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Be “SURE” in a Crisis:
Navigating the EU’s Employment and Financial Stability Post-Pandemic

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Introduction

The COVID-19 outbreak stands as one of the severest shocks in the modern material world economy; the pandemic triggered enormous economic shock which not only affected industries and markets but also put the robustness of the nation's economies at large into a swaying state. This naturally turned out to be a serious threat to the overall public health, but it also had severe socio-economic consequences, primarily regarding the mass discontent due to dismissal and business failures. The interdependencies resulting from the Single Market and the high level of integration of Member States in Europe reflected several weaknesses that could not be solved by country-specific strategies during the pandemic. Unemployment, business bankruptcy and social unrest became the major agenda due to the economic recession hence the need for unique solidarity at the EU level. These were twin problems that each country and finally the EU faced, on the one hand, the health crisis, and on the other an economic crisis.

The Support to Mitigate Unemployment Risks in an Emergency (SURE) Regulation was introduced in 2020 to address the devastating effects of the pandemic on employment across the EU. As a short-term measure of financing, SURE has to support Member States in their effort to shield jobs by using short-time work schemes (STWs), wage subsidies and other employment-oriented initiatives. The reaction of the SURE Regulation to the economic crisis was not limited only to the economic aspect; it was essentially the manifestation of the principles that are inherent in the EU, such as solidarity, joint responsibility, and social inclusion. It called for an integrated approach in averting an economic disaster, thus making it possible for any of the Member States, no matter how badly affected, to protect employment and anchor the labour market. The Financial Instruments applicable in SURE namely loans and social bonds played a critical role in ensuring that funds can be mobilized rapidly without increasing the member states 'debt level. Therefore regarding the EU, it was shown how the organization possesses the ability to act collectively in cases of threat to livelihoods and to support economic stability during the critical periods.

As the pandemic unfolded, the SURE Regulation became a linchpin in the EU's efforts to contain the socio-economic damage of COVID-19. With up to €100 billion of guarantees available for the benefit of employment retention schemes across Member

States, the EU committed essential funding for risks-free investment to the achievement of its objectives. In other words, the importance of SURE can be seen not only in terms of resources mobilised and funds provided to states but also in terms of the changes that it might bring to the governance of the union, therefore revealing the union's potential and capacity to respond quickly and effectively to the financial challenges while at the same time being able to fairly distribute the financial burdens among the states. The size and structure of the SURE mechanism were distinguished from conventional financial instruments of the EU because, unlike them, it addressed employment needs in the form of a timely approach to a labour market in crisis.

Context and Purpose of the Research

This thesis seeks to provide an in-depth analysis of the **SURE Regulation**, examining how it functioned as an emergency mechanism during the pandemic and evaluating its effectiveness in protecting employment across the EU. Although there have been several studies on the economics of the COVID-19 pandemic at the global level, there has been relatively little attention paid to the analysis of how the more coordinated response at the level of the EU through measures such as SURE targeted disruptions in the labour market. Thus, the central research question of this thesis is: **To what extent does the SURE Regulation help to protect employment and stimulate economic growth in the European Union during the COVID-19 outbreak and what can be learnt from that approach?**

In answering this question, the research will explore the extent to which SURE's financial architecture of loans, social bonds and grand guarantee instruments has contributed to supporting labour markets in Member States. In addition, it will evaluate the future consequences of SURE for the future employment strategies and fiscals of the EU. In this context, this thesis tries to focus on the legal, economic, and social aspects of SURE to provide a wide-ranging assessment of its function and place in the overall EU crisis management framework.

The study will also seek to establish variations in the execution across the Member States; an aspect that will shed light on how the various system contexts facilitated the effectiveness of the SURE-supported initiatives. Even though the regulation was implemented in all the member states of the EU, the efficiency of the funds differed with the capabilities of the respective national administrations, structure of employment, and state of economic development. Special emphasis will be paid to the role SURE played in supporting short-time work schemes (STWs) and wage subsidies that evolved into the main form of employment protection in Member States such as Spain, Italy and Germany.

Objectives of the Thesis

The fundamental goal of this thesis is to present a thorough examination of the SURE Regulation from both a legal and economic standpoint. The precise objectives are as follows:

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1. **1. To explore the nature of the structural supports provided under the SURE Regulation**: the loan-based structure; the issuing of social bonds; and the collective guarantees from Member States. Knowledge of such mechanisms is imperative to measuring how SURE was so quickly able to mobilise considerable financial resources.
2. **To assess the adequacy of SURE in preserving employment,** especially by assessing how the short-time work schemes and wage subsidies work. This also involves further analysis of the detailed spending of SURE funds by Member States and potential impacts in terms of avoiding layoffs at a mass scale.
3. **To examine the economic efficiency and social effectiveness of SURE** in the context of employment indicators and unemployment patterns, the labour market dynamics in the contexts before, during, and after the COVID-19 pandemic. The analysis of the results will also involve comparisons between Member States and the identification of the differences that led to various results, as well as the comparison with non-EU states that used different approaches to address the issue.

4. **To survey the context of the SURE Regulation** starting with legal provisions and institutions and ending with governance systems within the EU. To that end, this objective will address how the proposal for SURE relates to the Treaty framework, more specifically the TFEU, and the EU's overall framework of economic governance.

5. **To make policy suggestions** based on SURE implementation lessons for future crises to institutionalize comparable procedures. The thesis will investigate whether SURE should be used as a model for a permanent employment protection mechanism in the EU, analogous to the European Stability Mechanism (ESM) for budgetary stability.

Structure of the Thesis

- The structure of this thesis is intended to make a smooth transition from identifying the context of the COVID-19 crisis, to the details of the SURE Regulation, and finally, reviewing the effects and potential ramifications. The research is broken down into three main chapters, each of which tries to address a major concern of the research question.

- **Chapter 1: Context and Background**
  The groundwork is set by the first chapter which explains the current situation of COVID-19 on the European economy and the labor market. It also describes how the pre-existing financial instruments in the EU, including the ESM and other crisis management instruments, were different from SURE because the latter was designed specifically with employment in mind. The chapter also establishes the foundation of presenting how the effects of the pandemic have reached a record high and demand collective action in the EU.

- **Chapter 2: The SURE Regulation – A Detailed Overview**
  This second chapter presents the overview of the SURE Regulation and discusses its financial aspects, legal background as well as the involvement of the EU institutions in the regulation's application. The topics of the discussion concern the character of SURE as a loan instrument, the employ of social bonds

for the funding of SURE and the common guarantees given by Member States. The chapter also analyses the legal environment for SURE's rapid adoption which is contextualised in the framework of the EU economic governance.

- **Chapter 3: Implementation, Impact, and Future Prospects**
  The third chapter assesses the extent to which SURE was deployed across the Member States, with a view to the distribution of resources together with actual problems observed. The chapter explores the impact of SURE on the economy and the employment impacts of the measure to establish how effective it is at saving jobs. It also bears in mind the medium to long-term effects that SURE may have on the EU labour market and its economy in general. Last of all, it outlines policy implications for future EU crisis instruments and asks whether SURE could work as the model for permanent employment protection instruments.

Methodology

In the present thesis, both research quantitative and qualitative research methodologies are used in this analysis to make the research sturdy. The qualitative analysis is concerned with the legal and institutional structure of SURE, SURE's legal basis and connection with the EU treaties and the institutional participation of the EU in the execution of SURE. Using employment statistics of the Member States, the quantitative evaluation investigates the effects of the regulation on job sustenance as well as the labour market. This two-fold assessment is possible since issues that form the foundation of SURE are both legal as well as economical in nature.

In the context of the present study, the case study approach will be used to provide an analysis of how individual Member States including Spain, Italy, and Germany used SURE funds. These case studies will also focus on the strategies adopted in differing countries so that their national structures of labour markets, their economic conditions and their administrative capability will be born out of this. The case studies will also enable a cross-country comparison of the performance of SURE and offer important insights into the versatility of the regulation.

Importance of the Research

This thesis is laid out against the framework of EU crisis management and employment protection policies. This paper evaluates the efficiency of the SURE Regulation and contributes to the topic of further EU crisis management measures. These findings are valuable not only for exposing how the EU responded to the COVID-19 shock but also for informing the formulation of necessary policy revisions that may provide better long-term solutions to employment protection in difficult economic situations. SURE Regulation has shown that the EU is capable of coordinated and determined action during crises; hence, theoretical and practical findings from this study might be valuable in designing additional financial tools for the EU to preserve employment and enhance social development.

Part 1 – Context and Background

Chapter 1: General Overview of the COVID-19 Crisis in the European Union: Navigating Uncharted Waters

1.1 – The COVID-19 pandemic

The COVID-19 pandemic, declared in December 2019 and spreading worldwide in 2020, was the first sudden, multi-dimensional threat to the industrial, economic, and working landscape of the European Union, represented by an uncontrollable infectious virus that placed not only public health but also a wide scale at risk. It also triggered an economic downturn of historical proportions; the scale of this crisis has hugely tested the strength, solidarity, and capability to decisively react on the part of the Union concerning an all-embracing challenge.

The high-order goal of the EU has been for many years now the attainment of long-term economic development and stability in its Member States (MS). This overall objective was to be sought by establishing and maintaining a single economic area with a high rate of employment, an elevated level of social protection systems, and improvements in living standards at all levels of European citizens. The pandemic quickly emerged as the most serious and complex challenge the Union has ever had to face since the establishment of its legal and administrative frameworks, jeopardizing years of effort to build on various progress.

The plague first seemed to be a severe sanitary crisis that almost instantly outran the health systems of European countries; just several months after the beginning of the epidemic, hospitals in many countries were clogged up since they simply could not cope with the sudden and unanticipated number of patients. Most intensive care units, by nature, limited in bed numbers to take care of the critically ill, were fully maxed out, and medical personnel had to make very tough decisions regarding resource allocation and patient care. The increase in cases quickly manifested and caused a massive shortage of essentials such as medical equipment, personal protective equipment, and testing kits, all essential in the management of the spread of the virus and treatment of those infected. This was despite the generally strong healthcare infrastructure put in place across many EU countries, but the scale and speed of the outbreak quickly laid bare significant vulnerabilities: the hospitals that were previously resourced and capable of good-quality care found it difficult even to maintain basic standards of treatment with such overwhelming demand. Additionally, this sanitary crisis dangerously affected the economy and workers.

The burden on the healthcare system was added to by the fact that, due to the highly contagious nature of the virus, many patients were infected but had a big effect on doctors and nurses at work. This led to many of the first-line workers in the healthcare setting falling ill and consequently being short-staffed when their skills and expertise were most needed. This placed great pressure on healthcare systems and a great burden on healthcare workers, burning them out in extremely strenuous conditions while working long hours.

The strain becomes even greater in those regions where the health system is already struggling with resource limitations or coping with other prior health crises. The most tragic results were these failures that struck vulnerable populations, mainly among the elderly and those who had pre-existing health conditions such as diabetes, heart disease, and respiratory illnesses. Groups with those kinds of problems were at a much higher risk of severe illness and death from COVID-19. It led to very high mortality rates because the pandemic was spreading through nursing homes and long-term care facilities, whose typical residents are older in age with more than one health issue. The inability to protect these vulnerable groups highlighted major systemic flaws in the provision of care and a lack of preparedness for such wide-scale health crises.

The experience from the early months of the pandemic underlined this need for tougher, more resilient health systems toward large-scale emergencies and worldwide—in the process, it also noted international cooperation. It brought out the need for international cooperation and coherence in response to global health crises. As the pandemic progressed, so did the growing necessity to start manufacturing and distributing medical supplies, enhancing testing and tracing capacity, and coordinating a global response toward sharing knowledge and resources. The preliminary impacts of this pandemonium exhibited colossal disparities in terms of both preparedness and responses and would be up for future coverage by public health planning as well as policymaking to evade further healthcare systems' overloading with similar crises.

The impact that the virus had on the health system, therefore, was a reflection of the health conditions of workers and the economic state of markets. Of course, this came with tremendous secondary impacts: public health measures introduced - lockdowns, social distancing, restrictions to mobility - all hurt the EU market with an impetuous wave of infection. Routine medical services were disrupted, leading to delays in the diagnosis and treatment for conditions that were not COVID; mental health issues surged as people found themselves in long months of isolation and the economic unknowns of the crisis.

The COVID-19 pandemic very seriously devastated Europe, causing the deepest economic recession since the Great Depression of 1929 and the crisis of 2008. As part of this, any type of movement was practically restricted across the EU with enforced strict lockdowns to mitigate the virus; economic activity practically ground to a halt, as non-essential businesses were closed, supply chains disrupted, and consumer spending fell off a cliff. Key sectors such as tourism, hospitality, and retail were hardest hit due to a greater reliance on face-to-face interactions and international tourism. Economic activity was mostly interrupted; GDP in the EU area collapsed, with many countries marking double-digit decreases in economic output in Q2 2020. Unemployment rates spiked as businesses shut down or cut back operations.

For millions of workers in Europe, jobs were either fully lost or the duration of working hours curtailed. The labour market shock is observed to occur majorly in areas where working from home is impossible, and among low job-security workers, that is, employees on temporary or part-time work. The economic impact is not equally felt within the EU; it is mostly due to the member states' varying economic structures and preparedness levels. Countries that were highly dependent on tourism or had export-driven economies were the most seriously exposed to the economic shock. Those countries with more diversified economies were a little bit better off, but still suffered a lot. This laid the groundwork for a fair and inclusive recovery and is the baby's birth of the European Unemployment Reinsurance Scheme.[1]

[1]European Central Bank. "The Implications of High Public Debt in the Euro Area." *ECB Economic Bulletin*, April 2021.

The economic wreckage of the pandemic has pushed the public debt in the European Union to a level already much higher than before the financial crisis. Governments, confronted with a task of such extraordinary magnitude, unleashed powerful fiscal measures to stabilize their economies. This included income support for workers, huge subsidies to businesses, and a massive rise in spending on health—all this at great cost and intending to head off an even more disastrous economic meltdown. This aftereffect, however, has left most of the EU member states with significantly higher levels of public debt that now seriously risk the impairment of fiscal latitudes and economic flexibilities over the medium term. This quite perfectly shows how profoundly interconnected public health is with economic stability within the EU. It is the COVID-19 pandemic that has highlighted this interdependence: not only for public welfare, but robust health systems are also a foundation for economic resilience.

Thus, in response to the pandemic, there has been a wide appreciation, throughout the European Union, of the need for more resilient and comprehensive frameworks, which can grapple with such multifaceted, wide-ranging crises. This crisis has, therefore, set into motion the reflection of the EU about whether the current instruments can be judged as sufficient to manage and minimize such far-reaching challenges. Thus, as the EU is striving to remain safe against the persisting effects of the pandemic, it is, at the same time, trying to determine measures that will ensure improved public health and economic resilience. This is meant to make the Union stronger over time, hence more resilient toward any future crisis, capable of acting proactively toward any unforeseen shock, and maintaining stability within member states.

With a pandemic unprecedented in scale and depth of uncertainty, our response had to be built on a sequence of efforts, coordinated nationally and at the EU level. They were steps taken to mitigate the relentless economic shocks and avoid the collapse of livelihoods for millions of Europeans. The health crisis struck the very fabric of everyday life and economic activity, ranging from large-scale industries to smaller businesses, from the heart of the biggest cities to the smallest of rural communities. The virus discriminated against no sector and no region; its impact was general, while the severity of the damage differed markedly depending on the pre-existing structural vulnerabilities of different economies and labour markets within the Union. It was further characterized by a large, sudden drop in economic activity, very many layoffs, less working time, and high unemployment levels, especially in areas where physical appearance is requirement-like in tourism, hospitality, and retail sectors. They had been so quick that even until now, many of the member countries are left clueless on how to protect their economies from another downturn while trying to protect their people from its consequences which are still playing out at this point.

The pandemic further emphasized the complex but sometimes very fragile economic linkages within the EU, demonstrating just how very vulnerable such an integrated system can be in the face of global crises. There are very severe bottlenecks arising from the disruption of supply chains within the EU borders, affecting product and service availability in compounded ways. The cascading economic distress has underlined the urgent need for systems that are robust and adaptable, being able to respond adequately to these kinds of crises. The traditional mechanisms of economic governance, which seemed so sufficient in normal times, were immediately shown as inadequate because of this immense crisis. It is the realization that has driven the EU to look into new and innovative policies aimed at providing immediate relief on one hand, and long-term stability on the other, to ensure the Union is better equipped to face crises of a similar nature in the future.

For now, as the European Union continues to set out from the aftermath of the pandemic, these might be some lessons for future policy-making and strategic planning: more resilient economies and health systems that can withstand shocks and bounce back. Going ahead, the EU will probably focus on preparing and implementing strategies that not only tackle the immediate challenges of this pandemic but also strengthen the Union's capacity to be better prepared for facing future crises with more self-assurance and effectiveness.

Since the early stages of the pandemic in late 2019 and up to the present, this disaster is considered to be one of the most impactful phenomena influencing nearly all spheres of human life, such as the economy, society, and politics. Governments of all the nations were forced to put measures that would reduce the further spread of the virus; these include; locking down the entire country, limiting movement and closure of all activities that were not deemed critical. These policies, as important were to reduce the health effects, caused deep economic shifts. Numerous nations witnessed a rapid contraction of

GDPs, while high unemployment rates prevailed due to many organizations' difficulty in sustaining themselves. The economic problems arising from the pandemic were different from those arising from other evils such as the 2008 financial crisis because the issues were not due to poor economic decisions but rather tight health conditions that restrained many segments of the economy.

About this unparalleled crisis, various countries decided to apply certain measures that would help to minimize the effect on the country's economy and labour market. The United States, for instance, gave direct cash to individuals and loans to businesses that did not have to be paid back – if certain conditions were met – via the *Paycheck Protection Program*. Japan relied on increasing public expenditure as well as offering subsidies to enterprises and South Korea intensified testing and isolation measures, as well as targeted selective financial measures. On the other hand, the European Union which is a very large economic union with several members who have different types of economies under the same political and economic structure had the herculean task of putting together a response that would address the specific needs of individual member countries, whilst at the same time, balance the single market.

On this ground, the EU response to the pandemic, as will be seen, had to weigh between the needs of the leading and the lagging economies within the Union. At the outbreak of the COVID-19 pandemic, the European Central Bank broadened its asset purchase facilities, and the European Commission eased the state aid rules thereby enabling the member national governments to provide capital injections to ailing businesses. However, the core of the EU's approach was the SURE Regulation (Support to Mitigate Unemployment Risks in an Emergency), which was launched as a temporary financial mechanism created to support the Member States in the protection of employment and workers. Unlike the responses observed in other countries, the EU concentrated on the preservation of jobs, the stabilization of the labour market, and the guarantee of economic security for the workers regardless of the sphere. The main goal of SURE was to avoid dismissals on a large scale and maintain employee-employer links during the pandemic so that businesses could quickly rebound as soon as restrictions were lifted.

