

workers: permanent workers, temporary or contract workers, seasonal workers, gig workers, part-time workers, self-employed.

For each of the pandemic years, please choose the statement which best describes the extent to which there was a need for government spending on employment-related measures (aimed at protecting jobs and incomes) in your Member State.

In 2020 and 2021, eight out of 10 MoL respondents indicated that government spending on employment-related measures in their MS was critical for all or most of the year, while two respondents found it necessary for only part of 2020 and 2021. In 2022, six out of 10 MoL respondents felt government spending was necessary for part of the year, while four felt it was not necessary at all.

In 2020, 14 out of 15 MoF respondents said there was a critical need for government spending on employment-related measures for the whole year, while only one said it was necessary for only part of the year. For 2021, nine reported a critical need for the whole year and six for only part of the year. Finally, for 2022, 10 said that spending was needed for part of the year, while five said that spending was not needed at all.

For each of the pandemic years, please choose the statement which best describes the extent to which there was a need for government spending on health-related measures in your Member State [MoF only]

Seven out of seven MoF respondents replied that the need for government spending on health-related measures was critical throughout or most of 2020. This number decreases to five for 2021 and to just one for 2022, while the respondents stating that it was necessary for only part of the year are two for 2021 and five for 2022. One respondent says that in 2022 health-related spending was no needed at all.

For each of the following actions in the EU response to Covid-19, please rate the extent to which they played a role in supporting your country's recovery from the pandemic/alleviating fiscal constraints [MoF only]

Out of the 15 MoF respondents:

- Eight believe that the SURE loan (2020 – 2022) significantly contributed to supporting the country's recovery, while six believe that it only slightly contributed to it. One does not know.
- Four believe that the ECB's 'pandemic emergency purchase programme' (PEPP) significantly contributed to supporting the country's recovery, one believes that it slightly contributed to it, while five think that it played no role. Five do not know.
- Eight believe that the activation of the general escape clause of the Stability and Growth Pact, two believe it slightly contributed to it, while one thinks it played no role. Four do not know.
- Therefore, it appears that respondents saw the SURE instrument a relatively more effective tool to support the countries' recovery, at least compared to the ECB's PEEP and the activation of the general escape clause of the Stability and Growth Pact.

(c) Role of SURE

Given the intense uncertainties in the early phase of the COVID-19 pandemic, how relevant do you believe the SURE instrument was in …

Based on the responses from the 10 MoL and 15 MoF respondents:

- Perceptions may vary slightly within each Member State, depending on the ministry of origin.

The vast majority (22 out of 25) believe that SURE was relevant or extremely relevant in bolstering the country's ability to protect jobs and incomes during the pandemic, with only two Member States expressing negative opinions, and one that is unsure.

Similarly, the vast majority of respondents (22 out of 25) think that SURE was relevant or extremely relevant in assisting Member States confronted with fiscal or borrowing challenges in providing adequate support to workers and firms during the pandemic. Only one MoF respondent provides a negative opinion, while two are not sure.

- The vast majority also state that SURE demonstrated EU solidarity to support employment protection (24 out of 25) and health-related (21 out of 25) measures during a shared crisis, although the respondents were slightly more unsure on the latter.

For each of the statements below, please indicate your level of agreement or disagreement regarding the benefits delivered by the SURE instrument.

Based on the responses from the 10 MoL and 15 MoF respondents:

- Perceptions may vary slightly within each Member State, depending on the ministry of origin.
- 12 out of 25 respondents disagree or strongly disagree on the role of SURE in influencing the decision to introduce a STW or similar measure in their country, against five that agree or strongly agree. The reminders neither agree nor disagree.
- 14 out of 15 MoF respondents disagree or strongly disagree on the role of SURE in influencing the decision to introduce health-related measures. Only one agrees with this statement.

The majority of respondents (12 out of 25) do not have a specific opinion concerning the role of SURE in increasing the generosity of support offered via STW during the pandemic. Of those who provided a response, 7 disagree or strongly disagree with the statement, and 6 agree or strongly agree.

Similarly, 8 respondents agree or strongly agree and 8 disagree or strongly agree with the possibility that SURE may have influenced positively the coverage of STW in their country during the pandemic. The reminders neither agree nor disagree.

- 10 out of 25 respondents agree or strongly agree that SURE was determinant in increasing the duration of STW or similar measures in their country during the pandemic, against 9 that disagree or strongly disagree. The reminders neither agree nor disagree.
- The vast majority of MoF respondents (13 out of 15) agrees or strongly agrees that SURE provided their government with the financial flexibility to amplify its anti-crisis response. Only one strongly disagrees, while one remains neutral.

- The majority of MoF respondents (10 out of 15) agrees or strongly agrees that SURE contributed to the sustainability of public finances in their country. Only one disagrees, while four remain neutral.

In the absence of SURE financing...

Based on the responses from the few MoL and MoF respondents to this question:

- Perceptions may vary slightly within each Member State, depending on the ministry of origin.

Among those who responded these questions, most reported that the allocated budget on employment-related measures and these measures' duration would have been about the same. No meaningful answers were given regarding health-related measures.

When asked which sectors or groups of workers might not have received support or coverage during the pandemic, respondents said that most sectors received support. One respondent mentioned workers in public sector, healthcare and financial services would have been excluded. Another one mentioned self-employed workers.

- When asked about whether the design or implementation of support measures would have been different without SURE, the vast majority of respondents declared that would not have been any differences. One MoL respondent replied that the duration might have been shorter, and one MoF respondent replied that financial constraints might have led to reduced duration and generosity of the measures.
- Overall, these answers suffer from high non-response rates, making it impossible to derive a solid conclusion.

Health-related measures (MoF only)

Few MoF respondents provided their views on the importance of SURE to finance health-related measures:

- SURE was deemed very important for financing medical equipment and medication for public hospital by three respondents, of little importance by another, and not important at all by yet another.
- SURE was deemed very important for financing the wage support provided to healthcare workers by three respondents, and of little importance by another.
- Regarding the measures' effectiveness in strengthening the healthcare response to COVID-19, three state that they were very effective, while two state that they were moderately effective.
- SURE was deemed very important for financing health and safety requirements in workplaces by two respondents, important by another, and of little importance by yet another.
- Regarding the extent to which the health and safety requirements that were introduced in workplaces were effective in ensuring a safe working environment during the pandemic, four respondents believe they were very effective.

(d) Measures financed by SURE

For each of the statements below, please indicate your level of agreement regarding the benefits delivered by the employment-related measures supported with SURE financing. Please select one option per row.

Based on the responses from the 10 MoL and 15 MoF respondents:

Perceptions may vary slightly within each Member State, depending on the ministry of origin.

The vast majority of respondents agrees or strongly agrees with the proposed effects of employment-related measures supported with SURE financing. In particular, out of 25 respondents, 21 are positive about the role of the measures in averting widespread job losses during the pandemic, 24 are positive about their role in preventing workers from dropping out of the labour market permanently, 19 think they helped in preventing extensive business insolvencies, 17 think they enabled a quicker recovery compared to previous economic downturns, and 21 think they helped firms retain workers during the pandemic. No respondent disagreed or strongly disagreed with the proposed benefits, as all remaining answers were neutral.

The vast majority (22 out of 25) reported that the measures supported self-employed individuals, while responses on other categories of workers were more mixed. Out of 25 respondents, 18 think the measures supported temporary or seasonal workers, 18 think they supported part-time workers, while only 10 think they supported gig workers. Additionally, 19 think they supported young workers while 15 think they supported female workers. Most non-positive responses neither agree nor disagree that the measures supported these categories of workers.

- MoF representatives were also asked about the benefits of health-related measures, but no meaningful answers were given.

To what extent did each of the following measures implemented with SURE financing in your Member State, contribute to preserving employment during the COVID-19 crisis, especially in 2020? [MoL only]

Out of the 10 MoL respondents:

- Only two stated that STW schemes substantially contributed to preserving employment. The rest did not know, or the question did not apply.
- Four stated that wage subsidies substantially contributed to preserving employment. The rest did not know, or the question did not apply.
- Only two stated that reductions in social security contributions for firms retaining workers during the pandemic substantially contributed to preserving employment. The rest did not know, or the question did not apply.
- Three stated that the support for the self-employed substantially contributed to preserving employment, while one stated it slightly contributed. The rest did not know, or the question did not apply.
- Only two stated that support for gig workers, seasonal workers, temporary workers, and part-timers substantially contributed to preserving employment. The rest did not know, or the question did not apply.

Based on your understanding, did any of the employment-related measures supported by SURE financing lead to the following outcomes? Please indicate your response for each potential effect

Based on the responses from the 10 MoL and 15 MoF respondents:

- Perceptions may vary slightly within each Member State, depending on the ministry of origin.

- Many respondents did not express their view on these outcomes, which may indicate a generalised uncertainty about them.

There is substantial agreement that employment-related measures contributed to avoiding declines in participation rate. 16 out of 25 respondents from both ministries agreed with this, and only one disagreed. However, only two think that they have helped workers to move smoothly to new jobs / new sectors, while 10 say this was not the case.

Views on the negative unintended consequences of SURE-financed measures were more mixed and tended to be negative. Among those who answered 'yes' or 'no', only three out of nine think that the measures have encouraged a shift from the informal to the formal sector, only three out 13 think that they have allowed certain firms or workers to benefit from support when they did not need it, only two out of 12 think that they have supported unproductive firms/workers, only three out of 12 think that they have delayed essential restructuring processes within firms/sectors, none thinks that they have hindered the natural movement or transition of workers between jobs.