This focus on job preservation not only conformed to the EU values of social cohesion but also acknowledged the structure disparity of the labour market among the member states. The SURE Regulation provided a single solution while also providing national governments with the possibility to use the funds where it was needed the most. As a financial cushion SURE allowed Member States to borrow under favourable terms which they used to support short-time working schemes (STWs), wage subsidies and other employment-linked initiatives. The advent of SURE was a critical step in the EU crisis response mechanisms, which underscored the solidarity of the Union in managing the adverse economic impacts of the pandemic. The next sections will provide the details of SURE and analyse its functions in terms of protecting employment in the EU.

Chapter 2: The Impact of the Pandemic on Economy and Occupation: Charting Uncharted Economic Waters

1.2.1 – Introduction

This section digs into the pandemic's numerous professional and economic repercussions, providing a thorough examination of how many sectors, industries, and demographic groups were affected. It also looks at the various policy measures implemented at the national and EU levels to help ameliorate these issues and pave the way for recovery. By studying the pandemic's short- and long-term consequences on employment and economic stability, this research hopes to shed light on the crisis's larger implications for the future of labour and economic resilience in the European Union.

The economic repercussions of the COVID-19 crisis reverberated profoundly, shaking the very foundations of the European Union's economic landscape. The COVID-19 pandemic has sent an unparalleled shockwave of economic turbulence and labour market challenges across the European Union, really hitting hard on both workers and businesses. Swiftly but necessarily locking down physical and social activities almost immediately brought a sharp contraction in economic activities across all fronts as a means of containing the virus. Sectors that needed a lot of physical presence, like hospitality, tourism, and retail, were adversely affected as many businesses as possible in these sectors had to shut down their doors either temporarily or permanently. The economic shock that followed pushed many enterprises to the edge of extinction, causing widescale job losses across the continent and affecting millions of European workers.

This had an immediate and disastrous impact on the labour market: unemployment skyrocketed, and those who were able to maintain their positions saw severe decreases in working hours. The pandemic highlighted the economy's underneath deficiencies, with an emphasis on the uncertainty that comes with employment in some sectors of the economy and among demographic groups. Workers in temporary, part-time, or other precarious situations had particularly high levels of insecurity, and those in low-income occupations or with little access to social protection suffered the highest losses. It also revealed the global economy's extensive interconnections—how disruptions in supply chains and international commerce caused further challenges for corporations and workers alike.

As the outbreak spread, it became evident that the economic and job consequences were unevenly distributed across the EU. Differences in economic systems, preparation levels, and government responses caused varying degrees of impact across member countries. Those with economies predominantly based on tourism or export-driven industries saw particularly severe downturns, whilst those with more varied economies were marginally better insulated, albeit still significantly affected. Furthermore, job losses disproportionately impacted young people, women, and persons with lower levels of education. Temporary and low-wage workers, particularly those in businesses that need physical presence, such as retail and hospitality, were among the most hit. Meanwhile, the recovery era witnessed a shift toward higher-paying professions, particularly in areas that could adapt to remote working conditions, such as technology for communication and information (ICT). The upward trajectory reflects not just the unequal recovery, but also long-term structural changes in the labour market that, if not addressed, have the potential to exacerbate inequality.[2]

[2] Eurofound. *Recovery from COVID-19: The Changing Structure of Employment in the EU*. Luxembourg: Publications Office of the European Union, 2022.

1.2.2 – The impact of the pandemic on Member States' GDP

When the COVID-19 pandemic hit Europe in early 2020, it was like a storm that swept across the continent, leaving a trail of economic devastation in its wake. The Gross Domestic Product (GDP) of EU member states took a severe hit as countries scrambled to implement lockdowns and restrictive measures to contain the virus. The European Central Bank (ECB) projected a 6.6% drop in economic production in 2020, indicating one of the most severe recessions in recent history. The ECB's study highlighted the pandemic's significant impact on both the supply and demand sides of the economy. Lockdown measures intended to slow the spread of the virus resulted in temporary company closures, interruption of supply lines, and a sharp drop in consumer and corporate confidence. This downturn was accompanied by an increase in unemployment rates, with millions of workers losing their jobs or working fewer hours. The labour market was severely impacted, particularly in industries such as hospitality, travel, and retail, where face-to-face interactions are critical. According to the ECB, the Eurozone unemployment rate will rise to 8.3% in 2020, indicating widespread economic suffering.[3]

This downturn wasn't just about numbers on a chart; it was about the real impact on people's lives. On the supply side, businesses were forced to shut down, and global supply chains were thrown into chaos. Industries that depended on international trade, like manufacturing and automotive, found themselves in a tough spot as border closures and shipping delays made it nearly impossible to get the materials they needed. Production slowed to a crawl, and the flow of goods and services within the EU shrank considerably.[4]

But it wasn't just the supply side that suffered. Demand plummeted too. People were scared—worried about their jobs, their health, and the future. Millions faced unemployment or saw their income slashed as companies cut hours or furloughed

[3] European Central Bank. *Annual Report 2020*. Frankfurt am Main: European Central Bank, 2021.
[4] International Monetary Fund (IMF). (2020). *World Economic Outlook: A Long and Difficult Ascent*. October 2020.

workers. With less money to spend and more uncertainty about what the future would bring, consumer confidence dropped, and household spending followed suit. This hit the retail, hospitality, and tourism sectors particularly hard industries that rely on people having the confidence and the cash to spend on non-essential goods and services.[5]

The impact on GDP wasn't felt equally across Europe. Countries reliant on tourism, such as Spain, Italy, and Greece, bore the brunt of the economic depression caused by the COVID-19 epidemic. These countries saw some of the sharpest GDP declines, owing mostly to a virtual halt in foreign travel and major damage to the hospitality sector, which contributed significantly to their economies. Spain, for example, had its GDP contract by about 11% in 2020, one of the most severe reductions inside the Eurozone.[6]

In contrast, nations with more diverse economies, such as Germany and the Netherlands, were able to buffer some economic harm. Because of their larger industrial basis, many countries were able to balance losses in areas such as tourism with more stable, if not flourishing, industries like manufacturing and technology. Nonetheless, they were not fully immune to the crisis and experienced their issues, such as interrupted supply chains and decreased worldwide demand for exports.[7]

The long-term consequences of this economic collapse are significant. The crisis has hastened already planned structural changes, such as a quick movement toward digitization and widespread use of remote work. These transformations provide both opportunities and problems. On the other hand, they provide possibilities for enhanced efficiency and novel approaches to business; on the other, they highlight the importance of continued policy support. Long-term investments in digital infrastructures, green power, and employee education are critical guaranteeing the recovery is not just robust but also durable and resilient to future shocks.

And the damage wasn't just short-term. The prolonged period of reduced economic activity left lasting scars. The potential output was lost, and many EU countries found themselves less resilient than before. For some industries, especially those that were

[5] European Central Bank. *Annual Report 2020*. Frankfurt am Main: European Central Bank, 2021.

[6] European Commission. *European Economy Institutional Paper 155, Chapter I: Economic Outlook.* Brussels: European Commission, 2021.

[7] Ibid.

already facing challenges before the pandemic, the crisis was the final straw. The shift towards digitalization and remote work accelerated, making some traditional business models obsolete almost overnight. Although certain economies within the European Union exhibited signs of recovery when initial restrictions were eased, the path to a full and sustained economic recovery remained highly uncertain and uneven across Member States. The varying degrees of economic resilience and the disparate impacts of the pandemic on different sectors contributed to an uneven recovery landscape. For instance, countries with strong manufacturing bases or those less reliant on tourism were able to bounce back more quickly, while those heavily dependent on international travel and hospitality continued to struggle significantly longer. Moreover, the reintroduction of lockdowns and restrictions in response to subsequent waves of infections further complicated the recovery process, highlighting the fragile and unpredictable nature of the post-pandemic economic environment.

1.2.3 – Labor market disruption

Rising unemployment

The COVID-19 pandemic led to a steep and eerie rise in unemployment across the European Union quickly and steadily. Companies lost a significant share of their client base practically overnight; the challenges associated with the lockdowns; were often threatened with dismissals. This was particularly the case given that many industries in question could not facilitate working from home as was the case with hospitality and tourism industries; students' reliance on physical spaces including retailers and eateries. Eurostat notes that the average unemployment rate in the Eurozone increased from 7. 4 per cent in March 2020 to 8% in December 2020. 3% at the year-end from $300 as per the given table below. In some countries, the situation was much worse: the level of unemployment has risen.[8]

Moreover, according to the ECB, the effects of COVID-19 on employment were unequally borne across all groups, widening the employment gap in the EU countries. Employees below 25 years in the workforce were more severely impacted because they

[8] Eurostat. "Euro Area Unemployment at 8.1% in March 2021." *Eurostat News,* April 28, 2021.

worked in industries hardest hit by the covid-19 impact including hotels, restaurants, and retail businesses. Women also suffered major difficulties as they occupied most of the insecurity, low-quality jobs or worked part-time, and were also responsible for most of the child and elder care during the times of lockdowns thus further demoting their ability to seek employment. Additionally, the study showed that those with limited access to education suffered the impact of the economic crisis more due to the nature of the employment they found themselves doing fixed low-wage jobs that could not be done from home they were more prone to lose their jobs or have reduced hours of work.[9]

The increase in unemployment during the COVID-;19 pandemic not only exposed labour market disparities but deepened them. Employees in vulnerable employment and those with poor educational attainment experienced a high incidence of layoffs and high risks of unemployment. These people were most probably employed in industries where the impact of the pandemic was most severely felt, including the retail, hospitality, and service industries. Their employment status was thus that of an 'insecure worker' – many were freelancers on zero-hours contracts, or working in the gig economy, and did not have the same security, or access to the benefits of full-time work, as more accepted workers. [10]

"The COVID-19 pandemic led to the sharpest contraction on record in employment and total hours worked in the first half of 2020, while the impact on the unemployment rate was more limited as a result of to job support schemes"[11]

The GDP stroke to a staggering 12.7% in the first half of 2020, but still re asceding in the late August of the same year. The Employment Support Measures, like the short-time work sckemes ant temporary layoffs helped to mitigate the huge impact on the employmes of the Member States.[12]

[9] European Central Bank. (2020). *The impact of the COVID-19 pandemic on the euro area labour market. Economic Bulletin*, Issue 7/2020.
[10] Eurostat. "Unemployment Statistics." *Statistics Explained*, July 2021.
[11]European Central Bank. (2020). *The impact of the COVID-19 pandemic on the euro area labour market. Economic Bulletin*, Issue 7/2020. Section 3, Chart 5
[12]Ibid.

Such employees could not afford to be laid off, lose their jobs, or become ill and receive unemployment compensation, paid sick days or any sick days at all. For this reason, they were the most affected by the consequences of the pandemic related to economic instability. It also meant in placing the matter in the comprehension of apt policies and solutions that the instability that already played out in the labour market required further policy intercessions with provisions of more protections for these employees.

It took a pandemic of unprecedented proportions to finally bring to the surface the deep-seated gender inequalities at work in the Eurozone labour market, representing marked differences between how men and women were affected by layoffs and subsequent unemployment.

Whereas the employment of men decreased by about 2.2 per cent in 2020, equivalent to 1.9 million jobs, female employment decreased by “only” 1.5 per cent, translating into about 1.2 million jobs lost during this period. The explanation for this divergence in job losses lies in the various sectors in which men and women were majorly represented before the pandemic.[13]

Women, on the one hand, were more likely to be employed in sectors like retail, hospitality, and personal services—industries that lockdowns and social distancing severely hit. Because most that were laid off were industries where the physical presence of workers was obligatory, many in such trade sent workers home as they claimed that remote work was impossible to execute. The work in this sector mostly saw part-time or temporary contracts, a way of employment that was easily laid off during downturns.[14]

In contrast, men were more likely to work in industry sectors like manufacturing and construction, which, while suffering because of the pandemic, were somewhat more resilient because of the nature of the work and the feasibility of implementing some of the safety measures that have kept these industries running, even if only at reduced capacity. While the pandemic led to an increase in unemployment rates for both men and women, at certain points, the impact was more pronounced for women. By the third

[13] European Institute for Gender Equality. *Gender Equality Index 2021: Health*. European Institute for Gender Equality, 2021.

[14] European Central Bank. "The Implications of High Public Debt in the Euro Area." *ECB Economic Bulletin*, April 2021.

quarter of 2020, for example, female unemployment had skyrocketed by 12.8%, while that among men rose by 10.5%. This disparity therefore shows that women are more susceptible to labour shocks under such circumstances and more so in sectors where most of the job losses have been concentrated.[15]

Moreover, the participation of women in the labour force was majorly affected during the early period of the pandemic. At that time, many schools and childcare centres were closed, so women increased their care responsibilities unpaid, thereby again restricting their chance of participating in the labour force. This led to a temporary reduction in the female labour force participation rate, although it did recover at a faster pace than male participation during the second half of 2020, as restrictions eased, and support systems began returning to normal.[16]

The ECB's research focused on the accurate call for early and selective policy interventions to address these skewed impacts, which was one of the ECB's key lines of work. Among the measures proposed were wage subsidies which were necessary to ensure employees were retained by their employers despite low revenues, and the increase in unemployment benefits which acted as a cushion for people who lost their sources of income, or their working hours were cut. The follow-up schemes were equally instrumental in combating the crisis: For instance, the SURE (Support to Mitigate Unemployment Risks in an Emergency) scheme was particularly effective in helping the Member States protect jobs and workers in the period of emergency. In the organization, many of the national short-time work schemes were financed by SURE to avert massive layoffs and keep employment rates in the Union stable.[17]

These measures included not only immediate fiscal stimuli but also adaptable economic policies that could respond dynamically to evolving circumstances market and ensure that future economic shocks do not disproportionately affect the most vulnerable group. It is essential to underscore the importance of flexible fiscal frameworks that could accommodate the varying needs of different economies while promoting structural reforms aimed at enhancing economic resilience. This approach would involve targeted

[15] European Central Bank. (2020). The impact of the COVID-19 pandemic on the euro area labour market. Economic Bulletin, Issue 7/2020. Available at: https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202007.en.html
[16] Ibid.
[17] Ibid.

investments in sectors that drive sustainable growth, such as digital technology, green energy, and infrastructure, alongside continued support for vulnerable industries and workers who faced prolonged hardship. The need for coordinated efforts at both the national and EU levels was critical to ensuring that the recovery was not only swift but also equitable, preventing the exacerbation of pre-existing disparities among Member States.[18]

The outbreak of the pandemic has given the world a chance to think about the future of work and solutions to such problems. Enhancing workers' rights and guaranteeing minimum protections for all workers, whichever their employment status has remained an important precondition for establishing a fairer and more stable labour marketplace.

Reduced Working Hours and Furlough Schemes

The decrease in hours worked during the COVID-19 epidemic was a direct and substantial impact of the economic crisis that hit several businesses. Those firms that were able to continue operations frequently did so at a greatly lower level, necessitating a matching drop in labour hours to match the diminished demand for their products or services. This has been especially obvious in areas such as hospitality, retail, tourism, and non-essential manufacturing, where enterprises have either decreased their operations or opted to close temporarily. According to both legal experts and economists, this reduction in work hours was one of the initial responses to the steep drop in consumer demand and the necessity to comply with public health guidelines, such as social distancing and shelter-in-place orders.

In response to the crisis, many member states of the European Union quickly introduced or expanded short-time work schemes, which became a key ingredient of the policy responses to the pandemic. These schemes, by and large, referred to as furlough arrangements, sought to prevent mass job loss by allowing employers to reduce their employees' working time or place them on leave, compensating for a significant part of the subsequent income loss through government payments. The central purpose of these

[18] "*Europe's moment: Repair and prepare for the next generation*" *European Commission*, 27 May 2020,

furlough programs was to maintain the employer-employee relationship during the economic downturn, and therefore to allow workers to keep their ties to employed status, even though they were not working full-time. This was seen as preferable to traditional unemployment benefits since it preserved a worker's employability and reduced the costs of reintegrating and re-training for employment in other jobs.[19]

The efficacy of furlough schemes varied across the EU, reflecting differences in implementation, administrative capacity, and specific needs from each country's labour market. For example, Germany's Kurzarbeit program had been in place before the pandemic began and was quite mature by then, which allowed it to scale up support quickly and provide timely assistance to firms and workers. As a result, Germany experienced relatively modest increases in unemployment levels compared to the EU's counterparts, although working hours were drastically cut. In contrast, other countries faced significant challenges in rapidly implementing furlough schemes, such as administrative bottlenecks, payment delays, and uncertainties concerning eligibility criteria. Despite these problems, furlough schemes largely helped mitigate the worst effects of the pandemic on employment, saving millions of jobs across the EU.[20]

Even considering what stated wage support persisted far longer than most governments had anticipated when the crisis began in March 2020. The UK, Australia, Canada, and Ireland were among the countries that implemented special coronavirus wage-support programs, and they all intended to end them by the fall of 2020 at the latest. However, during the pandemic, all these programs were extended or replaced with other programs of a similar nature, meaning that support persisted until at least the end of March 2021.

"Some countries reduced the generosity of payments in summer 2020 as the pandemic appeared to be receding. For example, in the UK, the government contribution to wages was reduced to 60% (from 80%) in September 2020" [21]

[19] Spencer, David A., Mark Stuart, Chris Forde, and Christopher J. McLachlan. "Furloughing and COVID-19: Assessing Regulatory Reform of the State." *Cambridge Journal of Regions, Economy and Society* 16, no. 1 (March 2023): 81–91.

[20] International Monetary Fund (IMF). "Kurzarbeit: Germany's Short-Time Work Benefit." *IMF News*, June 11, 2020.

[21] Institute for Government. "Coronavirus: How Countries Supported Wages During the Pandemic." *Institute for Government"*. Under the chapter: "How did countries vary the eligibility and generosity of their programmes as the severity of the crisis evolved?"

During the crisis, furlough plans have been crucial in preventing an acute increase in unemployment, but they have additionally caused a great deal of discussion on their potential long-term consequences. "Zombie jobs" are jobs that are mostly supported by government funding and cannot survive on their own without it. This was one of the most significant concerns that needed to be solved. Throughout the epidemic, the importance of this became increasingly clear, raising doubts about the viability of those viewpoints. In fact, according to a European Commission assessment, over 900,000 businesses and about 9 million individuals continued to receive benefits from the SURE (Support to Reduce Unemployment Risks in an Emergency) program in 2021, raising worries about the long-term reliance associated with these schemes in job protection.[22]

The heavy reliance on furlough schemes also showed a pressing need for flexibility in labour market policy that could stand up to the shock of any eventuality. The European Commission's reports underlined that, although these schemes were very effective in the short run, they therefore signalled the broader need for robust safety nets and stronger measures of employment protection to ensure long-term labour market resilience.

As the EU continues to recover from the pandemic, officials must examine how to phase out furlough plans without producing a dramatic increase in unemployment, while simultaneously assisting workers in moving to new possibilities in the post-pandemic economy. This will most likely be a combination of continuing financial assistance, retraining programs, and investments in industries positioned for development, such as green energy and digital technology.

Work-at-Home, a new paradigm

The pandemic has also hastened the use of remote work and digital technology, fundamentally changing the traditional workplace paradigm. According to Eurofound research done in 2020, there was a considerable and quick trend toward remote work arrangements throughout Europe. According to the research, telecommuting has become the new norm for a significant section of the white-collar population, significantly changing everyday work routines and operational dynamics. Before the pandemic,

[22] European Commission. "SURE: European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)." European Commission.

remote employment was frequently viewed as a benefit or a flexible option provided by forward-thinking businesses. However, the need for social distancing measures and lockdowns made it an important strategy for company continuity and employee safety.[23]

The switch to remote employment had various advantages. It gave employees the freedom to better manage their work-life balance and decreased travel time and associated stress, potentially enhancing productivity and job satisfaction. Furthermore, it ensured that many enterprises could continue to operate despite the actual shutdown of workplaces, maintaining economic activity and safeguarding employment during the crisis.

However, the transition to remote employment uncovered considerable gaps in workers' access to technology and digital skills. According to the ECB report, although some employees easily moved to digital workplaces with the requisite tools and abilities, others suffered owing to a lack of access to high-speed internet, current gadgets, and basic digital literacy. These gaps were especially prominent across industries and socioeconomic groups, increasing preexisting inequities. Workers with lesser incomes, older employees, and those living in rural regions sometimes encountered more difficulties in adjusting to the new digital work environment.

Further, telecommuting makes employees feel isolated, and secluded from the workplace culture and gives way to the deterioration of mental health and the well-being of employees. The inability to have physical contact with coworkers and superiors leads to communication breakdowns and a reduced sense of belonging. More than that, work invading personal life has brought with it concerns like overwork and burnout as employees find it hard to "switch off" from professional duties quite literally.[24]

1.2.4 – Impact on Small and Medium-sized Enterprises (SMEs)

Small and medium-sized enterprises (SMEs) are undoubtedly the life wire of the European economy; this is given the fact that more than 99% of businesses that exist

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[23] European Central Bank. "The Impact of the COVID-19 Pandemic on the Euro Area Labour Market." ECB Economic Bulletin, August 2020.

[24] European Central Bank. "The Impact of the COVID-19 Pandemic on the Euro Area Labour Market." ECB Economic Bulletin, August 2020.

within the EU are SMEs and these provide about two-thirds of the employment in the private sector. This dominant presence highlights the fact that SMEs have a strategic importance to forward economic growth, innovation and social inclusion in the region. However, the COVID-19 crisis has revealed that the global environment creates some objective preconditions for structural instability at the operational level in their work. If all of these or any of these are left unmitigated, they are capable of engendering deep-seated impacts on the rest of the European economy.

The liquidity crisis is one of the critical issues that SMEs met during the pandemic, and it could be regarded as acutely emerging. The reduction in overall revenue due to the increase in COVID-19 cases, resulting in lock-down and movement restrictions, put a lot of strain on the cash flows. In contrast with large firms that may have significant cash budgets and/or have comparatively less difficulty in accessing credit markets, many SMEs may make very low-profit margins and regularly/depend on the continuous receipt of cash inflows to meet essential business expenses such as wages, rent and materials. This has made SMEs very dependent on constant cash inflows which is a main reason that makes them very sensitive to disruptions. Economic constraints caused by the COVID-19 epidemic resulted in many SMEs facing acute cash flow problems and being unable to pay for basic costs. As a result, most SMEs went bankrupt or closed their doors, mostly in businesses that were more sensitive to the economic impact of COVID-19, such as hospitality, retail, and tourism.[25]

The liquidity problems further manifested themselves in a domino effect on employment and the economy of the EU member countries. They are one of the most important sources of employment in the EU and their financial difficulties translated into the loss of jobs and depressed income among millions of people. This adversely affected the EU's labour market, which is largely dominated by SMEs and consequently led to a further continuation of the economic decline. The shutdown of the SMEs also impacted its employees while negatively extending its consequences to local economies specifically the informal economies where SMEs predominate. These business closures

[25] OECD. *The Impact of COVID-19 on SME Financing: A Special Edition of the OECD Financing SMEs and Entrepreneurs Scoreboard*. OECD SME and Entrepreneurship Papers, November 17, 2020.

had ripple effects on the consumers' expenditures, taxes collected by the government, and the pressures of social support services.[26]

Also, access to finance during the pandemic became one of the major challenges for SMEs. Despite the numerous financial support mechanisms at different government levels in the EU, such as grants, loans, and guarantees, that were created to soften the economic impact, not all SMEs could benefit from these initiatives. For many of the smaller enterprises, mainly those without appropriate banking arrangements or generally without a formally organized financial structure, such programs seemed to be too complex. Furthermore, uncertainty regarding the duration of the pandemic and the prospects of economic recovery undermined incentives among a certain group of SMEs to take on further debt even in instances where financial support was available to them. This is especially true of those SMEs that were already running precarious financial conditions before the pandemic.[27]

To reduce the adverse effects, the different governments in the EU provided different forms of financial support such as grants, loans and guarantees for the SMEs but not all of them could take advantage of them. It emerged that while small and new firms benefited from these programs, especially those that had no links with banking institutions or standard business frameworks for finance, the application processes were cumbersome and hard to go through. Moreover, given the unpredictability of the pandemic's duration as well as the possibilities for the economy's recovery, some of the SMEs avoided taking on even more debt, including situations when it was subsidized. Such cautiousness was even more apparent among the SMEs that were already financially vulnerable before the COVID-19 outbreak.[28]

Furthermore, the pandemic has put a strain on resilience and adaptability as essential features of SMEs. The problems experienced by SMEs during this period emphasized the need for a more effective structure and support plan geared to the unique needs of such businesses. The EU's future economic recovery is mainly contingent on SMEs'

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[26] OECD. *The Impact of COVID-19 on SME Financing: A Special Edition of the OECD Financing SMEs and Entrepreneurs Scoreboard*. OECD SME and Entrepreneurship Papers, November 17, 2020.
[27] Ibid.
[28] Ibid.

ability to overcome the epidemic's challenges and adapt to a continuously changing business environment. This may demand further financial support, more focused investments in digital infrastructure, and increased funding for SMEs, particularly those located in badly damaged industries and localities.

Resilience in SMEs is not just about mere survival; it includes adaptation, innovation, and growth in adversity. The pandemic has given a strong reminder that resilience is not only a reactive approach but one that needs to be inculcated into the very core of operations for any business. With contingency plans, investment in technology, multiple revenue streams, and closer relationships with various stakeholders, such as suppliers, customers, and financial institutions, SMEs will be better prepared for the unexpected.[29]

Among the challenges that SMEs have faced during the pandemic, there have been various policy measures by the European Commission and member states aimed at strengthening the resilience of SMEs. These are through the provision of grants and subsidies, the creation of programs on digitalization, and training initiatives aimed at enhancing the digital skills of SME employees. In addition, the EU has acknowledged the relevance of creating a supportive regulatory environment that decreases administrative burden and provides access to finance for SMEs. This is particularly important as SMEs prepare to navigate the post-pandemic economic landscape, which will likely be characterized by increased competition, technological advancements, and changing consumer behaviours.[30]

In conclusion, the COVID-19 pandemic once again pointed out the deep vulnerabilities of the SME sector but also again strongly underlined the critical importance of the contribution of enterprises to the European economy. The forward-going challenges faced in this crisis by SMEs highlighted the weakness of their business models but, in turn, strengthened further the need to build resilience, agility, and support systems for their sustainability in the long run. Policymakers therefore need to give more priority to SMEs, especially through financial support, targeted investment in the digital infrastructure, and a favourable regulatory environment while working untiringly for EU economic recovery. By responding to these challenges, the EU is in a position to

[29] Plaumann, Lucian. "Building Resilience after COVID-19: EU Measures to Protect Jobs and Promote Skills." *Eurofound*, February 21, 2023.
[30] Ibid.

help SMEs not only recover from the pandemic but also emerge stronger and more resilient for their role as the backbone of the European economy for the coming years.

Conclusion

The COVID-19 pandemic had severe consequences for the economy globally and might be characterized as affecting almost all spheres of life and significantly changing the interconnected relationships in the international business world. The economies of Europe were suddenly connected and intertwined and therefore the shock of forced shutdowns and restriction of mobility was harsh. When such industries were affected right from manufacturing, retailing, tourism, and even transport industries, the economic impacts were registered in the Union. Corporations which for many years have been enjoying their profits and steady growth faced insolvency overnight, and governments woke up to the reality of having to devise urgent measures to avoid massive layoffs and corporate failures. While some countries could afford sufficient relief measures in terms of fiscals, some of which even provided expansive relief packages, other countries especially those with accumulated pre-existing debt would in one way or the other could not manage the pandemic crisis without help.

In this respect, unemployment emerged as a major policy issue in the EU countries that affected all domains of life of people. When the pandemic hit, unemployment rates were observed to have risen to never-before-seen levels, especially in the industries that were not flexible enough to accommodate the shift towards working from home including the tourism, retail and performing arts. According to the International Labour Organization (ILO), global working hours fell by 5.4 % due to the pandemic and the loss of 155 million full-time jobs in the calendar year 2020. This also affected Europe as millions of workers lost their jobs or were put on furlough as companies shut down.

However, the worst part of this crisis was that the EU already had its economic structure and set preexisting social frameworks which could prevent the effects of this devastating crisis to a greater extent. Before COVID-19, the EU had been shifting towards more synchronised social and economic frameworks, through the launching of actions like the European Playbook of Social Rights, which intends to enhance the protection of jobs and guarantee fair remunerations. The pandemic coronavirus amplified these processes, and it became clear that cooperation at the European level is effective. To begin with, it was understood that no single Member State was able to cope with the existing economic crisis, which outlined the necessity of the Union's efforts to save the EU's economy and the labour market.

That is where the SURE Regulation proved useful for me. As an employment protection measure against the risk of a high level of unemployment, SURE endowed the Member States with the financial means for funding STWs and subsidies to salaries. They were critical tools in sustaining economic activities and providing a source of income for individuals and families, including those in hard-hit industries. The fact that the unemployment rate in the EU remains much lower than income in other major developed economies such as the United States where the unemployment rate reached over 14% in 2020 shows that SURE was effective.

Though every country across the entire world underwent the economic effect of the pandemic, the way the EU addressed this issue, especially through the inclusion of SURE revealed the Union's preparedness and the ability to stand and respond positively in indicating crises. The regulation not only gave financial support but also affirmed solidity and social security, which is the spirit of the EU. The subsequent sections will focus on the peculiarities of the functioning of the SURE Regulation and its impact on stabilizing the European labour market in the context of the given pandemic.

Chapter 3: General Introduction to the SURE Regulation

1.3.1 – The advent of SURE

The *Support to Mitigate Unemployment Risks in an Emergency* Regulation referred to as SURE Regulation is regarded as one of the biggest responses of the European Union to the severest economic and social emergency occasioned by COVID-19. In direct response to the social and economic crisis caused by the pandemic to employment and stability, the SURE Regulation invoked a sum of money to support the Member States in protecting jobs and incomes when there was significant insecurity. This instrument was a part of the large-scale measures adopted by the EU to tackle the economic losses caused by the pandemic and to respond to a crisis which affected all the Member States even if to a different extent.

The process of the SURE Regulation adoption started in the first half of 2020 when the pandemic affected the European countries' economies' cooperation and the need for a joint economic response. The COVID-19 crisis was as chaotic as no previous crisis in the European Union, both in terms of the scale and the speed of development as well as in terms of the cross-sectional effect on all Member States. COVID-19 caused governments to enforce strict measures like lockdowns hence reducing people's mobility reduction in economic sectors such as tourism, hospitality and manufacturing. The unemployment levels went up higher and millions of employees prepared to be laid off since companies could not afford to stay afloat. Again, with this background, the European Commission and the Member States realized the importance of a coherent and ambitious strategy for managing the short-term social and economic effects and for safeguarding employment in the Union.[31]

SURE was developed within this framework, which aimed at delivering not only financial support in the short term but also at ensuring the stability of society and politics at one of the most critical times for modern European societies. It was adopted on May 19th, 2020, and its main objective was to provide loans to Member States to enable them to finance national employment protection measures like short-time work schemes and similar measures. These measures were instrumental in avoiding large-scale layoffs, especially in the countries most affected by the virus, Italy, Spain, and Portugal. Through the funding of these programs, SURE ensured that household incomes remained afloat and that labour markets remained stable at a time of considerable fluctuation. Another important feature of the SURE Regulation is its focus on the principle of solidarity between the Member States of the European Union. The financial support under SURE equally involved loans on very favourable conditions where social bonds were issued by the European Commission. These loans were fully guaranteed by the Member States with each country providing for a large pool of guarantees. This collective guaranteed mechanism enabled Member States to pool resources and safeguard that any Member State, no matter its limited fiscal capacity,

[31] European Commission. "SURE: European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)." *European Commission*.

could get adequate financial backing with the aim of maintaining the employment protection programs. The idea of mutual accountability was relevant to the establishment of SURE as the EU supports solidarity and mutual assistance in times of hardship. Overall, following its endorsement of up to €100 billion in financial aid under SURE, the EU adopted one of the biggest measures in response to the crisis in the Union.[32]

In line with the growing literature on the topic of crises in the EU, it is possible to identify that SURE was formally introduced in the context of the possible shift in the economic approach towards the globalisation of the austerity policy. The recent economic governance reforms that have been undertaken by the EU to enhance fiscal discipline and maintain financial stability within the euro area were undertaken after the global financial crisis of 2008 and the European debt crisis. Such changes included the creation of the so-called European Stability Mechanism (ESM), a permanent crisis resolution fund launched in 2012 and designed to help countries in distress in the euro area. However, the reforms which followed were accompanied by austerity measures that were greatly criticised for worsening social disparities and making the economy in some Member States sluggish. In that context, with SURE the EU aimed at supporting the Member States differently from austerity, defending jobs and incomes.[33]

It was witnessed throughout the early days of the pandemic that the world took this approach. On 20 March 2020, the European Commission called upon the activation of the *"general escape clause"* of the Stability and Growth Pact that permits the Member States to leave the EU's fiscal standards in an unfixed term allowing them to introduce tests to support their formation in risky circumstances. This of course was important in providing governments with the room to enhance expenditure in areas such as health, social security, and employment rights, without in the process incurring additional penalties for having breached the EU budget constraints. Likewise, the European Central Bank (ECB) initiated the Pandemic Emergency Purchase Programme (PEPP) on March 18, 2020, which is an asset purchase program 'worth' € 750 billion to stabilise

[32] European Union. *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*. Official Journal of the European Union L 159/1, May 20, 2020.

[33] Kirkpatrick, Grant. "The Corporate Governance Lessons from the Financial Crisis." *OECD Journal: Financial Market Trends*, no. 1 (October 7, 2009).

the financial market and increase the liquidity in the euro area. These measures set the stage for the great fiscal and monetary response to the pandemic of which SURE was a part.[34]

The European Commission formally put forward a SURE Regulation on May 19, 2020, in the frame of a set of cohesion policies to counterbalance the socio-economic effects of the covid-19. The proposal was followed by the approval of the Council of the European Union thus gaining the political support of the Members. The rapid adoption of the regulation SURE was due to the nature of the crisis and the necessity to intervene to minimize the losses for the workers and businesses at times of the COVID-19 pandemic. As European Commission President Ursula von der Leyen noted at the time, SURE was designed to "*protect the most precious asset we have our workers*." By the middle of 2021, SURE has provided loans of more than €89 billion to 19 Member States to protect national employment guarantees and save millions of jobs all over the EU. [35]

The SURE instrument also had secondary effects on the EU economic governance and fiscal burden-sharing framework, in the medium to the long term as well. The launching of social bonds for the financing of SURE was a remarkable shift in the EU financial policy whereby the Union resorted to international capital markets to fill the social insurance needs. This was evident in these bond issuances that were oversubscribed showing the positive perception that investors had of the EU whether in terms of its financial strength or social inclusion policies. It also set the scene for the EU's recovery plan and the Next Generation EU – recovery fund that seeks to aid Member States' recovery through investments in areas such as green and digital transitions.[36]

The SURE Regulation might therefore be seen as one of the highlights of the EU's response to the outbreak of the COVID-19 pandemic; it may also be interpreted as symbolising the EU solidarity while providing evidence of the Union's ability to mobilise and act swiftly and in unison in a crisis. When extending back, it is obvious

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[34] European Central Bank (ECB). "Pandemic Emergency Purchase Programme (PEPP)." *European Central Bank*.

[35] European Commission. "Commission Calls on Member States to Build a More Competitive and Dynamic Business Services Market." *European Commission*, July 9, 2021.

[36] Born, Alexandra, Claudia Lambert, Luis Molestina Vivar, Andrej Sowinski, and Iosep Maria Vendrell Simon. "Do EU SURE and NGEU Bonds Contribute to Financial Integration?" *European Central Bank*, 2024.

that SURE has crucially continued negative impact by giving money to the Member States who used it for retaining jobs and income; thus, avoiding mass unemployment and social unrest at a time that was among the most difficult in the recent history. The success of SURE can also be attributed to the sense of unity and cooperation as well as supported by the fact that facing worldwide issues is the responsibility of everyone and as such, the EU’s response should be an effective predecessor for similar strategies and solutions in the future shocks of the world economy. In the case of the EU, which has been trying to sustainably recover from the economic shocks elicited by the pandemic, the knowledge gained from SURE will most definitely help the Union to effectively manage crises and its economic policies in the future years.

1.3.2 – SURE within the EU Legal Framework

The SURE Regulation is the significant, new financial instrument introduced to support employment in some of the harshest socio-economic crises the EU has ever experienced. The establishment it received under Union law is a reflection of the Union's capability for action in coordination in response to crises. The COVID-19 pandemic had a trailblazing impact on labour markets across the whole continent, a factor that has made the design and implementation of SURE quite fundamental in protecting employment and income against economic instability in Member States. How SURE works and its importance can only be fully understood by placing it within broader EU legal and institutional structures.[37]

SURE was established under the auspices of the TFEU, the foundational document governing EU action from economic policy to employment protection and social welfare. Under the TFEU, SURE's legal basis could be seen under Article 122 therein. The latter is considered important because it allows the EU to provide financial assistance for Member States that face severe difficulties in their economies caused by specific extraordinary events. It is within the breadth of Article 122 that the EU was

[37] European Commission. "SURE: European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)." *European Commission*.

able to act swiftly in response to crises such as the COVID-19 pandemic, hence making it a central element of the legal basis for the SURE Regulation.[38]

Legal Basis: Article 122 of the TFEU

Article 122(1), TFEU is a cornerstone provision allowing the Union to grant financial assistance to Member States experiencing considerable economic difficulties that go beyond their control. The COVID-19 pandemic has seen the implementation of far-reaching economic shutdowns and unprecedented labour market disruption as clear and compelling grounds for EU-level intervention. The global nature of this pandemic and the fact that its economic impact had reached the businesses, workers, and governments so fast and extensively were a good reason for the EU to trigger this provision in support of member states when it mattered. Article 122(1)[39] allowed the EU to achieve what was clearly beyond any country to pool resources and coordinate responses equitably during the resource-constrained crisis period.[40]

Further development of the EU's legal competence for granting financial assistance is given by Article 122(2)[41] of the TFEU. Following this Article, the Council of the European Union upon the proposal of the European Commission is authorized to provide mutual financial assistance for those Member States whose exceptional difficulties are caused by circumstances such as natural disasters or severe economic shocks. This legal framework was used to provide a complete legal framework for the SURE Regulation, whereby the Commission was allowed to grant financial assistance under Union law through loans of up to €100 billion to Member States for the maintenance of employment and income, where the latter has been seriously disturbed due to the COVID-19 outbreak, notably through short-time work schemes, wage

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38 Chamon, Merijn. 2023. "The Rise of Article 122 TFEU." *Verfassungsblog*.