(e) Features of SURE

Considering the specific challenges and needs of your Member State during the crisis, please indicate the extent to which you believe that the following features of SURE were appropriate. [MoF only]

Out of the 15 MoF respondents:

- Seven believe that SURE is appropriate as an EU level anti-crisis instrument with a clear social purpose, and eight believe it is very appropriate.
- Eight believe that the temporary nature of SURE is appropriate, and four believe it is very appropriate. Two believe it is not appropriate.
- Eight believe that the speed at which SURE financing was made available was appropriate, six that it was very appropriate, while one that it was not appropriate.
- Nine think that the low prescriptiveness and absence of detailed specifications or conditionality of the SURE instrument, and four that it was very appropriate. One thinks that it was not appropriate, while one does not know.
- Eight deem the size of financial envelope sufficient, and six deem it very appropriate. One does not know.
- Seven find the innovative financial architecture based on common borrowing appropriate and six find it very appropriate. Two respondents do not know.
- Seven find the instrument’s lack of pre-defined national allocations appropriate, and three find it very appropriate. Still, one respondent does not find appropriate, and four do not know.
- The concentration limit of maximum 60% for the top three beneficiary Member States is deemed to be appropriate by six respondents and very appropriate by five. Four respondents do not know.

Please indicate any aspects of the SURE instrument design that particularly stood out as its strengths? [MoF only]

The SURE instrument garnered praise among the MoF respondents for its swift and efficient deployment of assistance. Its favourable loan terms, clear eligibility criteria, and flexibility in defining measures tailored to national circumstances were highlighted as key

strengths. The instrument's focus on preserving employment, coupled with its retroactive eligibility and minimal administrative burden, further enhanced its effectiveness. Additionally, the possibility of joint requests among Member States reduced potential stigma, while the utilization of EU debt funding offered simplicity, equality, and potential paved the way to a euro area safe asset.

Please indicate any aspects of the SURE instrument design that particularly stood out as its weaknesses? [MoF only]

Some weaknesses identified include administrative burdens, especially during project closure, which hindered efficient coordination post-emergency. There were mentions of concerns over the adequacy of financing capacity, particularly due to increased Member State participation, and challenges were noted for non-euro area states in assessing loan benefits compared to their sovereign borrowing. The fact that reporting obligations continued regardless of the actual fund allocation, uncertainty about the impact of financing, and lack of direct choice in tranche parameters were also cited. Additionally, criticisms encompassed the absence of grants, the instrument's temporary nature, and the guarantee system with Member State veto power, which may limit its effectiveness. Nonetheless, four respondents did not perceive major weaknesses.

Reflecting on your Member State's expectations and needs when applying for SURE loans, please rate the following aspects of SURE loan. [MoF only]

Out of the 15 MoF respondents:

10 stated that the interest rates on SURE loans met expectations, and two that it exceeded them. One stated that they were below expectations (see next point). The rest did not know.

10 stated that the maturity of SURE loans met expectations, and one that it exceeded them. Two stated that they were below expectations. One of them, who also responded negatively to the previous question, elaborated by saying that longer loans would have made it possible to obtain more advantageous interest rates, compared to the rates paid by their own funding means. The rest did not know.

- Nine stated that the timeliness of disbursements met expectations, and three that it exceeded them. The rest did not know.
- Eight stated that the standardisation of the loan agreements met expectations, and one that it exceeded them. One stated that it was below expectations, and it complained about the limited ability of the MS to modify the template of the agreement, as well as to impact the parameters of tranches. The rest did not know.
- 10 stated that the ability to manage payments given bullet repayment at a future date met expectations. The rest did not know.

(f) Audit and control

What were the main steps taken by your country to prevent, or correct for any fraud / irregularities involving SURE funds?

Out of the 10 MoL respondents and 15 MoF respondents

- Ex-ante controls and verification were mentioned by seven MoL respondents and 11 MoF respondents.

- Ex-post audits of fund use were mentioned by seven MoL respondents and 12 MoF respondents.
- Ex-post compliance checks were mentioned by four MoL respondents and 11 MoF respondents.
- Fraud recoveries were mentioned by eight MoL respondents and 10 MoF respondents.
- One MoF respondent also mentioned irregularities recoveries.

To what extent have planned ex-post controls, including audits, of measures financed by SURE been carried out in your Member State? To what extent the ex-post audits and controls conducted in your Member State, have found evidence of the following?

Based on the responses from the 10 MoL and 15 MoF respondents:

Eight respondents, corresponding to seven Member States, say that ex-post controls of SURE-financed measures have been fully completed. Instead, seven respondents, corresponding to six Member States, say that ex-post controls have been completed only partially. Only one Member State provided internally inconsistent responses. 10 respondents, corresponding to eight Member States, were unsure.

The limited number of responses does not allow to derive conclusions on the risks of different types of fraud or misuses[80]. Of the seven respondents (three MoL, four MoF) that were asked whether they found evidence of various types of frauds and misuse, five found little or no evidence of fraud by organised crime (two do not know), four found little or no evidence of opportunistic fraud (two do not know, one found it to some extent), four found little or no evidence of double tipping (three do not know), four found little or no evidence of misuse by firms/employers (one does not know, two found it to some extent), two found little or no evidence of application errors resulting in overpayments (three do not know, one found it to some extent, one to a moderate extent), four found little or no evidence of administrative errors on the government or administering body's side (two do not know, one found it to some extent).

What action did your Member State take to address and minimise the above frauds and errors?

Out of the seven respondents (three MoL, four MoF) that answered, four mention ex-ante controls, two discuss measures to prevent misuse of support to the self-employed, and one mentions recovery activities.

Please briefly comment on why planned controls have not been carried or fully completed?

Respondents from one country reported that local labour offices have yet to carry out their own inspections. One MoF respondent states that administrative procedures following the

[80] Organised crime: organised crime groups orchestrated large-scale schemes to defraud the system. Opportunistic fraud: individuals or firms taking advantage of the situation without premeditation. Double tipping: firms or individuals applying for and receiving aid from multiple sources, more than they are entitled to. Misuse by firms/employers: some firms might have claimed for furloughed employees while still making them work.

audits are still ongoing, while another says that delays are due to the high number of beneficiaries.

(g) General feedback on SURE

Please indicate the extent to which you agree or disagree with the following statements.

Based on the responses from the 10 MoL and 15 MoF respondents:

- Perceptions may vary slightly within each Member State, depending on the ministry of origin.
- The vast majority of respondents believes that the costs of implementing measures financed by SURE were proportionate, with 20 out of 25 agreeing or strongly agreeing and 5 neither agreeing nor disagreeing. No respondent disagreed with the statement.
- The vast majority of respondents believes that SURE-financed measures were rolled out in a timely manner, with 23 out of 25 agreeing or strongly agreeing and 2 neither agreeing nor disagreeing. No respondent disagreed with the statement.
- The majority of respondents agreed believes that the reporting requirements for SURE were proportionate, with 15 out of 25 respondents agreeing or strongly agreeing and 10 neither agreeing nor disagreeing. No respondent disagreed with the statement.

Please indicate the extent to which you agree or disagree with the following statements.

Based on the responses from the 10 MoL and 15 MoF respondents:

Perceptions may vary slightly within each Member State, depending on the ministry of origin.

The vast majority of respondents agreed or strongly agreed that SURE sent a strong signal of EU solidarity to beneficiary MS (22 out of 25), and to financial markets (13 out of 15), that it demonstrated a unified approach among EU Member States to addressing a common, external shock such as the COVID-19 pandemic (23 out of 25), as well as the benefits of swift, coordinated, large-scale action at EU level (23 out of 15), and that it improved confidence in the EU's ability to respond to crisis (21 out of 25).

Views were more mixed on whether SURE played a role in curbing negative market speculation for Member States with high debt levels (seven out of 15 agree or strongly agree, while the others are neutral), whether the financed measures played a role in preventing a rise in labour market inequality across Member States (14 out of 25 agree or strongly agree, one disagrees, the rest are neutral), and on whether SURE contributed to enhanced learnings/ information exchange across beneficiary Member States regarding short time work or similar measures (11 out 25, three disagree, the rest is neutral).

- Finally, 10 respondents out of 25 agree with the statement that their MS would not have achieved the same impacts/benefits without EU support. Further six strongly agree with this statement, and eight neither agree nor disagree. Only one respondent disagrees.

Please indicate the extent to which you think the SURE instrument was a success.

Out of the 10 MoL respondents, two believe that SURE was very successful, five that it was successful, while one that it was moderately successful. Two do not know. No respondent stated SURE was only slightly successful or not successful at all.

Out of the 10 MoF respondents, five believe that SURE was very successful and 10 that it was successful. No respondent stated SURE was only slightly or moderately successful or not successful at all.

In your opinion what were key lessons learnt from your overall experience with the SURE instrument (e.g., relating to the preparation, design, implementation, monitoring/evaluation of the instrument)?

From the perspective of the MoL respondents, the SURE instrument was crucial during the challenging pandemic period, offering flexibility that yielded excellent results compared to rigid controls. It is important to clearly define all processes, including monitoring and evaluation, during the planning stages of such instruments. Additionally, sharing best practices among Member States would be important for the development of future crisis response tools.

The MoF respondents commended SURE for its rapid implementation and effectiveness in providing timely financial assistance. They appreciated the prioritisation of speed over stringent controls, which allowed funds to be delivered promptly. Some noted that beneficiary Member States face an administrative burden and suggested improvements to increase flexibility, incorporate back-to-back financing principles, and integrate emergency instruments directly into the EU Budget to streamline processes and enhance solidarity.

Delphi survey

(a) Sample

The purpose of the Delphi survey was to objectively assess the design and implementation of SURE and to provide insights and lessons learnt on EU support to Member States in times of crisis.