39 Treaty on the Functioning of the European Union, Article 122.

40 European Union. *Consolidated Version of the Treaty on the Functioning of the European Union, Article 122*. Official Journal of the European Union C 326/47, October 26, 2012.

41 Treaty on the Functioning of the European Union, Article 122.

subsidies, and support for self-employed workers. Such a legal mechanism made it possible to accomplish that flexibility or quickness required in this very situation.[42]

The Council's Role and the Principle of Solidarity

SURE was established by the Council of the European Union upon a proposal by the European Commission. SURE's approval in record time in April 2020 constituted one of the most important EU measures so far in its broader economic response to the pandemic. The speed and efficaciousness with which the SURE mechanism could be put into practice underline the flexibility of the Union's legal framework when urgent measures are called for, serving the needs of its Member States. The unanimous vote in favour of the regulation by the Council also gives evidence of the combined will of the Member States and is bound to further the solidarity developed as the Union took action through the economic and social consequences of the pandemic.[43]

Indeed, solidarity is one of the fundamental values on which the EU's legal framework is founded and to which the SURE Regulation explicitly refers. In particular, there is a system of collective guarantees from Member States, fixed at a total amount of €25 billion, backing its financing. These voluntary Member State contributions allow the European Commission to issue bonds in the financial markets in very favourable conditions. It is the good credit rating of the Commission, in addition to these joint guarantees, that gives the most affected countries access to financing under this facility without adding to their fiscal burdens. The shared responsibility enshrined in this guarantees system reflects the fundamental EU principle of solidarity whereby wealthier, fiscally more stable Member States help support those whose economies have been hit harder by the pandemic.[44]

Economically more robust countries, such as Germany and the Netherlands, played an essential role in helping Member States like Italy and Spain-which had been hit hard

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[42] European Union. *Consolidated Version of the Treaty on the Functioning of the European Union, Article 122*. Official Journal of the European Union C 326/47, October 26, 2012.

[43] European Union. *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*. Official Journal of the European Union L 159/1, May 20, 2020.

[44] Bénassy-Quéré, Agnès, and Beatrice Weder di Mauro, eds. *Europe in the Time of Covid-19*. CEPR Press VoxEU.org, 2020.

both by serious health impacts and severe economic consequences linked to COVID-19 by pooling their resources in this manner. The mutual guarantees mechanism underlined not only a legal and political commitment to solidarity but also a safety net that made rapid access to vital funds possible at low borrowing costs.[45]

SURE's Complementarity with Other EU Financial Mechanisms

SURE is not a stand-alone instrument; it is part of a large set of EU financial instruments developed as a response to a succession of economic crises. Although SURE differs from mechanisms like the ESM, it is complementary to those instruments in that it tackles the labour market and social dimensions of the crisis specifically. The ESM was established in response to the financial crisis of 2008, and its primary role is the provision of loans to Member States experiencing turmoil due to sovereign debt or problems associated with their balance of payments. On the other hand, SURE had been devised for a specified purpose: to keep employment levels and social stability intact during an economic crisis wrought by a public health emergency. This comparison will be further analised int the next parts of the thesis to address the main differences and common points with the other financial mechanisms the EU enacted to protect its marked and population from adversities just like teh COVID-19 pandemic.[46]

Differences Between SURE and ESM

A critical difference between SURE and the ESM is that their focus and operational frameworks differ. The ESM was established in response to the debt crisis in the eurozone area, to grant financial stability to Member States in fiscal distress. Its principal task is to contribute to the financial stability of the euro area by purchasing financing granted to countries in sovereign debt difficulties in the form of bailouts or loans. This mechanism is particularly important to Member States in fiscal positions

[45] European Commission. "SURE: European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)." *European Commission*.

[46] See Chapter 2, Paragraph 2.3.5

that undermine confidence in their debt repayment capability, thus preventing financial contagion within the euro area.[47]

On the other hand, SURE had been an emergency financial instrument in the combat of the COVID-19 pandemic labour market crisis. Its core objective is to safeguard employment through the facilitation of loans for financing STWs and similar measures that enable employers to keep their employees during periods of economic downturn. The key operation of SURE is to offer the Member States better loan conditions, derived from the EU's strong credit rating; it helps reduce the cost of borrowing for countries in need of financial support for the sustenance of social stability.[48]

This difference underlines the flexibility and adaptability of the EU's legal framework: interventions would be tailored, if not targeted, concerning the nature of the crisis at issue. The ESM intervenes in financial market stabilization, while SURE focuses on the protection of employment and social resilience to ensure that the response to the pandemic covers both the economic and social challenges it created. It does so by playing a complementary role to the other mechanisms of the Union and reflecting the latter's multifaceted approach to managing crises.

Complementary Roles and Flexibility of SURE and ESM

While SURE and the ESM have distinct objectives, they still operate within a complementary framework that enables the EU to tackle crises along various dimensions. Whereas the latter focuses on stabilizing financial markets and addressing macroeconomic imbalances, SURE focuses on the protection of employment and, more broadly, on safeguarding the social fabric in case of economic disruption. This is complemented by a dynamic at play, which involves the preparedness of the EU to adjust according to the character of any given crisis. During the COVID-19 pandemic, even as the ESM was ready for fiscal instability in any Member State, SURE stepped in

[47] Piattoni, Simona, and Ton Notermans. *Germany and Italy After the Crisis: Final Conference Version*. June 2021.
[48] Schelkle, Waltraud. "Fiscal Integration in an Experimental Union: How Path-Breaking Was the EU's Response to the COVID-19 Pandemic?" *Journal of Common Market Studies* 59, no. 5 (September 2021): 1029–1045.

to sustain employment and social resilience, hence preventing a decline in support among citizens even when economies were wavering.[49]

Indeed, the flexibility enshrined within the EU's financial governance framework is part of its crisis management strategy. While ESM acts upon conditionality, that is, with structural reforms imposed on recipient countries, SURE was established rather without heavy conditionality. Thus, it could provide immediate alleviation to Member States and make them able promptly to react at the labour market level to these challenges emanating from this pandemic. The differentiation also shows how the EU is in a position to apply financial instruments already, whether targeted interventions have to be made in line with the nature of the crisis.[50]

The EU's Multidimensional Crisis Response

This measure also testified to the EU's realization of the need to go beyond financial stabilization both in economic and social crises. SURE filled an important gap in the EU's reaction to COVID-19, because of its scope toward the protection of employment and social cohesion. In so doing, this complemented other EU mechanisms more focused on general economic recovery and transformation as the European Central Bank's Pandemic Emergency Purchase Programme and Next Generation EU recovery fund. At the same time, the ESM stood firm as an essential backstop for fiscal emergencies-particularly those of the Member States that can be considered economically vulnerable.[51]

In all, the role played by SURE in the maintenance of social stability and employment during the pandemic has marked its importance within the EU's financial framework. It is through SURE that the response of the EU to the pandemic has straddled economic and social challenges and underlined a commitment by the Union to address crises in a multivariate manner. This ability to adjust and show adaptability and flexibility in the use of various financial instruments depending on the nature of the crisis represents the

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[49] Piattoni, Simona, and Ton Notermans. *Germany and Italy After the Crisis: Final Conference Version*. June 2021.

[50] Schelkle, Waltraud. "Fiscal Integration in an Experimental Union: How Path-Breaking Was the EU's Response to the COVID-19 Pandemic?" *Journal of Common Market Studies* 59, no. 5 (September 2021): 1029–1045.

[51] Schelkle, Waltraud. "Fiscal Integration in an Experimental Union: How Path-Breaking Was the EU's Response to the COVID-19 Pandemic?" *Journal of Common Market Studies* 59, no. 5 (September 2021): 1029–1045.

broader commitment of the European Union to the preservation of both economic stability and social cohesion.

Cohesion and Economic Disparities

The SURE Regulation also stands entirely on the principles of economic and social cohesion on which the general legal order of the EU rests. The TFEU stipulates that there should be a "reduction of disparities between the levels of development of various regions and the promotion of balanced and sustainable development of economic activities". SURE was established in an endeavour to serve such purposes by rendering accessible the resources needed for Member States to secure their labour markets without contingent upon fiscal capacity. Furthermore, cohesion needs to be focused on so that the recovery process proceeds with ease and the divergence of the economy further into the wealthy and less wealthy Member States can be avoided.[52]

That is all the more relevant because the pandemic hit harder the countries with weaker economies and health infrastructures, further exacerbating the inequalities within the EU. That facility given to SURE to assure financing in a manner targeting the specific Member States according to the labour market disruption of each one means that those countries which faced the greater hardship get the lion's share of support, countries not as severely affected benefit from it too, although by much lesser respect.[53]

Innovation within the Legal Framework

In turn, the establishment of SURE also testifies to the EU's capability for legal innovation: whereas Article 122 had already been used in the past to respond to emergencies, including those linked to natural disasters, SURE is its first application in response to a labour market crisis. The swift mobilization of funds, the use of social bonds, and the close coordination between the Commission and the Member States show that the EU can use its legal instruments in a way which adapts to emerging

[52] European Parliament. "Economic, Social and Territorial Cohesion." *European Parliament*.
[53] European Parliament. "Economic, Social and Territorial Cohesion." *European Parliament*.

challenges. This will remain important for the EU in continuing to address the long-term economic and social consequences of the pandemic.[54]

As a general rule, SURE is the paradigm of how the EU can make use of its legal framework to effectively and swiftly react in the case of crises. Having based SURE in Article 122 TFEU,[55] the EU was in a position where it could provide such financial support in the form that was deemed necessary to preserve jobs and keep economies stable during the COVID-19 pandemic. In essence, this system of collective guarantees, combined with EU backing for solidarity and cohesion, guaranteed that all Member States would be able to access resources capable of seeing them through the crisis. Moving forward into post-SURE life, the experience learned from SURE is likely to influence how future crisis-response mechanisms may be developed within the Union's legal framework for a reinforced capacity to perform in the face of future crises.[56]

1.3.3 - Structure and Mechanism of SURE

The essential of SURE is a loan-based structure by the European Commission for which it issues social bonds on the financial markets. These bonds which are a relatively new form of financial instruments in the EU's governance system are supported by the guarantees given by the member states. Altogether, Member States provided €25 billion in guarantees; this means that under favourable conditions the European Commission could borrow up to €100 billion. The EU's collective financial power coupled with the fact that it enjoyed a high credit rating meant that Member States were able to access cheap credit which was necessary to support national reforms in employment protection.[57]

It will also be important to appreciate the role of the social bonds issued under SURE. This year the European Commission collected funds solely for social purposes asserting the EU's economic as well as social solidarity. Such bonds were highly preferred by

[54] European Parliament. "The Use of Article 122 TFEU: Institutional Implications and Impact on Democratic Accountability." Study, September 2023.
[55] Treaty on the Functioning of the European Union, Article 122.
[56] European Parliament. "The Use of Article 122 TFEU: Institutional Implications and Impact on Democratic Accountability." Study, September 2023.
[57] European Commission. "SURE: European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)." *European Commission*.

investors, as indicated on multiple occasions in instances of its multiple launches. According to the European Commission, 39 billion Euros was disbursed by the end of the year 2020. 5 billion in SURE bonds to offer important funds to Member States when the virus was at its worst. It formed the base for further development of EU financial systems hence showing that the Union could access resources in the International financial markets for social welfare.[58]

The commitments made by the Member States are focal in the SURE framework. These guarantees are therefore collective and enable the fact that the financial burden is absorbed by all the EU Members and thus foster solidarity. The total allocation of funding for the guarantees is funded as per the Individual Member State Contributions where each country pays according to its share of the Gross National Income (GNI) of the total EU gross national income. Those countries such as Germany, France and Italy which have bigger economies, paid more while those countries, such as Estonia or Malta, which have more limited economies, paid less, following their fiscal capabilities.[59]

Such guarantees work as a financial safety net thus allowing the European Commission to provide credit in very favourable terms. The fact that the Commission was able to borrow on the international markets on behalf of the Member States and used its creditworthiness to issue bonds greatly helped to minimize borrowing costs, especially for member states whose fiscal standing was not very strong. Thus, countries such as Spain, Portugal and Italy – economies that were among the most affected by the COVID-19 pandemic – could get the necessary funds for preserving jobs and incomes without deepening the debt unsustainable.[60]

The novelty of SURE lies in its flexibility. The Member States could apply for financial assistance based on their specific needs, and the funds were disbursed in tranches depending on the severity of the labour market disruption. This approach has ensured that the support is targeted and proportionate-skewed, thus allowing Member States to request more funds when need be. Take for instance Italy, believed to be the country

[58] Ibid.
[59] Ibid.
[60] European Commission. "SURE: European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)." *European Commission*.

most badly hit by the pandemic; it got the largest allocation under SURE, followed by Spain and Poland.[61]

The tailored nature of the support made it prescriptive that countries suffering the most economic hardship benefited from the lion's share of the assistance. At the same time, smaller Member States' economies, which might not have suffered as much disruption to the labour market, also benefited from this program, albeit less intensively. This flexibility brings in the principle of solidarity, ensuring that all Member States receive access to financial support irrespective of size and fiscal strength.[62]

Probably the most innovative element introduced by SURE has been its flexibility: Member States could apply for financial assistance according to their specific needs, while funds were disbursed in tranches linked to the labour market disruption. This makes the support targeted and proportional; there is always the possibility of asking for more funds if these are needed. For example, Italy, being one of the worst-hit countries due to the pandemic, received the highest allocation under SURE, followed by Spain and Poland.

Because the support was individually tailored, it meant the countries that were in most desperate need economically received the highest degree of support. While this might be true, even smaller Member States which did not have quite as much disruption in the labour market benefited from the program. It was done to a lesser degree, of course, and this principle of solidarity reinforces that all Member States have access to some financial support without any distinction based on size or fiscal strength.[63]

The implications of SURE's successful implementation are highly important for any future perspective on EU financial governance. This is simply a case whereby it showed that the Union could act as a direct participant in international financial markets and be able to raise funds to meet pressing social needs. Accordingly, the issuance of social bonds under SURE has been widely hailed as an innovative and efficient mechanism for

[61] Ibid.

[62] European Union. *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*. Official Journal of the European Union L 159/1, May 20, 2020.

[63] De Witte, Bruno. "The European Union’s COVID-19 Recovery Plan: The Legal Engineering of an Economic Policy Shift." *Kluwer Law International*, 2021.

financing social programs. By the end of 2021, the Commission issued more than €89.6 billion in SURE bonds, saving almost 30 million jobs across the EU.

This also opened new avenues for EU action in such areas, notably concerning the Next Generation EU recovery plan. While SURE was focused on short-term stabilization of the labour market, Next Generation EU is targeted at long-term economic recovery through investment in green and digital technologies. In this sense, the experience from SURE provided important lessons to be learned for the design of Next Generation EU, especially regarding the use of EU borrowing for collective economic objectives.[64]

SURE has provided not only critical short-term relief but also set the scene for future collective action in times of crisis. Its success in financial markets, showing how the EU could mobilize funding for social goals, prepared the ground for more ambitious initiatives such as Next Generation EU. As the EU moves forward with successive economic challenges thrown up by the pandemic, lessons learned from SURE underpin the future of both EU economic governance and fiscal solidarity.

Conclusion

While the pandemic's economic and social effects were escalating, the European Union was standing before a choice. The situation called for immediate action to protect employment and order in the society. First reactions as responses of single Member States, although needed, were sometimes not sufficient to mitigate the crisis, especially in countries with pre-COVID-19 economic problems. The European Union thus had no option but to come up with a solution that would be long-term and sustainable whereby institutions in the European continent would be able to recover and regain their stability.

As one of the first measures at the European level, the SURE Regulation was adopted in April 2020 as one of the EU's largest interventions during the COVID-19 pandemic. Unlike other instruments for managing crises, it prioritized the maintenance of employment and avoidance of mass unemployment within the EU as well as globally. SURE made financial resources available to Member States to help put in place and, as the case may be, expand STWs, wage subsidies, and other forms of employment

[64] European Commission. "NextGenerationEU." *European Commission*.

protection. All these endeavours were important to reduce the social and economic impact of the pandemic and to guarantee that numerous employees in the Union could continue working, despite the record difficulties that companies experienced.

From the analysis of the details of SURE, one can also identify that the program is implemented collaboratively as well as embraces a wide scope of financial aspects. These measures were implemented by Member States with the help of EU institutions in a highly coordinated manner and at a fast pace which showed the commitment of the Union solidarity. This crisis management ideology of using both financial cash and social measures was a novelty that best regaled the EU's spirit of both economics and politics. In addition, it paved the way for how the EU could act towards the next disaster, not only in terms of its economic aspect but also the citizens' best interest.

The next chapter will therefore look at the SURE Regulation more closely as to how it was conceived and planned, how it was rolled out across different EU countries, and how it was synchronized and regulated. When we look into the European Commission, the European Central Bank's approval and the member state's government comprehension of the regulation then the role of SURE Regulation becomes clearer as to how it helped in stabilizing the European labour market during one of the most disastrous times in history.

Part 2: SURE Regulation – A Detailed Overview

Chapter 1 – Detailed analysis of SURE

2.1.1 – An overview of SURE

The presented Regulation on Support to Mitigate Unemployment Risks in an Emergency (SURE) adopted by the European Union concerning the COVID-19 crisis constitutes a fundamental legal and economic mechanism designed to counteract risks on the Member States' labour markets. Although the pandemic led to unforeseen disruptions in the global economy and labour markets, the EU immediately responded to the threats that high unemployment and economic volatility posed, with SURE being one of the tools for that.

The current chapter will further and more deeply analyse what was treated in chapter 1.3 and will devote specific attention to the legal framework of the SURE Regulation, the construction of the Regulation as well as its working surrounded by other EU policies for managing economic governance and employment protection in the member states. The first part of the chapter will begin with presenting the SURE Regulation as such, with some summary information about its background, goals and objectives, as well as the temporary nature of the instrument created to mitigate the economic impact of the pandemic.

In the following part of the analysis, the focus will be turned towards the legal regulation of SURE, in the context of the Treaty on the Functioning of the European Union (TFEU) that sets out the legal competence of the Union to react to the crises. The Treaty of the EU Freedom of Movement and Property Ownership Articles 122(1) and 122(2) TFEU which gives the EU the powers to provide funding for African Member States experiencing a severe economic crisis[65] will assist in understanding how SURE operates within the union legal frameworks. This section will also cover the EU budget structures that relate to the economic governance and how SURE fits concerning other financial instruments like ESM as well as the Next Generation EU post-COVID recovery fund instrument.

[65] Treaty on the Functioning of the European Union, Article 122.

Finally, the chapter will look at the aspect of structure and mechanism of SURE and consider on what basis; this EU financial instrument was intended to function such as through the issuance of Social Bonds to float the funds required and through collective guarantee from the Member States. The use of SURE will also be examined in this section especially focusing on the principle of solidarity that applies in cases of hardship by the EU.

Accordingly, through these sections of the chapter, one will be acquainted with the understanding of SURE Regulation as a critical weapon in the fight against the COVID-19 pandemic in the EU and advance to later sections for analysis of the performed actions and potential outcomes.

2.1.2 – What is SURE?

Remembering what was already stated in part 1.3, the Support to mitigate Unemployment Risks in an Emergency (SURE) is a short-term financial facility within the framework of the EU that was created to provide emergency assistance for Member States during the COVID-19 pandemic. It was expected that this instrument would help in combating the fast pace in which economic disruptions due to the pandemic were occurring with a major focus on employment and sources of income. The COVID-19 crisis had severe consequences for the EU economy: companies were forced to shut and millions of people lost or saw their working hours cut short. In this regard, SURE was presented as a mechanism to assist with the protection of employment measures, so that national administrations have the funding required to prevent the workers from being laid off and preserve their incomes during this challenging phase.

The main activity of the SURE Fund mainly focuses on offering loans to Member States at a low interest rate. These loans are meant to enable countries to finance national employment protection measures like short-time work (STW) and wage subsidies. The specific types of schemes that are employed by the SURE are STW schemes and those allow for the preservation of as many jobs as possible during bad economic periods. Instead of dismissing employees in large numbers, employers can adopt shorter working weeks in which governments, through SURE, can cover the wages that have been lost.

This helps in avoiding layoffs of workers during operation congestion and makes sure that the workers are always available to work once business picks up.

Another essential aspect that can be however associated with SURE is that it can be used to support national wage subsidy programmes. Wage subsidies are cash incentives offered by the governments to workers or employers depending on the contract and agreement, to guarantee that the wages are paid every month regardless of the company's situation where it may be experiencing less flow of operations or business may be completely shut down temporarily. They assist firms in letting go of employees and support employees to meet their expenditure needs during testing business cycles. Wage subsidies are especially suitable in the sectors where employees cannot effectively work from home, and therefore they are more at risk of getting laid off.

Another area where SURE is helpful is backup for the self-employment workers who were among the most affected during the quarantine. Most self-employed workers were left stranded due to their inability to earn an income following the lockdowns that compelled the closure or downsizing of several businesses. Thus, SURE supported Member States in giving direct monetary assistance or tax incentives for self-employed persons to afford to pay their bills during the crisis.

Besides the number of financial benefits related to the presence of such a mechanism, SURE also acts as a signifier of European togetherness. Some of the important factors followed during the program construction include the fact that all EU Member States need to be supported during a crisis regardless of their fiscal merit. The financing of SURE is based on the creditworthiness of the EU and the Member States have guaranteed the loans. Such an approach provides guarantees that even the Member States, which became the most affected by the pandemic, will be able to obtain the necessary funds to save their labour markets.

In turn, SURE is an important part of the EU's more comprehensive approach to the economic and social impact of the COVID-19 pandemic. Concerning its primary objectives, it focuses on employment protection by involving short-time work schemes, wage subsidies and support for self-employed citizens which shows Fighting against unemployment across the Union and stabilizing the labour market. Thus, SURE has been able to alleviate some of the effects caused by the pandemic together with ensuring that the member states have received the financial backing necessary for a more sustainable and integrative economy.

2.1.3 – Key Mechanisms of SURE

The SURE (Support to Mitigate Unemployment Risks in an Emergency) Regulation is one of the key instruments in the European Union's response to the exceptional socioeconomic consequences of the COVID-19 pandemic. More than just an instrument for the defence of employment and serving to supply Member States with funds for their national programmes, SURE is a new way of dealing with crises that are based on the principles of solidarity, financial stability and cooperation. When the pandemic altered the economic and labour landscape in the EU, SURE was seen to be an artefact that was designed to give short-term assistance to all member states, while at the same time making sure that the obligations of the Union were fiscally realistic in the medium to long-run.

This section delves into the key mechanisms that define how SURE operates, focusing on three essential components that work together to deliver financial support to Member States: the first one is the Loan-Based Structure which is the key element of SURE's financial system. It also facilitates the EU to extend cheap funds to the member countries so that wage subsidies and employment protection measures such as STWs can be financed. In contrast to the grants, SURE implements loans which are intended to be quite liberal for the European Union Member.

States: the loans' terms are characterized by long maturity periods and low interest rates, so the Member States are free to provide support for their economies in the short term without overburdening their fiscals for the medium term and longer. In this regard, SURE creates a fast way of procuring funds for SURE member states so that they can protect employment and sustain social stability.

Secondly, the funding of SURE has been done through the Social Bonds by the European Commission. Social bonds can be described as a recent financial instrument in the EU which has been developed with the express purpose of financing socially responsible projects. In the case of SURE, such funds are utilized to cover the money borrowed by Member States to lend to Member States for employment protection and support of the necessary expenditure related to vulnerable workers. The use of social bonds also indicates the EU's focus on social problems and serves as evidence of the Union's efforts in the organisation of the society's transition to socially-oriented investment. These bonds have received great demand due to their ability to offer financial returns as well as bring about social impact. It means that the EU with its high credit rating accessible funds in the international financial markets at a lower interest, thereby, offering benefits to the Member States. [66]

The third key mechanism is the system of Collective Guarantees to be granted by the Member States, which forms the base of the entire SURE financial framework. These sureties which have been estimated to be €25 billion act as securities for the loans provided out by the European Union. Through the Member States contributions, the EU can borrow up to one hundred billion EUR which acts as a financial guaranty for all Member States. What is more, this mechanism of pooled guarantees is an example of the EU solidarity work, where the rich Member States provide more guarantees concerning their fiscal capacities and take more risks, while the countries with inferior fiscal standing receive more benign lending terms. Organizations through this approach the EU can extend capital subsidies to all the member states regardless of the financial pulling power of the body in repayment of the subsidy. [67]

Therefore, the loan-based structure, social bonds, and collective guarantees are the three key mechanisms on which the SURE Regulation is based so that the EU can quickly and effectively respond to the labour market requirements set by the pandemic. Through credit subsidies that add up to a nominal amount affordable thanks to the social bonds that SURE issues and the guarantees provided by all member states, SURE proves that using the EU's financial muscle and relying on its cooperative structure, the EU can help its members in the time of crisis. Moreover, such mechanisms, pursue flexibility and dynamism and highlight the innovativeness of the Union to address unusual situations while promoting economic solidity coupled with societal objectives.

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[66] European Commission. EU SURE Social Bond Framework. European Commission, October 2020.

[67] Eurostat, Directorate D – Government Finance Statistics (GFS). *Clarification on the Treatment of Guarantees Provided by Member States under the SURE Instrument*. September 11, 2020.

In the following sections, the study will elaborate on each of these key mechanisms separately, as well as in an integrated manner to demonstrate how the grassroots organizations unlock resources that enable Member States to protect jobs, support workers and address the economic consequences of the COVID-19 pandemic. These mechanisms not only reveal the dynamics and complexity of the EU financial governance but also underline the conceptual frames of solidarity and collective responsibility as significant principles that give assurance of the Union's stability in the face of crises.

Loan-Based Structure

The focus of SURE is on the loan-based system on which it relies. SURE is loans that the European Union lends to the Member State on very or rather cheap terms with which the Member State can fund national measures concerning the protection of employment. These are precisely meant for financing the expenses related to short-time work programs (STW), wage subsidies and other personnel cost programs. Through the provision of loans and not funds as in the case of grants, SURE guarantees Member States have access to quick funds while being accountable for long-term fiscal non-brokenness. The loans that are provided under SURE have the following characteristics – they have low interest rates coupled with a long maturity period to make sure that the Member States have the kind of flexibility that they require to carry out their economic recovery.

This is made possible through the loan-based approach which also affords Member States the discretion to put in place respective national policies and programmes in response to the crisis. As much as SURE offers the funding, Member States continue to be accountable for the formulation and execution of particular measures for the preservation of the labour market. It permits delivering an individualized answer related to the character that individual countries' economies and workforces react to and giving a united saving to use, from the EU as an entirety.[68]

[68] European Commission. "SURE: European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)." *European Commission*.

The characteristic feature of the SURE loans is that they are provided at preferential interest rates and rather long maturities to enhance the Member States' financial needs for the post-crisis recovery. Such conditions enable the government to satisfy the current demand for human capital under concealed unemployment and without causing additional borrowings. In addition, the loans assist countries in addressing the specific economic issues they encounter hence the employment protection to sustain social order.[69]

Thus, the loan-based approach retains a certain degree of flexibility for the Member state to adopt its national policies and programs tailored to its particular local conditions for the labour market and structure of the economy. It is for this reason that SURE guarantees even as the funding is received at the Union level, the Member States remain solely accountable for the conception and implementation of the labour market endeavours. This makes it easier for each country to devise a response that suits the economic demands of its labour force, and yet to leverage the Economic muscles of the European Union.

This flexibility of the loan-based approach means that each institution can formulate its way of combating the effects of the pandemic but the collective fund provided by the EU means there is financial security. It is used to show that the union can act as one block to provide the individual Member States with the relevant tools for job preservation and labour market stability without threatening its long-term sustainable budget. This type of structure is one of the examples of how EU funding can enhance economic development in the aftermath of the crisis and act at the same time as a guarantor of financial responsibility among its members.

Social Bonds

Another breakthrough of SURE is that the European Commission launched social bonds to fund the loans given to the Member States. Social bonds are financing instruments aimed at financing projects which have a positive social impact among them protecting employment and supporting the vulnerable in the course of this pandemic. These bonds

[69] Tridico, Pasquale. "Income Support and Welfare During COVID-19 in Italy and Europe." *Inapp* 2023.

are launched by the European Commission as the representative of the EU on the international financial markets for investors willing to invest in socially oriented projects.

Social bonds have been very effective in fundraising towards SURE. These bonds have been in high demand among investors due to confidence in the EU's financial system and the socioeconomic impact of projects financed through these bonds. The money realised from the bond sales is then applied to the loans extended to Member States by SURE. It enables the EU to borrow for its projects and programmes at very low interest rates in the financial markets by taking advantage of its good credit status and then offering long-term and cheaper credit to its members through the loans that they receive.[70]

The use of social bonds is also indicative of an emerging shift in EU financial policies which seek to incorporate more and more social and environmental realities into its lending and investment outlook. As such, through the use of social bonds in the financing of SURE, the EU is not only responding to the pandemic's current trials but also laying the foundation of how future crises are managed taking into consideration the betterment of social welfare and sustainability.[71]

The money collected from these bonds is used directly in the loans given out under the SURE mechanism to help short-time work schemes (STWs) and other similar employment protection measures across the EU. They have helped to save tens of millions of jobs and have enabled companies to decrease workers' working time rather than discharge them. In this case, SURE provides longer and cheaper credit than it would be possible for individual Member States and thus relieves some of the budgetary constraints of governments affected by the pandemic.[72]

Yet another significant function of the SURE social bonds is the bring out a balance between the economic and social purposes. It is quite obvious that the European Commission's competence to issue bonds with a specific social mission paves the way

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[70] Fernández, José M. "A Critical Analysis on the European Union's Measures to Overcome the Economic Impact of the COVID-19 Pandemic." City, University of London.
[71] European Commission. *EU SURE Social Bond Framework*. European Commission, October 7, 2020.
[72] European Commission. *EU Investor Presentation: Investing in EU Bonds and EU Bills*. European Commission, July 31, 2024.

to a new type of financial governance in the EU where market-based instruments are intertwined with public policies. These bonds have been successful, particularly the financial markets have heavily subscribed to these bonds; this trend indicates the growing pressure for the world to go green as well as social responsibility investment to support the reconstruction stages throughout the world. [73]

What has been achieved with social bonds under SURE is not only financial help for the Member States but also one more example of innovative social bonds from the EU side. This decision, emphasizes large-scale Union capacities in terms of resource management responding to social challenges while at the same time featuring the EU's financial adaptability. In addition, through such bonds, the European Commission has stressed the EU 's Solidarity which guarantees the countries worst affected by the pandemic will have the necessary funds without putting unsustainable burdens on their country's debt.[74]

Therefore, the experience of realizing social bonds under the SURE mechanism can be considered a turning point in the EU's financial governance. Thus, in its turn to social bonds, SURE shows how financial instruments can be used for socioeconomic rather than just economic transformation during a time of crisis, by funding employment protection and social resilience. This strategy has underlined the EU's role in Crisis management & social policy domain clearly, thus is a drastic change in how the Union sees both financial markets and social welfare.

Collective Guarantees

Two sets of guarantees are part of the SURE mechanism: the guarantees for loans granted by the European Investment Bank and the system of guarantees offered by the Member States of the European Union. These commitments sum up to €25 billion and serve as a guarantee of the loans afforded under SURE which stand as the rationale behind the program. Having a pool of resources which is consolidated by the Member

[73] Schelkle, Waltraud. "Fiscal Integration in an Experimental Union: How Path-Breaking Was the EU's Response to the COVID-19 Pandemic?" *Journal of Common Market Studies*.
[74] Alcidi, Cinzia, and Francesco Corti. *The EU Response to Covid-19: Breaking Old Taboos*. European Trade Union Institute.

States the European Commission is in the position to borrow as much as €100 billion at a reasonable rate of interest from the international money market. The guarantees function as insurance, thus the loans provided under SURE are secured with all of the EU's financial liability. [75]

Embedded in these guarantees, there is the collective nature of European action entailing that more prosperous Member States should guarantee more than less affluent partners. For instance, Germany and the Netherlands, which enjoy the reputation of sound members with well-funded fiscal capacities, have given pledges that go beyond their GDP shares. On the other hand, countries with low fiscal capacity like Spain, Italy, and Portugal which are among the most affected by the COVID-19 pandemic have paid a relatively small percentage but have the prospect of getting a larger amount of direct finance from SURE. This proves that not only are SURE's collective assurances financial but also political, which shows such solidarity of EU Member states. The ability of the wealthier countries to assume much of the risk shows the EU's policy of shared responsibility of all stakeholders and won't abandon any of its Member States during difficult times.[76]

The rationale of SURE in the checks of the EU's financial support response to COVID-19 is also different from other strategies since the emphasis is made on employment protection as well as the promotion of social inclusion. The loans provided under the programme have played an important role in saving jobs and short-time work schemes (STWs) that enabled firms to cut working time as opposed to using lay-offs. Through this mechanism, the countries as a whole were able to keep the labour market stable during the economic crisis while at the same time not deepening the problems with public debts.[77]

In addition to that, the distribution of resources by SURE expounds on how fiscal solidarity was implemented by the collective guarantees. To successfully carry out the guarantees, the European Commission used them to launch social bonds, which are a

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[75] Eurostat, Directorate D – Government Finance Statistics (GFS). *Clarification on the Treatment of Guarantees Provided by Member States under the SURE Instrument*. September 11, 2020.

[76] Corti, Francesco, and Robin Huguenot-Noël. "Towards a Re-insurance Union? SURE as an EU Response to Preserve Jobs in the COVID-19 Pandemic." *Journal of European Social Policy*, first published online April 4, 2024.

[77] Halász, Vendel. *The Next Generation EU Bond as Security and Next Step in EU Integration*. European Union Law Working Papers No. 57. Stanford Law School, 2022.

relatively new instrument in the EU's financial arsenal that aims directly at solving various social problems, including preserving jobs and economic revival. These bonds were welcomed by investors as was evident from the appetite they had for these bonds which had a positive market implication on the capacity of the EU to manage and address crises through cooperation.[78]

Thus, the effect of SURE is not as much about funds but as an act of solidarity within Europe during the pandemic. This solidarity was not only in the ability and willingness to pay manifested in the size of the agreed financial contributions but also in the shared risk when it came to political decisions. In terms of policy, Member States eliminated the possibility of negative shifts in the economic positions of individual countries with a view of naming and balancing access to financial support across the union. [79]

Therefore, the SURE collective guarantees mechanism is arguably one of the finest examples of how the EU's fiscal governance may evolve during a crisis and how it supports solidarity and collective responsibility. Thus, through moving the financial burdens SURE program provided the Member States with the financial help required to maintain employment and stabilize the labour markets regardless of their fiscal capacities. Such mechanism reminded us that the EU is not just a group of sovereign countries, but the Union initiated for cooperation, support and sharing of obligations in the era of crises occurring in the contemporary world.

2.1.4 - Role of the European Commission

To further dissect the basic processes of the SURE Regulation, it is imperative to discuss the participation of the European Commission in the management and implementation of this crucial financial tool. It was mentioned above that the financial model of SURE is based on operating as a loan fund and on the issues of social bonds and collective guarantees. A considerable part of the instrument's efficacy therefore lies, with these mechanisms, in the European Commission's supervision and control for

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[78] Schelkle, Waltraud. "Fiscal Integration in an Experimental Union: How Path-Breaking Was the EU's Response to the COVID-19 Pandemic?" *Journal of Common Market Studies* 59, Suppl 1 (September 2021): 44–55.

[79] Grund, Sebastian, Lucas Guttenberg, and Christian Odendahl. "Sharing the Fiscal Burden of the Crisis: A Pandemic Solidarity Instrument for the EU." *Europe in the Time of Covid-19,* 190-200. CEPR Press VoxEU.org, 2020.

successful execution. In other words, the Commission uses it for the implementation of the financial mechanisms itself, at the same time, it ensures transparency, accountability as well as coherence with the other areas of EU economic and social policies.

Thus, fulfilling the obligation to abide by the financial regulations of the European Union, the Commission guarantees investors' trust and member states' possibility to access the necessary funds. This section discusses the complex tasks of the European Commission indicating its key functions connected with bond management, provision of funds to Member States and control over it. It not only acted as an enabler to make SURE to work effectively but also played a role in making sure that regulation is in line with some other objectives of the EU such as recovery, employment retention, and social inclusion. This role was particularly crucial in the period of the COVID-19 crisis, which affected the EU economy to an extent that could hardly be observed in the past and called for immediate and powerful interventions of the EU institutions.

Oversight of Bond Issuance

One of the key responsibilities of the European Commission under the SURE Regulation is the monitoring and coordination of the bond offering process. This responsibility entails a set of measures that will guarantee the proper mobilization of funds through social bonds that are vital for SURE. Unlike other financial assets, these bonds were designed to inject liquidity into Member States while advancing social goals such as employment and economic stability.

The Commission is responsible for the preparation and implementation of the issuance of these bonds and this requires a well-coordinated process with the financial institutions within the EU and other parts of the world. The European Commission made sure that all bonds issued under SURE were in line with the EU financial framework set the conditions for the bonds and linked them with the overall goals of the economic recovery. [80]

[80] Halász, Vendel. *The Next Generation EU Bond as Security and Next Step in EU Integration*. European Union Law Working Papers No. 57. Stanford Law School, 2022.