The first round of this survey received 45 respondents from the six case study countries: Greece, Italy, Lithuania, Poland, Portugal and Spain. They represent 11 different types of organisations. The table below shows the distribution of respondents by country and type of organisation.

Table A5.3 Respondents by Country and Type of Organisation (Q4).

Type of Organisation (Q4)	Greece	Italy	Lithuania	Poland	Portugal	Spain	Total	% out of Grand Total
Academic institution	6	4	4	2	5	4	**25**	**55.60%**
Trade union		2	2		1		**5**	**11.10%**
Think tank						4	**4**	**8.90%**
Employer organisation	1		1		1		**3**	**6.70%**
Government agency						2	**2**	**4.40%**
Independent fiscal institution						1	**1**	**2.20%**
International organisation		1					**1**	**2.20%**
Media		1					**1**	**2.20%**
Non-profit private institution						1	**1**	**2.20%**
Private sector				1			**1**	**2.20%**
Research & Training Institute	1						**1**	**2.20%**
Grand Total	**8**	**8**	**7**	**3**	**7**	**12**	**45**	**100%**
% out of Total	**17,8%**	**17.80%**	**15.50%**	**6.70%**	**15.50%**	**26.70%**	**100%**	

The respondents to the survey represent a wide range of professions. The majority of respondents (24) are involved in labour market policy. There is also a significant presence from the macroeconomic field (11 respondents). Respondents who answered 'other' include health economics, competition policy, industry policy, international economics, regional studies, global value chains, industrial competitiveness, private sector finance, social policy, tourism and hospitality, and training.

Figure A5.4 Occupation of the respondents (Q5)

Source: Delphi survey

(b) Awareness and familiarity

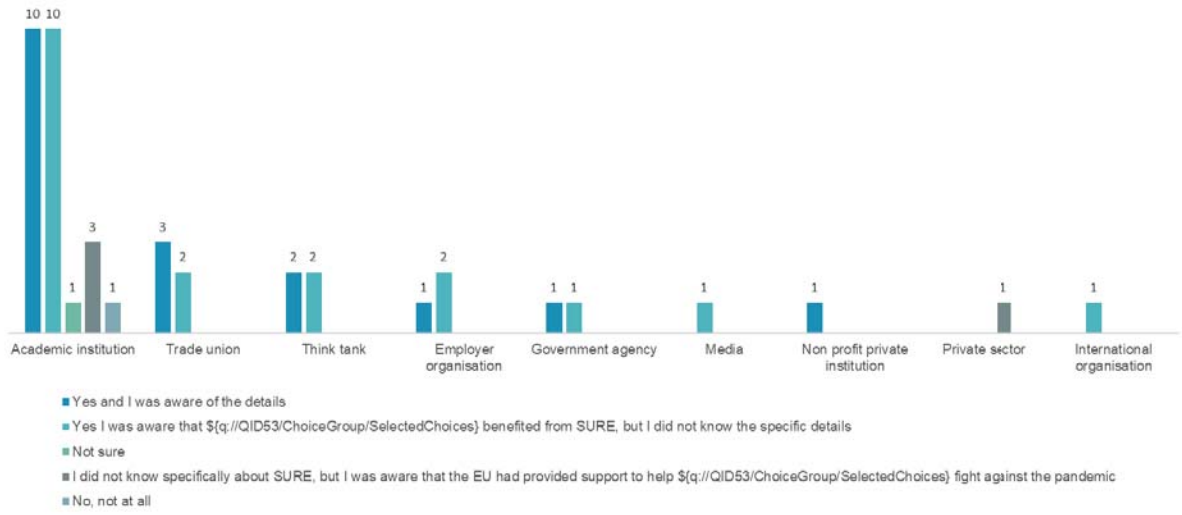
Awareness of SURE

In response to the question "*Before receiving an invitation to this Delphi questionnaire, were you aware of the fact that the EU had provided a SURE loan to [respondent's Member State] to finance labour market and health-related measures during the pandemic?*", 42.2% of respondents (19) were aware of the SURE loan and knew its details, suggesting a relatively high level of understanding among this group.

In addition, 44.4% of respondents (20) were aware that [respondent's Member State] had benefited from SURE, although they did not have specific details about the loan. This suggests a broad awareness of the existence of the initiative and its relevance to the respondents.

Overall, the results suggest a moderate to high level of awareness among respondents regarding the EU's provision of financial support through the SURE loan instrument, with some variations in the depth of understanding among different respondents.

Figure A5.5 Awareness of SURE by type of organisation.



Source: Delphi survey

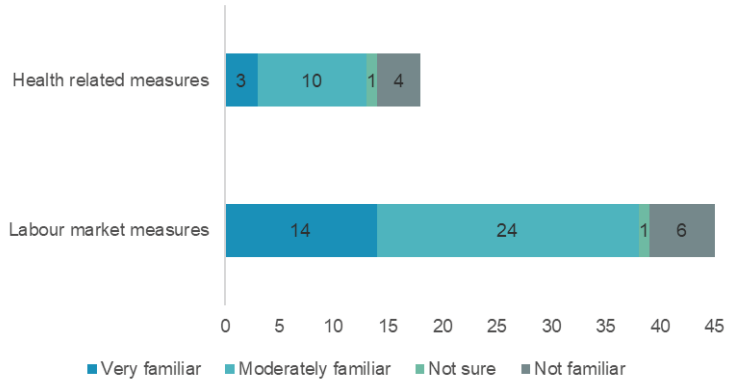
Familiarity with SURE-financed labour market and health-related measures

To the questions *"How familiar are you with the health-related measures implemented under SURE in [respondent's Member State]?" and "How familiar are you with the health-related measures implemented under SURE in [respondent's Member State]?"* respondents reported varying degrees of familiarity with both types of measures.

For labour market measures, the majority of respondents reported being either moderately familiar (24) or very familiar (14), suggesting a considerable level of awareness and understanding.

Regarding familiarity with health-related measures only 18 respondents answered (question applicable in 3 countries only, where SURE had financed health-related measures). While a portion of respondents reported being moderately familiar (10), a smaller number indicated being very familiar (3).

Figure A5.6 Familiarity with SURE-financed labour market and health-related measures.



Source: Delphi survey.

(c) Design aspects

Appropriateness features of SURE

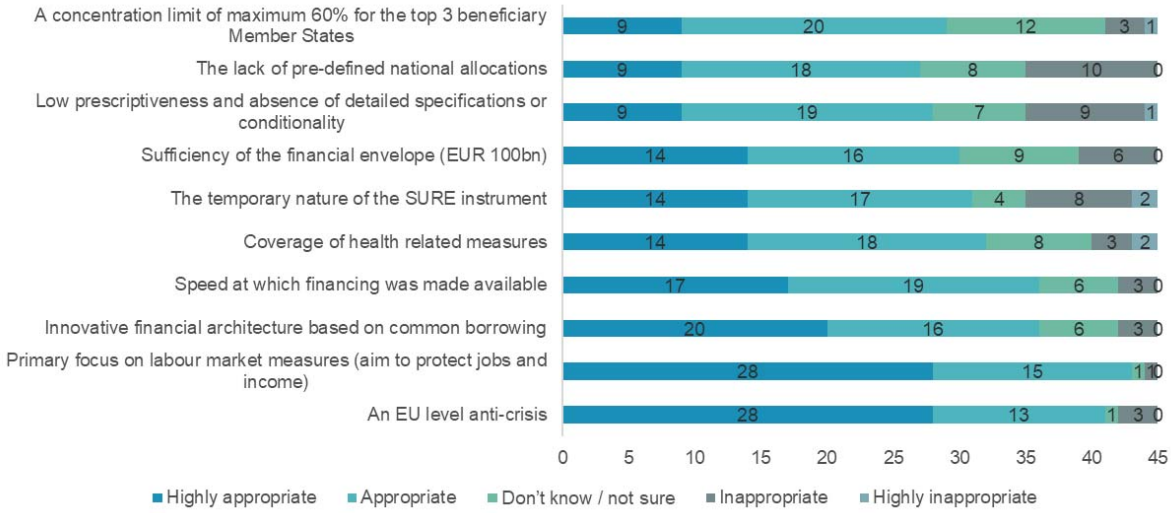
Respondents were asked to assess the appropriateness of various features of the SURE instrument considering the specific challenges and needs of their Member States. A total of 10 features were evaluated, and all 45 respondents provided responses to each question. In Figure A5.7, the following can be highlighted:

On the one hand, there is large support for many SURE features such as i) an EU-level anti-crisis response, ii) a primary focus on labour market measures, iii) the innovative financial architecture based on common borrowing and iv) speed at which financing was made available, with a noteworthy number of respondents rating these as "Highly appropriate."

On the other hand, some features, such as the lack of pre-defined national allocations; low prescriptiveness of detailed specifications or conditionally and the temporary nature of the SURE instrument seem to show more discrepancy, as they received a higher number of "Inappropriate" responses.

- Coverage of health-related measures and the temporary nature of the SURE instrument appear to be more controversial aspects, with two answers each indicating “Highly inappropriate”.

Figure A5.7 Assessment of SURE appropriateness per feature.



Source: Delphi survey.

Strength in the design of the SURE instrument

41 respondents provided insights into the strengths of the SURE instrument design. Their feedback emphasised the rapid deployment of the instrument, its flexibility in decentralising the details to the countries and its continuity through the NextGenerationEU. Respondents also highlighted its focus on labour market support, financial solidarity and timely response, as well as its innovative financial architecture and risk-sharing mechanisms. Overall, respondents appreciated the instrument's ability to address urgent needs, support employment preservation and facilitate collaborative EU efforts during the pandemic.

Weaknesses in the design of the SURE instrument

38 respondents commented on the weaknesses in the design of the SURE instrument. Concerns were raised about its temporary nature, with suggestions for a more permanent capacity to deal with significant shocks. In addition, limitations in terms of funding adequacy, debt implications and administrative complexity were highlighted as challenges. Some respondents emphasised the need for better evaluation and monitoring mechanisms, as well as improvements in targeting and conditionality.

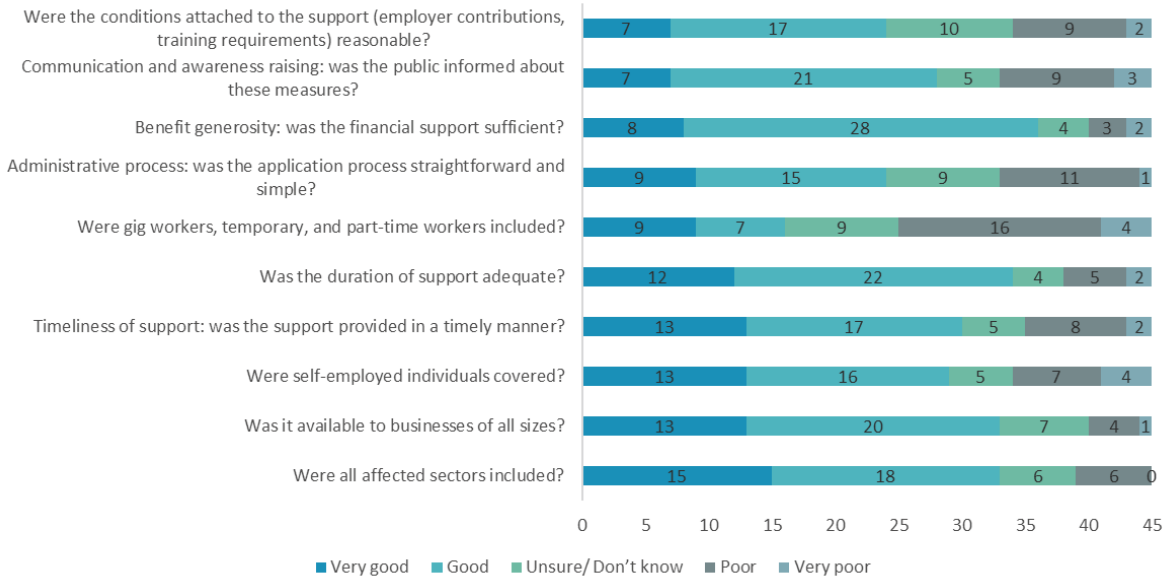
(d) SURE-financed employment measures

Aspects of SURE-financed job and income protection measures

45 respondents answered how they would rate different aspects of the SURE-funded employment and income protection measures implemented in their country. The figure below shows a generally positive assessment of the inclusion of all sectors concerned, the availability to enterprises of all sizes, the coverage of the self-employed and the timeframe of support, with a significant proportion of respondents rating these aspects as 'very good'.

However, there is a notable perception of inadequacy regarding the inclusion of gig, temporary and part-time workers, with a higher proportion of respondents rating these aspects as 'poor' or 'very poor'.

Figure A5.8 Rating of SURE-financed Job and Income Protection measures´ aspects.



Source: Delphi Survey.

Strengths in SURE-Financed labour market measures

39 respondents provided insights into the strengths of SURE-funded labour market measures. These include their rapid deployment and effectiveness, their focus on job retention and their broad coverage of different sectors and types of workers, their crucial role in preventing unemployment, maintaining employment and providing income protection during the pandemic crisis. In addition, respondents cited the flexibility, generous benefits and efficient use of funds as key strengths of the instrument.

Weaknesses in SURE-financed labour market measures

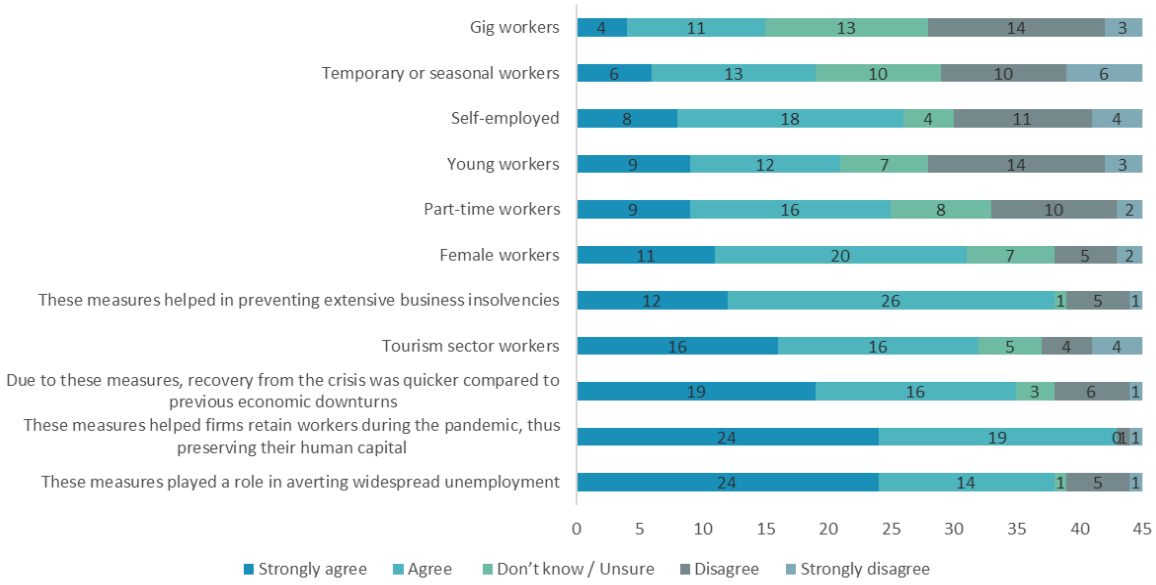
38 respondents reported weaknesses in the labour market measures funded by SURE. These include inadequate coverage of temporary and self-employed workers, concentration on permanent workers, and concerns about administrative complexity and debt implications. There is also criticism of the temporary nature of the instrument, potential labour market distortions and insufficient funding to address the challenges of long-term unemployment. Respondents also highlighted problems with administrative implementation, lack of flexibility and the need for better targeting and support for precarious workers.

Perceived benefits of SURE-financed measures

Respondents were asked to indicate their level of agreement with the benefits of measures in 11 different categories. The majority of respondents strongly agree or agree that these measures played a role in averting widespread unemployment and helped companies retain workers during the pandemic. However, there is less certainty about their impact on specific groups of workers, with higher levels of uncertainty about their impact on gig

workers and temporary or seasonal workers. There are also mixed views on their effectiveness for young or part-time workers.

Figure A5.9 Perceived Benefits of Implemented Measures by category.



Source: Delphi survey.

Key macroeconomic and microeconomic factors facilitating the effectiveness of measures

35 respondents gave their views on the macro- or microeconomic factors that they felt contributed to the effectiveness of these measures. On the macro side, factors such as the large and diversified economy, loose monetary policy and the government's fiscal capacity played an important role. The relative flexibility of the labour market and the resilience of value chains also contributed to their success. Microeconomic factors, including rapid changes in business models, high bargaining power of employees and rapid adaptation of companies to change, also played a crucial role for respondents.

Key macroeconomic and microeconomic factors hindering the effectiveness of measures

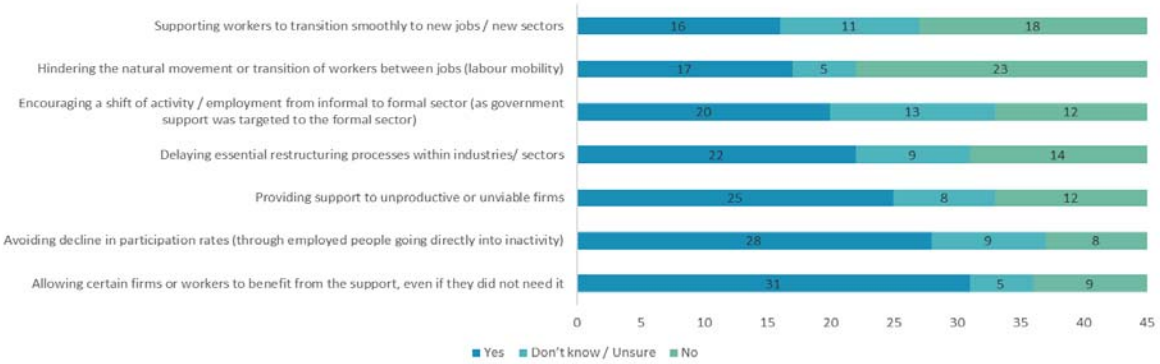
38 respondents shared their views on the factors that they felt contributed to the lack of effectiveness of policies. In Spain, for example, the dual nature of the labour market left a significant proportion of workers unsupported, exacerbating the situation. Rapidly evolving circumstances made it difficult to target support effectively, especially for temporary workers, who were disproportionately affected. In Poland, macroeconomic issues such as excessive fiscal stimulus and limited structural adjustment were compounded by microeconomic challenges such as slow business model adaptation and government intervention. Similarly, in Italy, structural limitations and ineffective targeting of short-time work schemes hampered their effectiveness. Overall, factors such as inadequate funding, loose eligibility criteria and delayed implementation further undermined the effectiveness of measures, highlighting the need for more tailored and agile responses to economic crises.