The European Commission's capacity to tap into international financial markets under favourable terms demonstrated the market's confidence in EU-backed social bonds, as pointed out by Herrero.[81]

The high demand for SURE social bonds was an indication of investor confidence in the European Commission's financial management as well as the sound financial system in the EU.

In addition, the high demand for the bonds indicated that the European Union could become a major player in the international financial markets. Thus, attributing the high credit rating and focusing on the social agenda, the Commission was able to borrow funds at a low interest rate which not only helped the Member States in the short run but also ensured the long-term stability of the EU's financial instruments. This new concept made the EU a very powerful organization that can raise funds to foster economic and social development during times of crisis.[82]

Disbursement of Financial Resources

Besides the bond issuance, the European Commission plays a significant part in the provision of funds to the Member States. This process includes the consideration of applications from Member States, appraisal of their needs for funds and the proper management of the resources provided. There are certain guidelines which are followed during the disbursement process to ensure that the resources are being used for employment protection measures like Short Time Work Schemes (STWs), Wage Subsidies and other Employment Support Initiatives.

This was done while ensuring that financial assistance was well directed to the affected areas, especially in the Member States that had been most affected by the economic downturn resulting from the pandemic. The management of the funds was another critical factor that had to be undertaken with a lot of attention so that resources were not only released in good time but also utilized appropriately. This was because resource

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[81] Herrero, C., and Independiente, A. *Fiscal Policy in the EU After COVID: New Challenges and Opportunities*. Fundación ICO, 2022.

[82] Amtenbrink, Fabian, and Menelaos Markakis. "Never Waste a Good Crisis: On the Emergence of an EU Fiscal Capacity." *EU Fiscal Federalism: Past, Present, and Future*. SSRN, 2022.

distribution was fair, meaning that the countries which required more assistance got it. By evaluating the use of SURE funds, the European Commission ensured transparency and guaranteed that financial resources are only directed to the most urgent employment protection needs.[83]

Also, the Commission made it a point that the funds were distributed to Member States in a manner that is both effective and answerable for the money they received. This was a way through which member states could be given financial support to enable them to put in place national policies that were aimed at preserving employment while at the same time ensuring fiscal balance. This aspect of the Commission's role is important because it made sure that the SURE Regulation acted both as a financial instrument and as a means of coordination of fiscal policies in the Member States.

Distribution of the funds was also important to maintain social order within the EU member countries. Through the provision of financial resources for all the Member States, the Commission was able to reduce the 'development gap' between the rich and the poor countries. This process has also ensured that the EU's principles of solidarity were not violated as no Member State was left out in the efforts that were being made to combat the adverse economic effects of the COVID-19 pandemic.[84]

Ongoing Monitoring and Oversight

The involvement of the European Commission in the SURE Regulation did not end with the establishment of bonds and the allocation of funds. One of the major tasks of the Commission is its role in the supervision and control of the application of these funds by the Member states. This oversight function is critical to ascertain whether the financial aid provided under SURE was given as per the laid down plans and towards the desired social and economic goals.

The monitoring process entailed the identification of funds utilization, which required vigil and cooperation with national authorities. This was backed by the reporting

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[83] Demertzis, Maria, David Pinkus, and Nicolas Ruer. "Accelerating Strategic Investment in the European Union Beyond 2026." *Bruegel Report*, 2024.
[84] Sandulli, Adriana, Antonio Nato, Maria Bellacosa, and Elisa Tatì. *The Past and Future of EU Financial Interests*. Iris Luiss, 2021.

obligations which meant that the Commission could obtain information on the effects of the employment support measures including the short time working schemes and the wage subsidies. These data were essential, in particular, to evaluate the efficiency of the SURE Regulation for preventing the fluctuation in the employment rates in the member states of the EU. Thus, by guaranteeing that the funds were spent properly, the Commission was capable of addressing the problem if any that exists in the system, to protect the financial mechanism of SURE. The European Commission's oversight in the post-disbursement phase ensures that the financial assistance provided under SURE effectively addresses the labour market challenges triggered by the pandemic.[85]

In addition, the Commission's supervision guaranteed the possibility to transfer the lessons of the implementation of SURE to the future financial strategies of the EU. This is relevant bearing in mind that the EU is still adjusting to change its financial governance in the light of emerging crises. Thus, the EU SURE as an effective tool for stabilizing labour markets during the pandemic crisis sets a precedent for future EU crisis mitigation instruments, with the Commission active in maintaining transparency and effectiveness of the crisis measures for the Member States. [86]

The continuous assessment of the level of impact of SURE funds, along with providing aid against the effects of the pandemic, made it possible to create conditions for future sustainable development. Through analyzing how the Member States acted regarding the funds and the impact of the measures taken on employment, the Commission was able to contribute precious information to designing further financial instruments valid throughout the EU. Such an approach, oriented on constant development and flexibility, helps the EU to be ready for future economic difficulties.

Alignment with EU Objectives

Among these tasks, one of the biggest challenges of the European Commission in the context of the SURE Regulation is to ensure that the financial instrument is in line with the general goals set for the EU economy and society. In this regard, the Commission

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85 Busch, Danny. *The Future of EU Financial Law*. Capital Markets Law Journal, 2022.

86 Amtenbrink, Fabian, and Menelaos Markakis. "Never Waste a Good Crisis: On the Emergence of an EU Fiscal Capacity." *EU Fiscal Federalism: Past, Present, and Future*. SSRN, 2022.

had a significant part to play in achieving the integration of SURE into the overall EU’s economic system. The Commission made sure that almost all the goals stated within the SURE Regulation framework – including employment retention and economic recovery – aligned with the EU’s strategic objectives.

The synchronization of SURE with the goals of the EU was the most critical aspect in the sustenance of the financial instrument. As the Commission ensured that the funds disbursed under SURE went to employment and economic recovery, the Commission not only responded to the problem resulting from the COVID-19 pandemic but also opened the path to future social and economic sustainability. He was particularly keen on making sure that the financial assistance that was given under SURE was directed towards the recovery strategy of the EU after the effects of the COVID-19 crisis.

Similarly, concerning the bringing of social cohesion within the EU as a general objective, the Commission was also responsible for making this a means of achieving the aims of the EU as was the case with SURE. The Commission made access to financial resources for all Member States which contributed to economies’ solidarity within the EU. This was particularly the case in making certain that the less endowed Member States in terms of their economic standing were able to access the financial means which would enable them to shore up their labour markets.[87]

Broader Responsibilities and Impact

The role of the European Commission in the SURE Regulation also underlines its mandate of supervising and administering the EU financial instruments and assisting Member States during crises. From the example of SURE, it was shown that the Commission was able to quickly and effectively work on new, unprecedented economic stimulus. In light of the implementation of the SURE Regulation, the Commission once again proved the efficiency of its capacity to coordinate numerous and intricate financial procedures at the European level.[88]

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[87] European Commission. "SURE: European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)." *European Commission*.

[88] Sandulli, Adriana, Antonio Nato, Maria Bellacosa, and Elisa Tatì. *The Past and Future of EU Financial Interests*. Iris Luiss, 2021.

The SURE Regulation also shows that the Commission is also a crisis manager. When delivering SURE, the Commission not only offered the Member States increased funds to respond to shocks but also supported the strengthening of the EU's solidarity in the wake of global challenges. Responsible and effective application of SURE revealed that in the framework of the EU 'financial power' the Member States can rely on support in overcoming existing crises and providing social and economic stability during changing realities.

Conclusion

In conclusion, it can be stated that the European Commission effectively supports the SURE Regulation as a whole and is an essential part of the instrument. Regarding this, the Commission effectively supervises the issuance, allocation of bonds and general management of the program to ensure that SURE is efficient and responsive to the EU's general budgetary and social goals and objectives. The European Commission's central position within SURE makes sure that the mechanism provides a short-term stabilization envelope and long-term structural economic strength in the EU. The Commission has made it possible for SURE to operate effectively and has assisted Member States in managing the unemployment threats resulting from the COVID-19 shock.

2.1.5 - Member States' Role

Introduction

For a better understanding of the functional interactions of the SURE Regulation, it is essential to analyse the position of Member States, which were equally involved and essential for the functioning and maintenance of the regulation. SURE which was presented as a transient fiscal tool attributable to the COVID-19 crisis depended on Member States for the application for monetary aid, deployment of employment measures, and reporting requirements. These responsibilities were central to the cause of realizing the objectives of the regulation process hence great collaboration between nations and the EU institutions.

The structure of the regulation, which made financial support in the shape of loans available to member states, was made to effectively counterbalance acute subsidization of labour markets and the immediate threat of unemployment. However, again, how effectively Member States were able to leverage this support, was still somewhat linked to the procedural guidelines outlined by the European Commission as well as the appropriateness of the support measures within national contexts. In this section, we discuss these responsibilities elaborately containing Member States' activities that facilitated the accomplishment of the goals of SURE as well as its contribution to mitigate the effects of the pandemic on employment. By being aware of case studies like Italy, Spain, and Poland, one gets a clear view of how these countries developed their strategies when it came to the concept and the actual application and implementation process.

Application for Financial Assistance

The basics of how the Member States applied for the funds provided under SURE were instrumental in shaping that regulation. Every Member State was required to fill out an application documenting the extent of the economic loss due to the pandemic they had incurred and describing the measures it intended to apply. To better understand the potential economic shocks and the recommended measures like short-time work schemes, wage subsidies, and self-employed workers, a sophisticated evaluation of the application was needed. Member States were required to explain how these interventions would help in the preservation of employment and the offsetting of the macroeconomic impacts of the crisis. The European Commission also plays an equally significant part in the review of these applications. A predetermined number of criteria were used to assess each application based on potential economic harm, and the effectiveness and relevance of proposed measures to the objectives of the SURE Regulation. This strict assessment made certain that areas of greatest need received significant consideration for funding and that a set of recommended actions would be effective in tackling the strains. The European Member States needed to explain how they planned to spend the funds and describe how their interventions would help achieve the desired results. Demertzis et al. (2024) rightly say that trusting clear fund distribution was a significant move towards guaranteeing the use of funds optimally. [89]

After the grant for a specific project was obtained, the money was disbursed to the Member States – moving from the theoretical application to real action on a European level. This phase entailed exercising compliance by Member States with set conditions and reporting in a way that would facilitate the utilization of financial assistance in line with the objectives of SURE. The move from application to implementation was dependent on the administrative capacity of Member States and the adaptability to the changing economic environment in this period of pandemic. As stressed by Sánchez-Barruecothe capacity of Member States to quickly submit detailed applications and comply with reporting responsibilities was critical to the overall success of the SURE mechanism.[90]

Case Study Examples

Italy: Having experienced a huge shock to its economy, Italy requested SURE support to cover short-time work and wage subsidies. These fund sources allowed Italy to prolong such programs which are also instrumental in steadying real employment and giving much-needed assistance to both employees and firms throughout the crisis period. The social distancing policies and travel ban measures had dire consequences, especially in areas related to the tourism, and hospitality industries hence the Italian government concentrated on these fields. Therefore, the effective application of the aforementioned programs in Italy underlines the efficiency of targeted approaches to the need imbalances affecting individual sectors that have been hit by the pandemic.[91]

Spain: Employment protection measures were improved through SURE funds in Spain specific to sectors that were greatly affected by the pandemic including tourism and hospitality. This specific strategy eased out cases of job cuts and steadied the sectors,

[89] Demertzis, Maria, David Pinkus, and Nicolas Ruer. "Accelerating Strategic Investment in the European Union Beyond 2026." *Bruegel Report*, 2024.

[90] Sánchez-Barrueco, María Luz. *The Recovery and Resilience Facility*. Sieps, 2023.

[91] European Commission. "Commission Disburses €17 Billion under SURE to Italy, Spain and Poland." *European Commission*, October 27, 2020.

which were most affected in the process. This paper has shown that SURE demonstrates Spain's need for a sectoral approach to managing economic difficulties. By planning a large portion of the funding to these targeted susceptible sectors, it was made possible that Spain did not experience a lot of layoffs and sustenance of employment relationships was easily achieved.[92]

Poland: To the best of the author's knowledge, Poland applied SURE funding to a wide range of employment measures which included wage subsidies as well as assistance to self-employed individuals. Through this support, the governments were able to reduce the effect of the pandemic on the economy as well as protect employment in several industries. Poland having some base support in all the industrial categories right from manufacturing to retail showed the SURE mechanism's sheer ability to adapt to different economic contexts among the Member States.[93]

From these cases, two examples of how Member States used SURE to respond to their specific economic situations are presented. The countries which adapted employment support measures to the pandemic situation were able to avoid the worst consequences of the economic crisis and provide a stronger stimulus for the recovery. Implementation of Employment Protection Measures.[94]

Implementation of Employment Protection Measures

After the disbursement of funds, Member States were supposed to put into practice the employment protection measures that have been outlined in their applications. These measures were country-specific but generally embraced short-time work schemes (STWs) and wage subsidies that played an important role in preserving employment linkages. Member States also took action for the self-employed, another highly exposed group concerning economic risk due to the restrictions on business operations and sudden loss of income during the pandemic.

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[92] Ibid.
[93] Ibid.
[94] European Commission. "Commission Disburses €17 Billion under SURE to Italy, Spain and Poland." *European Commission*, October 27, 2020.

Measures like **short-time work schemes (STWs)** enabled companies to decrease working hours but remain beneficial to employment ties. The operation of these schemes involved Member States developing administration systems to process and assess applications and disbursing the benefiting or subsidizing funds. The success of these programs was thus therefore anchored on two key components – availability of funds and the ability of the national governments to balance and disburse any funds averted. The versatility of such schemes enabled Member States to adapt to new economic realities, as pointed out by Schramm and Wessels (2023) in their study of crisis management instruments.[95]

Wage subsidies were another important measure of employment protection. These subsidies assisted in filling in the gaps in workers' wages during the times when they were either employed for fewer hours within the week or out of a job yet able to spend available cash to purchase essential goods and services. These subsidies could be described as selective and varying in both scale and design across Member States depending on national requirements for economic growth and policy preferences. Some member countries like Germany and France set up more elaborate wage subsidy schemes because of a more severe blow in their labour markets, while the other small member countries adapted their packages to suit their industries.[96]

Sector-Specific Strategies

Through communications sent by the Commission to its Member States, measures regarding employment protection were adapted according to the sectors most impacted by the pandemic. The tourism and hospitality sectors were particularly affected, and a large portion of the SURE funding was dedicated to assisting industries and employees in those countries. For example, Italy and Spain primarily targeted these sectors since their economies are sensitive to the tourism industry, which was severely affected by quarantine measures and travel prohibitions. By employing huge post-communist transformation resources to protect employment in these sectors, these countries

[95] Eurofound. "Short-Time Work." *Eurofound*.

[96] European Commission. "Protecting Jobs and Workers: Final Report Confirms SURE Was Crucial in Mitigating Impact of Pandemic and Supporting Recovery." *European Commission*, June 2, 2023.

effectively contribute to providing labour market stability and avoiding a large number of layoffs. The targeted support for specific industries was a hallmark of SURE's success, ensuring that the most vulnerable sectors received the aid they needed to weather the pandemic.[97]

Likewise, support was provided to other sectors including retail and manufacturing industries that were experiencing some operation difficulties caused by the decreased demand and impacted global value chains. For instance, in Germany, the SURE funds which are aimed at supporting certain fields were allocated for automotive and manufacturing industries, where the production declined during the highest levels of the pandemic. These sectors were important for the German economic recovery and such a directed financial support ensured employment was kept alive while keeping supply chains stable.

Besides these sectors, SURE funding was targeted at healthcare and essential service sectors as well. A few Member States set a share of the amount on bolstering their healthcare systems through giving supporting care to workers in these important sectors during the pandemic. This ensured that core business operations could persist since other forces and dynamics amplified by the public health crisis influenced the organization.

Monitoring and Reporting

To promote compliance and reporting of SURE funds, Member States were obligated to set certain standards and ensure they used the money properly. These obligations were crucial for ensuring accountability and efficiency in the utilization of financial resources. Member States provided the European Commission with field-specific and year-specific reports detailing the expenditure of funds, employment protection measures undertaken, and the effects on the market. These reports offered key diagnostic information as to how effectively the measures were implemented on the ground and the overall result of the financial assistance at the national level and the level of the European Commission.

[97] Schramm, Lukas, and Wolfgang Wessels. "The European Council as a Crisis Manager and Fusion Driver: Assessing the EU's Fiscal Response to the COVID-19 Pandemic." *Journal of European Integration,* 2023.

To ensure that the funds were compliant with the SURE rules, the European Commission had to conduct compliance checks. It was important in directing the funds where they were most needed, including employment stabilization and putting an end to mass layoffs. The compliance checks also looked at whether the measures that were put in practice were yielding the expected results or if there was a need for change to aptly address new economic challenges. As with any such fiscal frameworks, therefore, the monitoring processes become critical for the sustained credibility of such financial mechanisms, and, in so doing, regularly check on Member States to ensure that they are being accountable for the funds which have been provided for their use.[98]

The aspect of flexibility was also essential as Member States had to respond to the changes in the economic environment. In some cases, this is due to shifting resources to sectors or regions that were more severely affected than originally estimated. The European Commission permitted such modifications because it understood that the effects of COVID-19 on the economy were not uniform throughout Europe or across sectors. The capacity of Member States to adjust their strategy and reallocate resources as needed was critical to ensure that SURE financing had the greatest impact feasible.[99]

Challenges and Adjustments

Several obstacles were experienced by Member States when putting into practice measures supported by SURE funds. All in all, procedural barriers received increased attention as most governments had to design entirely new systems of fund distribution and tracking. It was a herculean task that many a time called for extra logistics and putting into consideration existing infrastructure more so in the developing nations. For example, in Poland, it was stated that there were delays in the payments due to the necessity to build new structures for the provision of wage subsidies and subsidies for the self-employed. Similarly, these administrative constraints accentuated the value of attaining adequate mechanisms for the distribution of financial assistance during

[98] Busch, Danny. The Future of EU Financial Law. Capital Markets Law Journal, 2022.
[99] Sánchez-Barrueco, María Luz. *The Recovery and Resilience Facility*. Sieps, 2023.

emergencies. Member States' flexibility in adjusting to administrative challenges was critical to the successful implementation of SURE.[100]

One more difficulty that the Member States have encountered was the unequal distribution of the economic consequences of the pandemic across the regions. Thus, in Italy and other countries of the South of Europe such as Spain, the economic consequences were significantly worsened since are regions where tourism and agriculture are very relevant forms of income. This regional disparity made Member States look for ways and means of redesigning how the SURE funds will be delivered to the most affected regions. Sometimes it entailed moving money from one area to another to distribute the money in the most effective manner as was the case.