Unintended consequences of SURE-financed measures

Respondents provided feedback on whether the employment-related activities supported by SURE funding had led to 7 different potential outcomes. The figure below shows that while a significant proportion of respondents identified positive outcomes, such as avoiding a decline in participation rates, there were also notable concerns.

A significant number of respondents identified negative outcomes, such as the measures hindering the natural movement or transition of workers between jobs or to new jobs / new sectors. In addition, several expressed uncertainty as to whether the measures had encouraged a shift in activity/employment from the informal to the formal sector.

Figure A5.10 Unintended consequences of SURE-financed measures



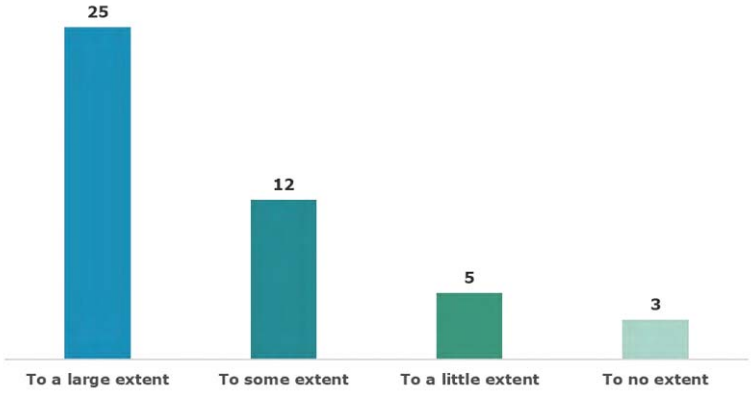
Source: Delphi survey

(e) Fiscal constraints

Member States' fiscal constraints when the crisis unfolded

Respondents were asked to indicate the extent to which their Member State was fiscally constrained in early 2020 when the COVID-19 crisis unfolded (before the announcement of the ECB's Pandemic Emergency Purchase Programme (PEPP)). The figure below shows that a significant majority of respondents perceived their Member State to be fiscally constrained in early 2020, before the announcement of the ECB's PEPP. In particular, a sizeable proportion of respondents, 42 in total, indicated that their country faced fiscal constraints to varying degrees. Of these, 25 respondents perceived these constraints to be significant. In addition, 12 respondents acknowledged fiscal constraints to some extent. This collective perception may indicate the difficulty of the challenges posed by the pandemic during this period.

Figure A5.11 Member State's fiscal constraints.

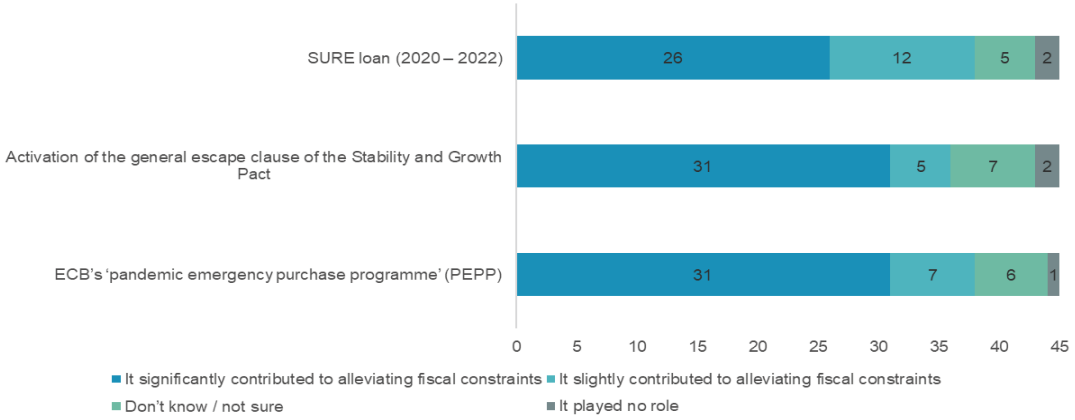


Source: Delphi survey.

The role of various EU actions in alleviating fiscal constraints

The figure below provides an insight into the perceived role of different EU measures in easing fiscal constraints. The ECB's 'Pandemic Emergency Purchase Programme' (PEPP), together with the activation of the general Stability and Growth Pact escape clause, received the highest number of responses 'It contributed significantly to easing fiscal constraints'. The SURE loan also received considerable recognition for its role in easing fiscal constraints, although somewhat less than the other two policies. A small proportion of respondents expressed uncertainty about the impact of these measures, while only a negligible number believed that they played no role at all.

Figure A5.12 Perceived role of EU Actions in alleviating fiscal constraints per EU Action.



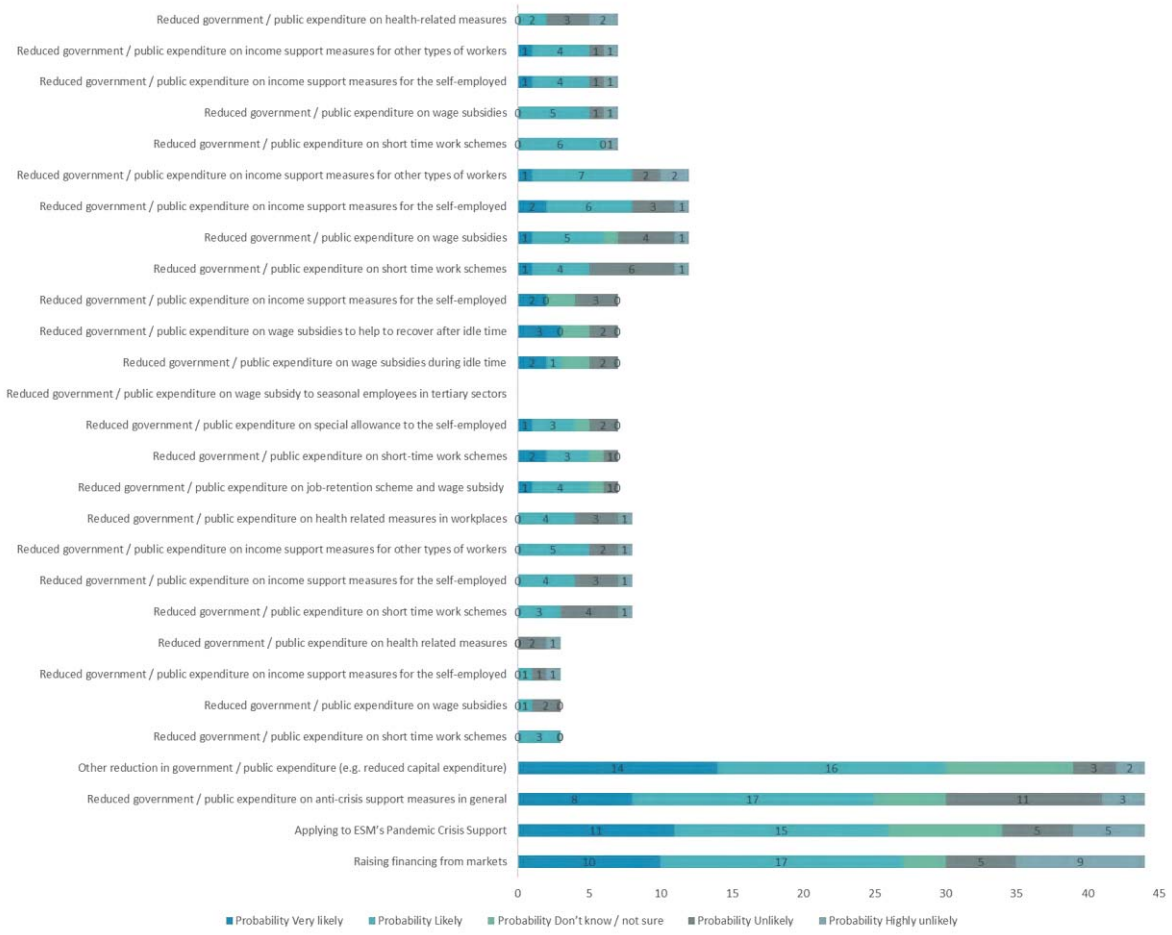
Source: Delphi survey.

Alternatives in absence of SURE support

Respondents provided insights into the measures their national authorities would have taken if SURE loans had not been available. The figure below shows that the most frequently cited alternatives were raising funds from markets, applying for pandemic crisis

support from the ESM, reducing government/public spending on anti-crisis measures in general, or making other cuts in government/public spending.

Figure A5.13 Potential Alternatives in the absence of SURE Loan



Source: Delphi survey.

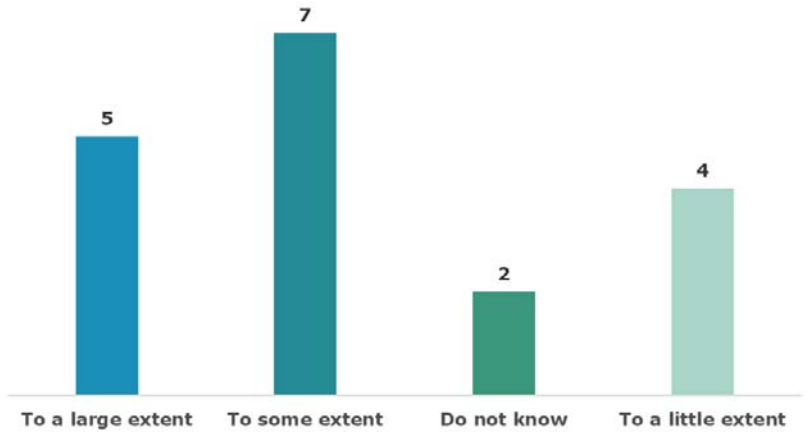
(f) SURE-financed health-related measures

Value added of health-related measures

Respondents were asked about the extent to which SURE funding has added value to health-related measures (only in three countries). The figure below shows the different opinions on the impact of SURE funding on health-related measures:

- Some respondents (5) believe SURE financing significantly contributed to enhancing health initiatives during the pandemic.
- Others (7) agree that SURE financing added value, but to a lesser extent than the first group.
- Two respondents expressed uncertainty about the impact of SURE financing on health measures.
- A few respondents (4) think SURE financing had only a minor impact on improving health-related measures.

Figure A5.14 Value Added by SURE Financing for Health-related measures.



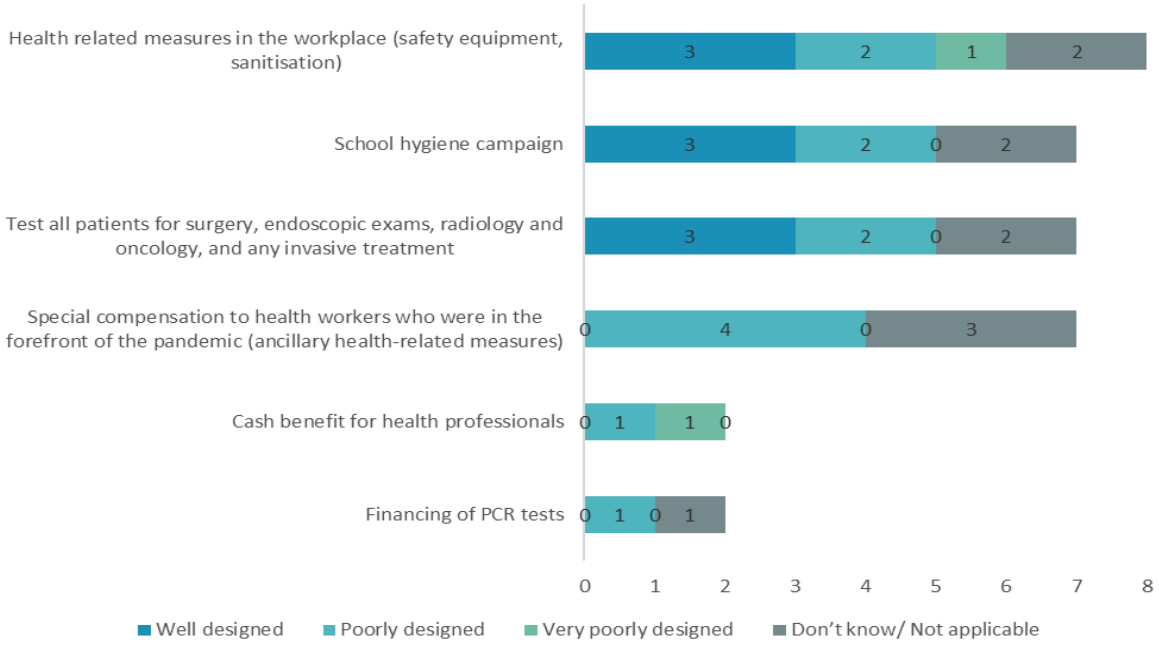
Source: Delphi survey.

Design of health-related measures

Respondents were asked about the effectiveness of health interventions in terms of their design. In particular, initiatives such as workplace health protocols, school hygiene campaigns and universal patient testing for surgery and endoscopy were considered to be well designed.

By contrast, most other interventions were perceived as poorly designed.

Figure A5.15 Assessment of Health-Related Measures Design.



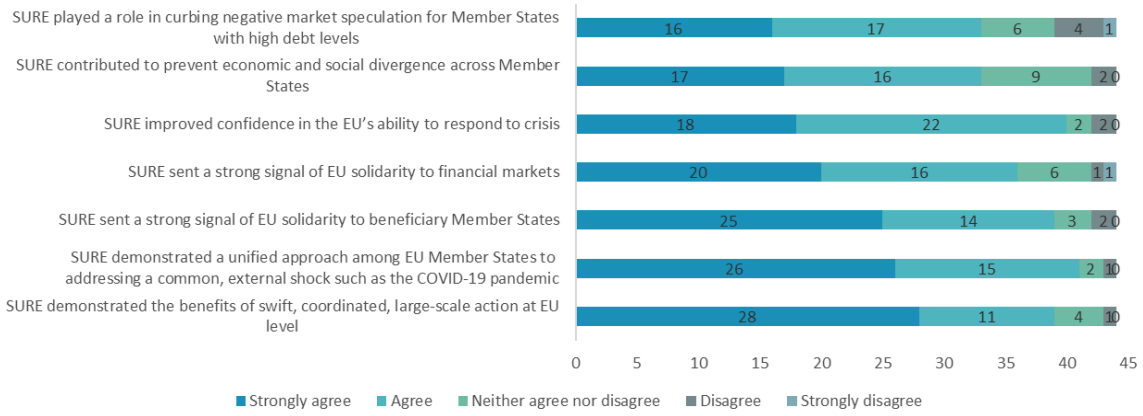
Source: Delphi survey.

(g) Overall performance of the SURE instrument

Role of SURE

Respondents were asked to rate their agreement with statements about the role of SURE. The statement with the highest level of agreement was that SURE demonstrated a unified approach among EU Member States in dealing with a common external shock such as the COVID-19 pandemic, followed by that SURE improved confidence in the EU's ability to respond to crises. This reflects a consensus on the importance of collective action and solidarity.

Figure A5.16 Perceived role of SURE

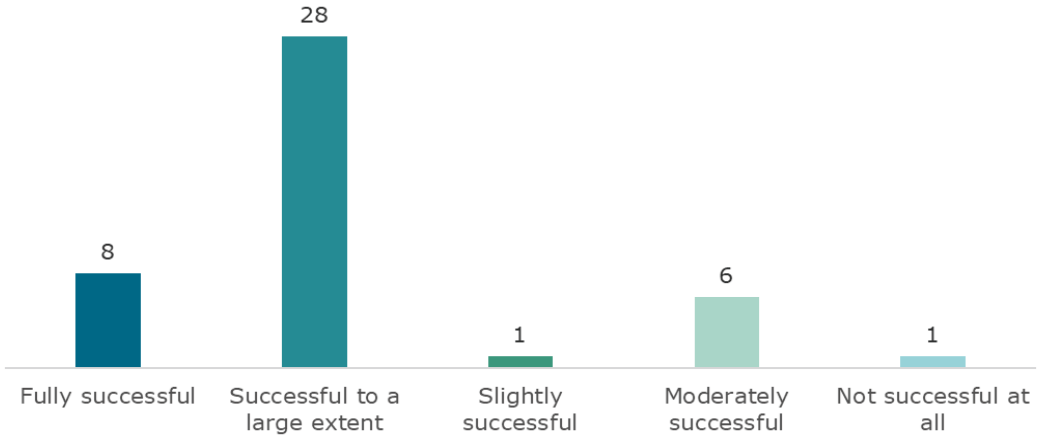


Source: Delphi survey

Success of SURE

The figure below presents the data on perceptions of the success of the SURE instrument. It shows a generally positive outlook, with the majority of respondents considering it to be fully successful or successful to a large extent (36 out of 44, 81.8%). There are only a few cases where it is considered to be slightly, moderately or not at all successful (8 out of 44).

Figure A5.17 Success of the SURE Instrument.



Source: Delphi survey

Key lessons learnt on SURE

Respondents expressed the importance of rapid deployment and reliance on Member States for tailor-made solutions. It also demonstrated the feasibility of European solidarity in overcoming national barriers during emergencies and mobilising resources efficiently. The experience underlined the need for a permanent crisis management instrument and for continuous evaluation to measure its effectiveness. It also highlighted the importance of insurance capabilities at EU level and the value of EU-wide cooperation in crisis response. It also emphasised the need to balance immediate crisis response with long-term fiscal sustainability, taking into account the impact on public debt and labour market dynamics. Finally, it underlined the importance of communication, risk-sharing and coordination in policy implementation and preparedness for future crises.

Key lessons learnt on job retention schemes

Respondents stress the importance of rapid and flexible responses tailored to specific shocks. Effective administration and clear communication were key to their success, ensuring rapid take-up and minimising bureaucratic hurdles. These schemes need to be sensitive to the diverse needs of the labour markets, taking into account the different impacts on different sectors and types of employment. In addition, more attention needs to be paid to national specificities, and greater involvement of the EU in design and monitoring would be beneficial. While these schemes are useful in certain circumstances, they should be assessed against alternative income support options. Finally, the transition out of such schemes requires clear plans and support for retraining initiatives to adapt to changing economic conditions.

Interviews

(a) Non-beneficiary Member States of SURE

Context and national responses to COVID-19

Three Member States observed only a limited impact of the pandemic on their economies and for a shorter period (mainly 2020). Various factors contributed to this. At least, five Member States had already a shorter working hour scheme in place prior to the pandemic. Member States also highlighted that other subsidies, tax reductions or delays and social security reductions were equally proposed to companies. JRS were one part in the package that helped companies to deal with the impact of the pandemic.

- On reasons not to request SURE loans: the main reason is that non-beneficiary Member States can borrow under better conditions from financial markets. Member States had already a plan to deal with the pandemic and its effects at the time of the adoption of SURE.

Relevance

Interviewees highlight their support for a solidarity response to the COVID-19 crisis but highlight that an essential feature to agree to SURE was its temporary nature. The sunset clause was specifically important for two non-beneficiary Member States, as it highlighted the temporary nature of SURE. The crisis was unprecedented and required a quick response. A borrowing scheme like SURE was a good approach to provide fiscal space for Member States in need.