Furthermore, some of the Member States had to make some changes concerning the employment protection measures with the advent of the pandemic. At first, most countries adopted short-time work, and wage subsidies but since the crisis has become prolonged then other forms of financial aid became necessary such as support for freelancers and Small and Medium Businesses. This meant flexibility both at the national level and in the European Commission's compliance process because it was generally necessary to make adjustments to the original plans.[101]

Impact and Evaluation

The effect of SURE funding on employment and economic situation depends on a case-by-case basis of Member States. Overall, nations that shut down their economies and employed efficient and targeted measures performed comparatively better in stabilizing the employment status and fostering economic revival. For instance, Germany has had a positive experience with its wage subsidy programs, which acted as a barrier to massive layoffs within strategic sectors. Likewise, Spain and Italy were in a position to contain

100 Amtenbrink, Fabian, and Menelaos Markakis. "Never Waste a Good Crisis: On the Emergence of an EU Fiscal Capacity." EU Fiscal Federalism: Past, Present, and Future. SSRN, 2022

101 Sandulli, Adriana, Antonio Nato, Maria Bellacosa, and Elisa Tatì. *The Past and Future of EU Financial Interests*. Iris Luiss, 2021.

the impact on tourism and hospitality industries with having consequent effect of the pandemic in those sectors.[102]

When assessing the effectiveness of SURE, certain indicators were taken into account, such as the scope of measures and coverage, the speed of payments, and overall economic revival. Independent of these positive trends, Member States that were in a position to promptly put into place the required administrative infrastructure and effectively disburse funds felt a positive impact in the form of enhanced employment protection and economic stability. More importantly, the fact that measures in the SURE Regulation could be adjusted as the pandemic unfolded – for example, by focusing on self-employed workers—further enhanced successful outcomes.

Evaluating the effectiveness of SURE is not only about the consideration of the short-term effects, while the way it can be used in the future is also significant. In fact, the experience provided by the SURE mechanism can be applied to the development of other EU financial instruments – flexibility of action, quick decision-making, and targeting the vulnerable sector.

In conclusion, the role of Member States in the SURE Regulation was focal in the success of the financial instrument. Some of these included securing and managing funds, putting in place measures on employment protection, and reporting. There is manufactured evidence presented in this section concerning the unique and multiple efforts of Member States to respond to SURE's goals and address the negative effects of the pandemic on employment. Some of the Member States that provide examples of how financial assistance can be adapted to specific economic problems are Italy, Spain, and Poland.

Furthermore, the ability of the Member States to present flexibility in how they implemented their strategies during the progression of the pandemic is also a valuable lesson. The case of SURE in stabilizing employment and supporting the recovery of the economy has shown that strengthening cooperation between EU institutions and individual states in dealing with crises is relevant. The knowledge acquired during this

[102] See Part 3, Chapter 3.1.1

process will undoubtedly be applied in the creation of further EU financial mechanisms and will help the Union to better prepare for similar challenges in the future.

Chapter 2 - Main Measures Included in the SURE Regulation

2.2.1 - Introduction

In the previous section, we examined the basic principles of the SURE Regulation, which stemmed from its financial framework, such as the loans, social bonds, and collective guarantees from Member States. This review of the administrative and operational context has given an understanding of the European Commission's input in the management and coordination of these processes. With that in mind, let us now focus on primary actions that have been put in place under the SURE Regulation, which were instrumental in combating the economic impact of COVID-19.

As presented in the theoretical backgrounds, the SURE Regulation was developed to address the deep economic repercussions of the pandemic, while focusing on the safeguard of employment and business sustainability in the European Union. This section provides an analysis of the specific measures taken by Member States to meet these objectives and evaluates how these interventions were planned and delivered to assist companies and employees during the crisis. Out of the principal measures that were laid within the context of the SURE Regulation, one was the Short-Time Work Schemes (STWs). They were critical in helping to avoid laying off employees and instead offered the possibility of decreasing working hours. These schemes ensured that workers whose working hours were reduced were paid a wage amounting to the reduced working hours thus acting as a cushion against massive unemployment. By doing so this approach not only saved individual businesses from going under but also assisted in preserving the economic stability of the Member States thus avoiding a worse recession.

Another measure that was put in place was wage subsidies which aimed at providing wages for job seekers hence increasing the labour opportunity for human capital. They were meant to help workers make ends meet when companies were locked down or partially shut down due to lock and other measures. Because workers were able to supplement their wages through the subsidies, households were freed from the pressure exerted on their disposable income hence boosting consumer expenditure and hence the economic recovery. This was especially useful in maintaining the purchasing power and spending during such disruption for the general population.

As for specific provisions for the self-employed and for freelancers who were affected by COVID-19 differently, they were also included in the SURE Regulation. Here it is also important to note that many self-employed workers and freelancers were not provided social protection like other employed workers, which made them highly susceptible to changes in the economic environment. To fill this gap, SURE launched specific support measures aimed at delivering financial assistance that would help such employees preserve their stability.

Also, the SURE Regulation was instrumentally designed to support the sectors that were most affected by the pandemic, including tourism, hospitality, and retailing. These sectors suffered huge drops in demand and operation while facing serious disruptions in operations. The announcement of SURE funding for these core labour market sectors was intended to help prevent their closures and speed up the recovery process. To ensure the sectors hardest hit received the most funds, SURE aimed at providing support to stabilize such industries and retain the employment offered by them. In the following sections of this part, the author will discuss each of the above-mentioned measures in more detail.

This analysis will include an evaluation of Short-Time Work Schemes, wage subsidies, help for self-employed people, and the effect on sectors that were most harmed. By considering these aspects, we will be able to comprehensively discuss how the SURE Regulation helped to counter the negative implications for the European labour market in terms of economic aspects and what overall role it played during the pandemic. This analysis will not only show how these measures have helped in creating employment and stabilizing the economy of the EU but will also explain the various practical issues in implementing these measures. Thereby, the role of the SURE Regulation in tackling one of the most monumental economic shocks in contemporary history will be explained in detail.

2.2.2 Short-Time Work Schemes (STWs)

Short-Time Work Schemes STWs became one of the key policy tools for stemming the economic impact of the COVID-19 pandemic. Policies such as these proved to be instrumental in managing the impact of the crisis on enterprises since they allowed companies to cut employees' working hours without resorting to massive dismissals. The approach based on the flexibility of the STWs, adequately funded and enabling millions of workers across the European Union to maintain the stability of the labour market in a time of unprecedented turbulence in the global economy was a saviour of the jobs.[103]

Overview of STWs

STWs are aimed at saturating the negative impacts of the economic crisis because they allow employers to decrease employees' working hours while providing them with a financial safety net instead of laying them off. This way, employment relations remain intact, and people keep their jobs while having fewer working hours and/or earning less money at the moment. STWs help in managing impacts where businesses and workers can prepare for change without immediate dismissal, enabling them to adapt gradually to economic difficulties. Through employment relations, STWs ensure that organizations are positioned for a faster recovery when the economic conditions are favourable.[104]

In the case of the COVID-19 outbreak, many STWs' responsibilities were broadened due to the extent of the crisis. Previously, STWs only had the basic forms of assistance, including reimbursement for a specific proportion of wages lost or a period of short-term absence. However, the pandemic requires a much more extensive and diversified approach. To capture these objectives, the expansion of STWs entailed liberalization in terms of the programme's coverage, increasing the number of eligible individuals, the

[103] Eurofound. "Short-Time Work (STW)." *Eurofound*.
[104] Ibid.

duration of provision of support, and the amount of financial support offered to beneficiaries, providing a key cushion against job losses and economic insecurity.[105]

Implementation and Role of SURE Funds

The SURE Regulation was also instrumental in funding the deployment of STWs across the EU as it was its focal element. In many Member States, SURE acted as a financial support that helped SAF develop and strengthen STW programs at a time when protecting jobs was the key focus of the Union's policies. Through SURE, Member States could obtain money which enabled them to increase expenditure in their STW programmes, including wage subsidies, administrative costs and other measures.

Another way that SURE helped the STWs is that it relieved some of the financial pressure on national governments. Numerous Member States encountered considerable fiscal challenges because of the pandemic, especially healthcare and social protection that had already pressurized public budgets. In the absence of SURE, additional costs of extending STWs presented results that would have been unmanageable for the government. Through the mechanism of SURE, national governments could focus more on the other aspects of pandemic response while maintaining stability in labour markets.

Furthermore, SURE allowed Member States to increase the efficiency of STWs. They could raise the wage subsidies, prolong the support durations, and expand the target groups of workers and businesses. This allowed STWs to cover a greater segment of the labour market and thereby gave them a better stabilization impact. This reach was important in sectors worst hit by the pandemic, including tourism and travel, retailing, and manufacturing.

Case Study Examples

[105] Demertzis, Maria, David Pinkus, and Nicolas Ruer. *Accelerating Strategic Investment in the European Union Beyond 2026.* Bruegel Report, 2024. And: Schramm, Lukas, and Wolfgang Wessels. *The European Council as a Crisis Manager and Fusion Driver: Assessing the EU's Fiscal Response to the COVID-19 Pandemic. Journal of European Integration* 45, no. 1 (2023)

Italy: Italy's *Cassa Integrazione Guadagni* (CIG) program, which traditionally provided partial wage subsidies, was significantly expanded during the pandemic. The Italian government introduced *CIG COVID-19*, which offered greater coverage and flexibility to address the unprecedented economic challenges. This scheme, already well-established, was crucial for industries like tourism and retail, where demand plummeted due to lockdowns and travel restrictions. The Italian government expanded the scheme by increasing wage subsidies and extending the eligibility period. However, the administrative complexity of scaling up this program posed challenges, particularly for smaller firms that struggled to navigate bureaucratic hurdles. SURE funds played a vital role in supporting the expanded CIG program, particularly in sectors like tourism and retail, where the crisis hit hardest. The financial backing from SURE helped alleviate the fiscal burden on the Italian government, enabling businesses to retain their employees.[106]

Spain: Spain's ERTE scheme was another essential tool in mitigating the pandemic's impact on employment. The government expanded the scheme during the crisis, offering more generous wage subsidies and relaxing eligibility criteria to cover more workers. Spain's heavy reliance on tourism made it particularly vulnerable to the economic downturn, with businesses across the country struggling to remain solvent. In response, Spain extended ERTE's benefits to workers in tourism and hospitality, industries that would have otherwise seen significant layoffs. However, the rapid expansion of ERTE came with its difficulties. The sheer volume of applications led to delays in processing claims, leaving some workers without income for extended kurzarperiods. Nevertheless, SURE funds were crucial in allowing Spain to extend ERTE, providing vital support to businesses and workers during this critical time. The flexibility of ERTE, combined with SURE's backing, helped prevent mass layoffs and kept Spain's labour market relatively stable.[107]

[106] INPS. *Emergenza COVID: Decreto Cura Italia: Le Tutele della Cassa Integrazione Ordinaria, dell'Assegno Ordinario e della Cassa Integrazione in Deroga per l'Emergenza COVID-19*. INPS, 2020.
[107] SEPE. "ERTE and RED Mechanism." *SEPE*.

Germany: Germany's *Kurzarbeit* scheme, a well-established STW program, was expanded to cover more workers and offer higher wage compensation during the pandemic. The program's design enabled quick implementation, particularly in sectors like manufacturing, where global supply chain disruptions led to a sharp reduction in demand. The expansion of *Kurzarbeit* included higher wage subsidies and extended coverage to include workers who were previously ineligible. SURE funds helped Germany extend the duration of *Kurzarbeit*, ensuring that businesses could retain their employees throughout the crisis. The success of *Kurzarbeit* is often attributed to Germany's existing infrastructure for administering the scheme, which allowed for swift and effective scaling. However, certain industries, such as retail and hospitality, found the scheme less suited to their needs due to their reliance on temporary workers and part-time employees, who faced more difficulties accessing the program.[108]

Sectoral Impact of STWs

There were differences in the effectiveness of STWs by the sector to which they belong. It can also be said that STWs played an essential role in keeping large-scale redundancy away from the tourism and hospitality sectors particularly hard impacted by the pandemic. Countries such as Italy and Spain whose economy depends a lot on tourism were able to safeguard a significant part of their workforce by using SURE money on these industries. However, sectors like manufacturing, particularly the automobile manufacturing industry in Germany went through a completely different test. Thus, although the *Kurzarbeit* was quite beneficial for the manufacturing firms, disruptions in the global supply chain created problems for even those industries which received financial help.[109]

Other sectors which benefited from STWs include health care, and essential services since these sectors needed more workforce because of the pandemic. Still, unlike the other industries, healthcare did not require a reduction of working hours but instead utilized STWs as a tool for compensation of the risks for frontline service workers.

[108] International Monetary Fund. "Kurzarbeit: Germany's Short-Time Work Benefit." *International Monetary Fund*, June 15, 2020.
[109] Fernández, José M. *A Critical Analysis of the European Union's Measures to Overcome the Economic Impact of the COVID-19 Pandemic.* City, University of London, 2021.

These schemes incorporated the versatility of standard tariff rates working across different sectors while at the same time, offering the flexibility provided by SURE to ensure that these sectors which could be regarded as non-essential during the period of the crisis became stable.

Impact of STWs

Through the use of STWs with the help of the SURE funding, there were massive improvements towards ensuring that the impacts of the COVID-19 pandemic were eased financially. Closely linked to the first function and thus helping to curb massive terminations of employment, STWs maintained existing employment relationships and thus ensured stable incomes. The rates of these schemes' implementation were high, and they served to stem further deterioration of labour markets, of deeper economic woes.[110]

Thus, STWs' objectives also served to increase social stability by eliminating factors that might lead to economic problems and social unrest. These programs ensured that the economic assurance of people and the workers were intact during this period of pandemic. The STWs also made the businesses better placed to bounce back once the worst of the effects of the crisis had been realised by allowing businesses to retain employees even if restricted to a reduced working week.

Further still, the flow of STWs meant that governments were well-placed to respond appropriately to constantly shifting economic environments. The high suitability of the STWs for individual countries played an important role in their effectiveness since they made it possible to introduce support measures that would be most appropriate for the national context of a particular country's labour market.

SURE pursued this objectiv in a new way, increasing the amount of delivered economic support through the usage of the economic framework previously described,

[110] Schramm, Lukas, and Wolfgang Wessels. *The European Council as a Crisis Manager and Fusion Driver: Assessing the EU's Fiscal Response to the COVID-19 Pandemic. Journal of European Integration* 45, no. 1 (2023): 37–57.

"Until now, members states have had the possibility of fi nancing STW schemes from the European Social Fund (ESF), but with SURE the available volumes will be enhanced by the newly created borrowing framework. SURE will help stabilise employment (and the related work income) for those whose jobs can be saved in a recession."[111]

Finally, it is established that STWs greatly benefitted businesses and workers with the help of SURE funding during the economic impact of COVID-19. These schemes ensured that employment was maintained, and labour markets were stabilized thus avoiding the worst of the crisis and paving the way for recovery. It is, therefore, critical that Countries such as Italy, Spain, and Germany adopt policy coordination measures as well as financial instruments such as SURE in addressing STWs. For the future of the EU, the experience gained from the use of STWs during the pandemic is valuable for further usage in unpredictable economic shocks, when workers and businesses will be ready to consider more development opportunities.

2.2.3 Wage Subsidies

There is no doubt that wage subsidies became one of the main priorities of the SURE Regulation during the COVID-19 crisis while targeting employment and income stability in the Member States. These subsidies helped the organizations to have the ability to keep their employees, something that was made possible following the realization that demand for most goods and services reduced during the period of the crisis. The objective of wage subsidies was clear: to avoid the mass dismissal of employees and guarantee that enterprises would still be able to function, preserving millions of jobs. This mechanism enabled employers to cater for part of the wage bill

[111] Andor, László. 2020. *SURE — EU Capacity for Stabilising Employment and Incomes in the Pandemic.* In *The Multiannual Financial Framework Perspective: Enhancing the Social Compartment*, 140. The SURE model relies on member states providing irrevocable and callable guarantees worth €25 billion, which enables the European Commission to borrow on financial markets at favorable conditions. The aim is to stabilize employment during recessions by supporting short-time work schemes, yet the lack of a grant component means the administrative costs remain with the member states.

thereby easing the burden on firms and supporting economic recovery during an unparalleled period of economic challenge.[112]

Overview of Wage Subsidies

Wage subsidies are a form of financial cushion for employers, who receive a certain percentage of their employees' wages so that they do not have to let workers go when the economy takes a downturn. As has been mentioned earlier, the details of such subsidies were different for different Member States, with some of them providing relatively higher coverage than others. Nonetheless, the fundamental goal remained consistent: to ensure the workers continued to work with incomes in their homes even as the revenue generated by the companies reduced drastically. Thus, wage subsidies made it possible to maintain the cost of preserving employees and avoid mass unemployment, which, in turn, could have further worsened the conditions of the economic crisis and, more importantly, caused severe long-term structural damage to the labour markets.[113]

Wage subsidies emerged as one of the primary interventions in the context of the COVID-19 pandemic to support business activities by governments across the world where the restrictions to contain the virus broke out and affected many companies' sales and operations. These subsidies were traditionally accompanied by other measures, for example, short-time work schemes as it became evident that all-round support is needed to save businesses and people. As such, the centralization of decision-making made it possible for governments to harmonize the labour market and contain the fiscal impacts of the pandemic.[114]

Cross-sectional evidence suggests that SURE funds have been used in the funding of wage subsidies in several countries of the European Union. These funds were used by Member States to either extend the coverage of the existing wage subsidies or to design new ones that were more adequate to address the situation given by the pandemic.

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112 European Commission. "Protecting Jobs and Workers: Final Report Confirms SURE Was Crucial in Mitigating Impact of Pandemic and Supporting Recovery." *European Commission*, June 27, 2023.
113 Elia, Panayiotis, and Sonja Bekker. 2023. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." European Journal of Social Security 25(1): 41-59.
114 Ibid.

Financial support through SURE made it possible for governments to employ large-scale wage subsidies, which helped to ensure that millions of workers continued to be paid their wages despite the significant disruptions in the economy.

Implementation and Role of SURE

Thus, the role of the European Union's SURE mechanism can be regarded as crucial for the rapid provision of wage subsidies across the Member States. Thus, providing subsidies in the form of loans with preferential rates SURE enabled the governments to fund these programs without reference to their financial resources. Such an approach was critical because Member States received significantly reduced revenues as a result of the COVID-19 crisis.[115]

The SURE funds were targeted to enhance the wage subsidy programs in those sectors which were badly hit by the pandemic including the hospitality sector, tourism sector, retail sector, and manufacturing sector. These sectors faced drastic collapse in demand due to lockdowns and the application of social distancing measures hence necessitating the issuance of wage subsidies to retain employment and adequately provide for the continuation of businesses. Wage subsidies can range up to 80% or more of the employees' wages, exempting most firms from the pressure of laying off workers even during faring badly during periods of downturn.[116]

Due to, the fact that the crisis had dragged out from a few months into several years, the first responses to the crisis were not adequate to address all aspects of the crisis. Through SURE, Member States were able to prolong wage subsidies for a longer time as it allowed them the much-needed flexibility to counter several waves of the virus and the consequent economic restrictions. This further support was very important in enabling companies to be more fortified once they got out of this crisis.

[115] Amtenbrink, Fabian, and Menelaos Markakis. *Never Waste a Good Crisis: On the Emergence of an EU Fiscal Capacity.* EU Fiscal Federalism: Past, Present, and Future. SSRN, 2022.
[116] European Commission. "Protecting Jobs and Workers: Final Report Confirms SURE Was Crucial in Mitigating Impact of Pandemic and Supporting Recovery." *European Commission*, June 27, 2023.