SURE should also be seen as part of a package of measures to deal with the impact of the pandemic. Borrowing conditions for Member States also evolved with the entire package effect – such as the ECB, PEPP and NGEU.

For interviewees the focus and targeted approach of SURE was appropriate. It was required to deal with the impact of the crisis. For three non-beneficiary Member States the need to include health-related measures was somewhat unclear and diluted the support. Some Member States used the funds for purposes that were originally not foreseen e.g. funding bonuses of health workers. For other Member States, the focus on health-related measures in a health-related crisis made sense if it helped to deal with effects of the pandemic.

- No concerns were raised regarding the guarantees provided. An essential feature was that maximum levels of liabilities had to be clearly limited ex-ante. However, this aspect in the design of SURE meant it took additional time to set up the scheme.
- The overall financial envelope was almost fully exhausted demonstrating the need for support and leaving little margin. This shows to interviewees that SURE was relevant with regard to the size of the financial envelope.
- In terms of the design of SURE as borrowing tool, interviewees highlighted as positive element the lack of pre-defined national allocations and the concentration limit for the top three beneficiary Member States.

Effectiveness

Overall, interviewees note the good results as reported by the Commission.

For some interviewees the achievements of SURE are unclear and difficult to assess. On the one hand, regarding impact on employment, Member States had foreseen already JRS such as shorter working hour schemes. It is unclear whether Member States would not have taken measures also in absence of the SURE support. Here it was highlighted that a deadweight effect is unavoidable. The question remains how important that effect has been. On the public finance side, SURE certainly helped Member States to borrow at a cheaper rate. Yet, without SURE, Member States may have borrowed smaller amounts. So, the overall impact on public budgets is equally difficult to predict.

Efficiency

- Interviewees had no specific insight or remark on efficiency of SURE. A general remark was that the process went smoothly, and all Member States contributed to SURE.

EU added value

- Interviewees agree that SURE was a strong signal to financial markets to avoid speculation; it also demonstrated solidarity, support and cohesion towards Member States.

Lessons learnt

- Consensus among interviewees emerged that SURE was in general a good tool in addition to other measures to support Member States. Also, because SURE was a flexible instrument to allow Member States use measures adapted to their context to deal with impacts on employment.

- While interviewees acknowledged that the low prescriptiveness was necessary at the time of adoption of SURE to ensure that funds are being picked up, for a next crisis it would be essential to learn which JRS were effective, and which worked less well to be more prescriptive next time.
- No consensus emerged to have a more permanent instrument.
- For some non-beneficiary Member States, SURE demonstrated that a common borrowing capacity is essential for resilience of the EU/ Euro area (complementary to ESM).

(b) Social partners

Relevance

Employers and trade unions saw a clear need to support Members States in dealing with the job crisis caused by the pandemic. Job retention schemes were preferred by social partners to keep employment and skills with firms rather than supporting unemployment. Job retentions schemes were also seen as the right tool to support all types of businesses. Trade unions also urged to improve schemes to include self-employed workers and atypical workers. The low prescriptiveness of SURE on type of JRS was seen as positive in this sense.

- SURE was a great demonstration of EU solidarity across Member States.
- SURE also was exemplary demonstrating Member States ability for a speedy coordinated crisis response to support workers and companies.
- SURE had a clear social purpose contributing to dealing with the social effects of the crisis.
- Social partners did not see the relevance of including health measures within SURE scope but considered their inclusion as understandable as Member States had increased costs in the health care sector.
- Social partners did not express views on SURE financial architecture.

Effectiveness

- JRS were effective in retaining employees and limiting unemployment.

From the employer's view, JRS supported in principal companies with high labour costs (e.g. services sector) and companies with low cash flow and weak balance sheets. It was less relevant for those that also needed support in dealing with other costs, such as rental (lock-downs) and capital costs.

Trade unions found the specific reference to self-employed workers and atypical workers for JRS effective as Member States did improve scope of existing or newly created JRS. A somewhat harmonisation effect was observed in this regard. Yet, it was noted that support for these groups was rather lower than for core employees.

- Social partners saw that SURE contributed to universal JRS with improved levels of support. Schemes at national level were kept simple and easy to access to ensure also take up by companies which contributed to the positive impact of these.

EU added value and lessons learnt

- Social partners saw in SURE a strong signal to financial markets to avoid speculation. SURE improved confidence in the EU's ability to respond to crisis.

Positive effect of JRS on employment can be taken as lesson learnt and creating a permanent scheme would avoid in the future the set-up time at EU level. This will provide an even quicker support in a next crisis.

For trade unions, JRS can also be helpful in cases of other environmental crisis. JRS could also be designed to support companies to adapt to environmental change needs or to improve digitalisation, introduce more structural changes. In this case, JRS need to be combined with training. This would support also a more just transition and develop more social innovative JRS at national level.

For employers, SURE can be seen more as a borrowing tool as they had doubts that it influenced Member States decision on type and design of JRS, taken that it was implemented late (after first lock-down phase and after design of first measures at the national level). The approach to support employment retention was also supported by the type of crisis, namely that the pandemic measures (lock-downs) were imposed on businesses.

Social partners highlighted that they contributed to design of JRS in many Member States. Trade unions were essential to improve income for workers while being on shorter working hour schemes in specific sectors.

(c) Market actors

Social bond markets

- EU social bond issuances have contributed to market size and diversity of issuers, attracting high investor demand and providing supply and liquidity. Its active presence in the market sends a signal.
- Transparency and accountability of EU issuances have facilitated non beneficiary Member States to sign up to SURE.
- EU's social bond issuance has potentially led to pricing advantages and increased market visibility.
- The EU's issuance has helped shed light on social bond market standards, positively influencing market perception and confidence.
- Yet, no consensus on whether the EU has not set benchmarks or standards in social bond issuance recognized internationally: some report lack of specificity and disclosure in EU's impact reporting; others found that reports published by the Commission on the allocation and impact of SURE serve as useful benchmarks for other issuers, influencing market standards and practices.
- Green bonds overshadow social bonds, but EU's issuance has boosted the social bond market's visibility and acceptance. Further issuances under NGEU could have been beneficial for market development, given the temporary nature of SURE and NGEU.
- Further EU social bond issuances could foster market development and standardization, proving flexible in responding to social crises and influencing public policies.

SURE market signalling effect

- ECB's PEPP provided significant liquidity and had the most critical impact on maintaining spreads. PEPP launch eliminated market volatility immediately, alleviating market fears.
- Quick monetary policy response by the ECB allowed time to address fiscal policy challenges.
- SURE was not aimed at restoring market confidence but served as a fiscal backstop; its size was not sufficient to impact spreads significantly.
- EC, ESM, and EIB programs amounted to about 500 billion euros but were overshadowed by the ECB's intervention, especially before NGEU.
- During the pandemic's onset, some countries experienced significant increases in bond yields, with ECB PEPP being crucial due to high uncertainty. Highly indebted countries faced market pressure initially, and without ECB intervention, they could have experienced higher borrowing costs.

Financial architecture

- Credit rating metric focuses more on EU debt service coverage over the next 20 years.
- Access to additional budget contributions from AAA Member States (MS) is a key rating driver.
- Preferred creditor status of the EU is also one important criterion, with geographical diversification considered advantageous.
- MS guarantees were added as a "sweetener" by the EU due to concerns about budgetary headroom covering all contingent liabilities. Guarantees offer an extra layer of protection, though not strictly necessary for EU's liquidity ratios.
- Prudential rules, especially limits on exposure and provisions linked to maturity, are useful but not strictly necessary. They become more crucial under NGEU.

EU as an issuer

- The EU is relatively new issuer status
- The lack of visibility poses challenges for investors. The EU's non-permanent presence and ad-hoc issuance contrast with long-standing sovereign issuers, affecting market perception and leading to investor reservations.
- There are doubts among investors about EU's future as a large-scale issuer and potential liquidity constraints after SURE and NGEU issuances end. Other supranational issuers like the EIB or the EBRD do not face this same issue of lack of permanent presence.
- EU bonds' exclusion from indices hinders market demand and liquidity, highlighting the need for repo market development and inclusion in sovereign bond indices to enhance their appeal.
- Investors consider EU's AAA rating but also contemplate ratings from less well rating Member States when pricing EU bonds.

- There is also fragmentation in Eurozone bond markets due to national-level asset purchases and limited revenue capacity of the EU compared to national governments.

EU added value

- EU policymakers demonstrated flexibility, providing immediate support to Member States (MS) to prevent job losses. Quick action at EU level was positively valued.

Successful implementation of SURE relied on avoiding excessive political disagreement and ensuring quick, accessible financing. Success was attributed to the supranational action, alleviating MS from fiscal constraints.

ESM PCS offered competitive pricing, potentially providing interest savings for MS. It served as a backup in case SURE was insufficient. Self-imposed stigma explains reluctance to access it in the first instance. By design, ESM offers IMF-like programs, which position it as a lender of last resort.

- There were also market concerns about legal uncertainty regarding ESM support, seniority/subordination issues, which may explain low take up.

Workshop

On February 29, 2024, the SURE workshop organized by ICF gathered 8 experts and academics from various institutions to discuss the SURE instrument. This workshop was organized with the purpose of critically assessing the effectiveness, implications, and unintended consequences of SURE. Discussions centred around key themes: "SURE enough?"; "Dissecting the effectiveness of SURE-financed measures"; "Unravelling the unintended"; and "Rethinking EU crisis response through the SURE lens".

Key takeaways from this workshop are reported below.

Effectiveness - causality vs. correlation

Participants explored the distinction between causality and correlation when evaluating the impact of job retention schemes. Okun's Law describes the relationship between unemployment and economic output. While acknowledging the correlation between high JRS take up and reduced unemployment rates during the pandemic, participants cautioned against attributing causality without considering other factors. The difficulty of establishing a clear counterfactual, especially during unprecedented crises like the COVID-19 pandemic, complicates impact evaluation. Participants highlighted the importance of distinguishing between short-term crisis responses and long-term structural policies when assessing the effectiveness of such schemes. They emphasized the need for rigorous evaluation methodologies to account for confounding variables and ensure robust policy recommendations.

Participants also highlighted the importance of separating SURE from short-term job retention schemes and considering its broader implications for EU-level interventions. They called for more comprehensive evaluation of JRS' effectiveness at the national level.

Relevance of focusing on JRS as a main policy response

Focusing on JRS was considered to be appropriate, much more applicable in the European context, as opposed to the US where labour markets are less rigid.

JRS focus was considered even more important in some Eastern countries where social safety nets are comparatively less developed.

Low prescriptiveness was assessed as necessary not to touch upon Member States' prerogatives.

Unintended consequences

Participants waived concerns that JRS would have had major unintended consequences during the pandemic. In theory, such schemes may support unviable firms and hinder the reallocation of labour to more productive sectors. This is what is reported in the literature which looked at the experience under the Great Financial Crisis. These concerns were reported to be much less applicable in the Covid context with administrative closure of the economy being a purely exogeneous decision.

An case study on Spain confirms deadweight losses have been rather limited during the Covid context -especially considering that by preventing inflows into unemployment, it also improved the prospects of those already unemployed.

As time passes by and duration of support increases, introduction of co-financing requirements by firms is found to be important.

This time – compared to the Great Financial Crisis – JRS were used during for shorter periods of time.

JRS and duality of the Labour Market

Participants agreed inequalities may be exacerbated during crises, despite JRS support. However they also highlighted that JRS' inability to adequately protect e.g. temporary workers calls for complementary social and income support measures to be taken; more than it demonstrates the ineffectiveness of JRS, which by definition are not well equipped to protect the unemployed.

Factors influencing success of JRS

An ongoing study points out that the following factors positively correlate with higher take up and hence higher employment effect: the age of the scheme (older schemes having wider take up), the wide eligibility criteria, the absence of administrative burden. Generosity does not seem to be the most important factor.

Another finding is that absence of pre-existing scheme / lower preparedness did not prevent take up but was associated with higher prevalence of wage subsidy schemes or furlough schemes – these types of schemes are easier to deploy at short notice; but are associated with higher levels of deadweight.

Participants noted that in the pandemic period, there was no focus on training: it was not mandated by SURE and implemented in very few countries.

Value Added of the SURE Initiative

Participants positively assessed the value added of SURE, including w.r.t. the savings in interest payments for Member States and the sustainability element of EU bonds issuance.

Moral hazard at Member State level was considered to be low, given SURE provides loans.

In terms of incentivizing the setup of short-term schemes at the national level, participants reminded that SURE came in later (after first national measures had been developed). They however noticed the increased take up by smaller firms, the self-employed in the pandemic – which was considered to be a positive development in this context of a temporary exogenous crisis (but could have unintended consequences in other contexts).

Some participants raised concerns about the diminishing value added of SURE after this round of support. Compared to 2020, interest rates have increased (which mean interest savings may be more limited now). Besides, now that job retention schemes have become more widespread, it is unclear whether SURE would have the same added value in this context.

Policy Reflections and Future Directions

Participants explored the potential for a permanent EU-level unemployment insurance scheme, drawing lessons from the SURE initiative. They discussed the value added and limitations of such a scheme and considered its role could extend to mitigating the impact of asymmetric shocks within the EU (e.g. geopolitical shocks).

When reflecting on the future of EU-level interventions in response to economic crises, participants emphasized the need for careful consideration of the long-term implications of SURE and highlighted the potential for broader EU-level support mechanisms beyond job retention schemes.

Conclusion

In conclusion, the conversation provided insights into the evaluation and implications of job retention schemes and acknowledged the positive impact of SURE in help Member States mitigate the economic impact of the pandemic.

Participants emphasized the importance of rigorous impact evaluation methodologies and careful policy considerations to address the challenges of the duality of the labour market and ensure effective crisis response measures.

Case studies

The case studies provided a more nuanced understanding of the use of SURE across countries. Annex 2 explains how the case studies were chosen and what methods they employed. Rather than serving as individual country evaluations of SURE, these case

studies aimed to enhance the main evaluation by offering detailed insights into the implementation and impact of SURE within different national settings. Table A5.3 below offers limited and succinct comparisons of some of the key issues considered by the case studies.

Evidence on income protection

Case studies confirm that job retention schemes helped to cushion the impact of the COVID-19 pandemic on household incomes. The case study on Spain offers compelling evidence as regards the effectiveness of the SURE-supported measures in protecting incomes during the COVID-19 pandemic, showing that job retention schemes and benefits for furloughed workers and the self-employed played a pivotal role in mitigating income losses. Notably, the extraordinary benefit for cessation of activity (Prestación extraordinaria por cese involuntario de actividad para trabajadores autónomicos – PECATA) supported approximately 1.5 million self-employed workers, reducing the median income loss from 55% to 22% for those who suffered a drop in income during at least six months. Across the other case study countries, similar income support measures, such as wage subsidies and special allowances, were effective in sustaining workers' income levels.

Table A5.3: Overview from the six case study Member States

	Poland	Portugal	Spain	Greece	Italy	Lithuania
SURE Loan Amount	EUR 11.2 billion	EUR 6.2 billion	EUR 21.3 billion	EUR 6.2 billion	EUR 27.4 billion	EUR 1.1 billion
Most affected sectors	Tourism and hospitality, Food and beverage services, Entertainment and events, Retail trade, Transportation, Education	Accommodation and food, Trade, Manufacturing, Administrative services and Arts, entertainment and recreation	Accommodation and food, Trade, Arts and entertainment and recreation	Travel Services, Air Transport, Accommodation and Food Service activities, Arts and Trade	Manufacturing, Tourism, Transportation and Catering and entertainment	Accommodation, Food and beverage service activities and Trade
Employment Protection Measures	STW schemes, subsidies for salaries and social security contributions, support for self-employed and health-related measures	Support for reduced working hours, social security contributions coverage, top-up and vocational training, financial support for childcare, support for self-employed and health sector workers	STW schemes, extraordinary benefit for cessation of activity for self-employed, support for seasonal workers, exemptions from social security contributions, health benefits for workers absent due to COVID-19	JRS including special allowances for employees with suspended contracts, STW scheme with reduced working time and state-funded net wage compensation, wage support measures, special allowances for arts and culture professionals	STW expansion, support for self-employed, expansion of existing leave schemes, income support for gig, seasonal, temporary and part-time workers, reduction of social security contributions and tax exemptions for firms retaining workers	STW (furlough scheme), benefits for self-employed and farmers, ALMPs
National implementation timeline	Lockdowns announced in March 2020, SURE activation in September 2020, end of SURE implementation in September 2023, end of temporary STW and related schemes in July 2023	Lockdowns announced in March 2020, SURE activation in September 2020, loan disbursements from December 2020 to April 2022, end of temporary STW schemes in September 2022	Lockdowns announced in March 2020, same as employment protection measures, SURE activation in September 2020, loan disbursements from October 2020, end of temporary STW schemes in February 2022	Lockdowns announced in March 2020, SURE requested in August 2020, loan disbursements from November 2020 to December 2022, end of temporary STW schemes in December 2022	Lockdowns began in March 2020, SURE requested in August 2020, loan disbursements from October 2020 to May 2021, end of temporary STW schemes in December 2021	Lockdowns announced in March 2020, SURE requested in August 2020, loan disbursements from November 2020 to December 2022, end of temporary STW schemes in September 2021
Implementation issues	No major implementation issues identified	No major issues identified	Initial uncertainty about eligibility, challenges in scaling up STWs and designing self-employed	High administrative costs and staffing issues, database interconnectivity issues	Implementation difficulties due to increase in number of beneficiaries and issues of	Challenges with reporting requirements, high costs of setting up and implementing new STW

			benefits, database interconnectivity issues		beneficiary comprehension of new legislation	
Unintended Consequences	**Negative**: hampered sectoral reallocation and mobility, increased reliance on state aid **Positive**: alleviated uncertainty, support to entrepreneurship, prevented disruptions in value chains	**Negative**: nothing major, some doubts about hampered reallocation **Positive**: policy steer, shift from informal to formal sector, improved governance, communication awareness	**Negative**: nothing major **Positive**: avoidance of hysteresis, support to the participation rate, shift from informal to formal sector	**Negative**: administrative burden, disincentives to labour mobility, some delay in restructuring **Positive**: digital transformation push, improved governance, policy steer, enhanced LM flexibility	**Negative**: job mobility remained limited, minor effect on delayed restructuring of zombie firms **Positive**: maintaining know-how within firms, awareness of fragmentation of social security, benefits for inequality	**Negative**: Potential delay in firm restructuring, poaching during furlough, inflation pressures **Positive**: avoidance of skill erosion, policy development, shift from informal to formal sector
EU Added Value	SURE allowed to teste a special instrument for counteracting crises, which could be useful for unpredictable socio-economic shocks in the future	SURE exemplified 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	SURE demonstrated EU solidarity and supported social cohesion	Strong signal of EU solidarity and improved confidence in the EU's ability to respond to crises	Strong signal of EU support to beneficiary Member States, improved confidence in the EU's ability to respond to crises, facilitated knowledge exchange and collaborative learning

Source: case studies from the external evaluation study

ANNEX VI: REFERENCES

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