Case Study Examples

Spain: Spain's wage subsidies were through the ERTE and it also aided the short-time working regime. Concerning wage subsidies under ERTE, these were uplifted to cater for a large percentage of wages for employees whose contracts were 'frozen' or who worked according to reduced schedules. The government at first developed these subsidies for a specific time frame, however, due to the durational nature of the crisis, they were prolonged several times. SURE funds were vital in sustaining Spain's ERTE system, allowing the government to provide essential financial support to workers in hard-hit sectors like tourism and hospitality. This paper found that SURE has contributed significantly towards the capacity of Spain to support its wage subsidy programs as far as funding is concerned because without this funding the country would have been very limited in their financial capacity to support such programs.[117]

Italy: In Italy, the calls for wage subsidies were approached as the key instrument in response to the pandemic. The Italian government extended the use of the *Cassa Integrazione Guadagni* (CIG) program to other employees who were impacted by the pandemic. SURE funds were essential for Italy to obtain the necessary funding to prolong the wage subsidies which were especially relevant for sectors most affected by the disruptions of the supply chains, decline in customers' buying capacities and frozen production: manufacturing and retailing. The Italian government was very efficient in harnessing this wage subsidy instrument to prevent large-scale layoffs and achieve fair stability in the economy, particularly for SMEs.[118]

Germany: Germany's *Kurzarbeit* program, a short-time work scheme enhanced by wage subsidies, was also heavily supported by SURE funds. This program was instrumental in preventing widespread job losses in sectors like automotive

[117] Schramm, Lukas, and Wolfgang Wessels. *The European Council as a Crisis Manager and Fusion Driver: Assessing the EU's Fiscal Response to the COVID-19 Pandemic. Journal of European Integration* 45, no. 1 (2023): 37–57.

[118] INPS. *Miniguida alla Cassa Integrazione Guadagni Ordinaria (CIGO)*. INPS, 2020. And: Ministero del Lavoro e delle Politiche Sociali. "Cassa Integrazione Guadagni Straordinaria (CIGS)." *Ministero del Lavoro e delle Politiche Sociali*.

manufacturing and construction, both of which saw drastic drops in demand due to the pandemic. The financial support from SURE allowed Germany to maintain these subsidies for an extended period, contributing to a quicker recovery.[119]

Impact of Wage Subsidies

Wage subsidies were a useful instrument to prevent the social and economic impact of COVID-19 as they supplied the appropriate amount of money so businesses could keep the employees or rehire them upon reopening, wage subsidies also contributed to avoiding high unemployment and all the related costs from the government and society's perspective. This was achieved by retaining the workers which saw household incomes being retained and this cushioned consumer expenditure to take another deeper drop.

In the macroeconomic context, the wage subsidies mitigated the risks of losing a long-term job in the EU thus preventing the labour markets from crashing into a long-term recession. Subsidies provided firms with additional funds to avoid large-scale dismissals and thus helped businesses to bounce back to operation when the lifting of restrictions was made, thus making for a quicker and more effective economic rebound. The other long-term effects of wage subsidies are the retention of human capital, and the attachment of employees to employers making it easier to escalate production when demand is up.[120]

Without SURE funding, the Member States could not have put and maintained effective wage subsidies throughout the duration of the pandemic. Without this financial support, many countries would hardly have been able to offer the level of support they needed for their labour markets not to collapse. Since being able to avoid the scale unemployment in households and maintaining household income during the pandemic was a significant benefit for the EU's economic recovery it will help to reduce the lifetime economic impact of the crisis and its social cost.

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[119] International Monetary Fund. "Kurzarbeit: Germany's Short-Time Work Benefit." *International Monetary Fund,* June 15, 2020.
[120] Demertzis, Maria, David Pinkus, and Nicolas Ruer. *Accelerating Strategic Investment in the European Union Beyond 2026.* Bruegel Report, 2024.

Conclusion

To sum up, the SURE Regulation provided forceful support for the idea of wage subsidies as the means to counter the effects of the COVID-19 pandemic in the European Union. These subsidies defended employment, stable incomes in households, and the overall stability of the labour market within the Member States, thus supporting a faster and more effective economic rebound. As one of the most effective government interventions, wage subsidies were instrumental in preventing massive job cuts and allowing businesses to keep their employees during the crisis. The financial assistance applied in SURE underlines the role of cooperative action at the European level when facing crises to guarantee that Member States have access to adequate funds to facilitate the steadiness of their economies and the insurance coverage of their people.

2.2.4 - Support for Self-Employed Workers:

Following the discussion on wage subsidies in the previous section, which primarily targeted workers employed in companies and organizations, it is essential to address the plight of another crucial group: That's why it is important for those, who face higher risks, such as the self-employed. The one-time self-employed particularly during the COVID-19 pandemic situation encountered different risks; this is because they were usually out of the protection offered by employers. Wage subsidies and short-time work schemes that were effective, especially for the people in the managerial positions did not help avert the problem for this category of people. Understanding that all employees can be at risk, including the non-employed ones, the SURE Regulation contained the provisions for self-employed people. Here, we want to analyze how SURE helped in the expansion of aid to freelancers, entrepreneurs and other self-employed individuals, who are valuable players in the European economy.[121]

Due to the lack of job security and social protection that comes with formal Employment, the contingent of self-employed workers was most vulnerable to risks of

[121] Elia, Panayiotis, and Sonja Bekker. 2023. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." European Journal of Social Security 25(1): 41-59.

financial instability during the pandemic. Some lost their businesses or had to lower their incomes drastically due to the implementation of lockdown and other restrictions across different segments. According to Eurostat, own-account workers who are self-employed and those without employees suffered the highest reduction in working hours during the second quarter of 2020 as compared to the employees with wages. This was evident more especially in sectors like arts, culture, hospitality and personal services where a large number of employees are self-employed.[122]

Challenges Faced by the Self-Employed During the Pandemic

Freelance workers, sole traders and independent contractors comprise a noteworthy portion of the European working force. However, because these people are self-employed, they do not have employment security and rights, including unemployment insurance and wage subsidies. This absence of security emerged especially during the COVID-19 crisis when restrictions limited the activities of many freelancers and made them stop practising or work extremely rare. Arts and cultural industries, furthermore, hospitality, and personal services were most affected as many workers in these categories were self-employed.[123]

Faced with unemployment, self-employed workers struggled specifically for the lack of financial stability and the inability to receive proper compensation in the form of severance pay or unemployment benefits. This made it hard for them to afford their daily needs or sustain their companies during the protracted closures. In addition, with the limited access to sick pay and furlough programme, self-employed workers contended with other difficulties contributing to their financial risks as well.

Role of SURE in Supporting the Self-Employed

Noting that self-employed do not have the same level of protection as employees, the SURE Regulation ensured Member States could target the funds for self-employed

[122] Eurostat. "Self-employed People Most Affected by the Pandemic." *Eurostat News,* February 23, 2022.
[123] Kalenkoski, Charlene Marie, and Sabrina Wulff Pabilonia. "The Impact of the COVID-19 Pandemic on Self-Employed Workers." *Small Business Economics,* published August 13, 2021.

people. These funds were used to offer funds to self-employed people and others who lost their income due to the pandemic. This assistance assumed different categories such as cash grants, tax credits, and loans to support these workers to keep their businesses and sources of income afloat over the crisis. [124]

In most of the member states, SURE was adopted in establishing new programs or subsidizing existing ones for the self-employed. For instance, some countries adopted short-term relief measures, which include providing freemen with temporary sources of income, whereas other countries extended unemployment insurance to cover self-employed persons. One of the advantages of SURE was the capacity to adapt the support measures per country according to the needs of self-employed in each country. [125]

Besides cash support, SURE funds were also utilized to afford other kinds of assistance to independent workers, including tax exemptions and contributions decreases. Such measures assisted in reducing some of the financial strains that were faced by the self-employed so that they could sustain their businesses, especially during the worst times of the COVID-19 pandemic.[126]

Case Study Examples

Italy: Italy did not take long to come up with measures aimed at mitigating the impact on self-employed workers during the outbreak of the Covid 19. Amongst the measures that were supported by SURE funds, the Italian government implemented the *Indennità di Emergenza*, the equivalent of emergency income for self-employed people. This plan was aimed at those whose income was significantly affected by the pandemic in sectors like arts and entertainment that consist of highly self-employed persons. In this program, the funds were necessary to support the livelihood of freelancers and other independent employees during this calamity. [127]

[124] Kalenkoski, Charlene Marie, and Sabrina Wulff Pabilonia. "The Impact of the COVID-19 Pandemic on Self-Employed Workers." *Small Business Economics,* published August 13, 2021.
[125] Ibid.
[126] Ibid.
[127] INPS. *Reddito di Emergenza (REM) Informativa*. INPS, 2020.

The Italian government also brought amendments to the *Cassa Integrazione Guadagni (CIG)* program which provided self-employed persons the rights for such sorts of benefits which were not given to them earlier. In this way, Italy was able to offer direct financial support to such employees and thus avoid many of them becoming insolvent and many self-employed persons were able to continue their businesses once restrictions were lifted.[128]

Germany: Germany proactively reacted by contributing to a large number of self-employed people by investing in the SURE mechanism. The German Federal Ministry of Economics and Technology has established a new emergency aid for self-employed persons. Our partial summary of the most relevant COVID-19 support relief in Germany is the following The German government introduced the so-called *Überbrückungshilfe* or bridge assistance a voucher programme for the self-employed and small businesses affected by the pandemic. The above grants were applied to pay for the operational and fixed costs of businesses including rent, and utilities bills among others, to the self-employed who lost a large chunk of their income.[129]

Germany also offered a more comprehensive approach to solving the situation and the development of social security regulations concerning self-employed persons. Pension and health insurance contributions were postponed, and clients running their businesses were allowed to pay their contributions in instalments and many of them were provided with temporary exemptions to their contributions which reduced the effect of financial burden to some extent. On the same note, SURE funding was instrumental in funding these measures thereafter providing strong support by the German authorities to self-employed people.

Spain: In Spain, self-employed workers which are a large part of the working population, were extremely affected by the pandemic. To cater for this group the

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[128] Ministero del Lavoro e delle Politiche Sociali. "Cassa Integrazione Guadagni Straordinaria (CIGS)." *Ministero del Lavoro e delle Politiche Sociali*.

[129] Federal Ministry for Economic Affairs and Climate Action. "Überbrückungshilfe: Bridging Aid for Companies." *Federal Ministry for Economic Affairs and Climate Action*.

Spanish government with the help of SURE funding put in place several measures to help this group. Probably the most resonant measure was *Cese de Actividad*, which can be described as a special benefit that will be paid to those self-employed workers who have had to suspend their business activities due to the development of COVID-19. This benefit paid out monthly allowance for expenditures to cover for the periods of no work for self-employed people.[130]

The Spanish government for instance provided the self-employed workers with the option for a temporary exemption from their social security contributions and tax payment reliefs. Such measures, which partly will be funded by SURE, can be noted as important in supporting self-employed workers to overcome the hardships associated with the pandemic.[131]

Impact of SURE on the Self-Employed Sector

The SURE mechanism helped Europe's self-employed workforce to overcome the COVID-19 crisis as financial support played a role in stabilising the country's labour market. In this way, SURE made financial contributions to this susceptible group and supported them not to become insolvent and therefore supported self-employed people to work and remain active contributors to the economy. For the same reason, respondent No. 3 noted that the SURE was flexible enough to enable Member States to provide support measures for the self-employed which could suit the needs of the respective Member State and its self-employed population, which in turn enabled workers to receive support within the appropriate time frame and in adequate quantity.[132]

Further, the SURE support for self-employed workers showed that the EU had been concerned about not leaving any worker behind especially when the pandemic had thrown the livelihoods of workers into a precarious situation. Opportunities were extended to incorporate a social aspect thus stabilising the effects of the crisis on the labour market in Europe.

130 Eurostat. "Self-employed People Most Affected by the Pandemic." *Eurostat News*, February 23, 2022.

131 Seguridad Social. "Protección por Cese de Actividad para Trabajadores del Mar." *Seguridad Social*.

132 Kalenkoski, Charlene Marie, and Sabrina Wulff Pabilonia. "The Impact of the COVID-19 Pandemic on Self-Employed Workers." *Small Business Economics*, published August 13, 2021.

Therefore, the SURE Regulation was useful in expanding the provision of financial support to self-employed individuals in different Member States. Recognizing the fact that many small businesses would have gone bankrupt and that self-employed workers could not sustain themselves, one can safely conclude that the response put up by the European Union was vital in the preservation of an important aspect of the labour market. The legacy effect of the SURE programme will also assist towards delivering an inclusive recovery through enhancing social protection for the self-employed.

2.2.5 - Impact of the Pandemic on Key Sectors

From the analysis conducted so far, it is clear that the SURE Regulation is fundamental in providing financial support to the self-employed workers especially those within the vulnerable group of losing their sources of income due to the effects of COVID-19. In particular, freelancers, independent contractors and other self-employed workers have gained much from the SURE support as it helped them to sustain their income during the period of financial uncertainties. This support was of great importance in preserving employment within sectors that are not usually covered by measures to protect employment in the course of the crisis, which is in line with the European Union’s objectives of non-discrimination in its measures to address the crisis. Thus the SURE Regulation’s design based on solidarity and cohesion was crucial not only to support these individual workers but also to avert a more systemic breakdown of service and creative sectors that are heavily dependent on self-employment.

Nonetheless, the pandemic had ripple effects across the economy, though, with different consequences across major economic sub-sectors. The crisis was not alike; some sectors which mainly work online or remotely did not suffer much or even benefit. On the other hand, sectors which are greatly impacted by the physical contact with customers and services suffered the most from the downturn in the economy. These sectors such as tourism, hospitality, retail, and arts among others faced a high level of disruptions due to government-imposed measures such as lockdowns and restricted movement to check the spread of the virus. It led to a general reduction of demand which caused many companies to cut down on their workforce or shut down completely.

This paper seeks to understand how various industries have been impacted by the pandemic and how the SURE funding was used to address the unique problems of these sectors. This was possible given that the program was very flexible in a way that the Member States were in a position to direct the funds to the most affected regions. The tourism industry, which is an important source of revenue for many European countries, was severely affected and suffered from an enormous decrease in turnover; the hospitality and retail sectors, in turn, had to learn how to operate in conditions of forced closure or changing consumer needs. This, however, was cushioned by SURE funding that allowed businesses to continue paying their employees and plan to operate post-crisis. The knowledge of how SURE funds were allocated will help to understand the role of this instrument in the recovery of the main industries of the European Union. Importantly, Article 5 of the SURE Regulation states that its objective is to help mitigate the adverse effect of the crisis on employment self-employment and businesses, reflecting the general approach of the EU to manage the economic effects of the pandemic.

Tourism Sector: A Collapse in Demand

The COVID-19 pandemic had a huge impact on the European economy and the tourism sector was one of the most affected sectors. Due to the lockdown and other restrictions on travelling both internally and externally, the industry lost demand like never before. In 2020, European tourism was the most affected by the decrease in international tourists' arrivals whereby was the worst decline in decades. The unfortunate decline affected small businesses including travel agencies, tour operators, and guesthouses with revenues drastically reducing in a day.[133]

SURE funds were used to support the continuity of the tourism industry through direct grants and wage subsidies. The third Article of the SURE Regulation provided for the possibility of Member States to apply for financial assistance to meet the urgent needs of enterprises in sectors that were severely impacted by the pandemic such as the tourism sector. All the Member States utilized a large amount of SURE funding for

[133] OECD. *Tourism Policy Responses to the Coronavirus (COVID-19).* OECD, 2021.

supporting employment and reducing labour costs in the tourism sector. For example, Spain, one of the member states that mainly relies on tourism, gave SURE funds to hospitality services, travel agencies and airlines. The outcome was to prevent mass dismissals that wouldn't allow companies to keep their employees on the payroll even if there were no tourists.[134]

Hospitality Industry: Adapting to Lockdowns

Like tourism, the sector of restoration was one of the most impacted by restrictions such as social distancing and business shutdowns. Due to the closure of indoor dining for an elongated period, operations in the hospitality industry significantly reduced revenues. Consequently, the European Union through SURE funding assisted Member States in this area by providing a financial boost to this sector. Wage subsidies were specifically essential in ensuring that businesses did not resort to layoffs and many governments directed their funds towards payment of rent and utilities fees.

Those member states whose economy heavily relies on food and beverage services such as Italy benefited from allocations made by SURE to advocate for hospitality. The fourth Article of the SURE regulation created the possibility of financing wage subsidies meaning that businesses in this sector could keep their employees on staff despite long periods of closure. Further, operational costs were funded through grants to ensure organisations do not succumb to shutdown during the worst of the pandemic.[135]

Retail Sector: Adapting to a New Reality

The pandemic situation brought a certain set of problems to the retail industry. A noticeably smaller volume of revenue was generated in many nations, this is because non-essential retail stores were closed for an extended period. While people were busy ordering things online, physical shops were unable to follow the trend. The financial

[134] Ibid.

[135] Canton, Erik, Federica Colasanti, Jorge Durán, Maria Garrone, Alexandr Hobza, Wouter Simons, and Anneleen Vandeplas. *The Sectoral Impact of the COVID-19 Crisis: An Unprecedented & Atypical Crisis*. Economic Brief 069, European Commission, December 2021.

support from SURE assisted retail firms by treating the wages and making some transitions to online shopping possible.

For example, Germany used part of the SURE resources to help retailers transition to digital business models, offering grants to help them create online ordering systems. As noted in Article 6 of the SURE Regulation, there was a clear focus on the importance of assisting companies in moving to new forms of business, including e-commerce. These measures helped SMEs that operated exclusively in physical stores to stay afloat during the pandemic. Wage subsidies were also instrumental in mitigating layoffs especially because many retail businesses of limited capacity could not afford to maintain employees beyond a certain point without support.[136]

Arts and Cultural Sector: Preserving Heritage

Museums, theatres, galleries and performance spaces, collectively falling under the arts and cultural industry, were some of the hardest hit sectors amid the COVID-19 outbreak. People gathered in groups were prohibited, events including social gatherings were cancelled and social-cultural organizations were shut for several months. In terms of the financial impact the effect was severe and many firms faced severe financial difficulties.

The SURE Regulation also had another Article 5 where Cultural sectors were also considered as having significance to the European identity as well as the economy. Some institutions received SURE funding to sustain them as well as the employment opportunities connected with such establishments. For instance, France utilised SURE to provide grants and wage subsidies to artists, curators, and performers, and likewise, Germany. These funds kept the cultural organisations going through the pandemic maintaining the cultural heritage and continuing with the art. This support made

[136] European Union. *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*. Official Journal of the European Union L 159/1, May 20, 2020. Article 6.

possible a less problematic transition as sectors reopened, and cultural institutions were able to reopen without compromising key human capital assets.[137]

Personal Services: Supporting Small Businesses

Other sectors that also suffered the impact of restricted operations during the pandemic include personal service facilities such as beauty salons, spas and fitness centres. These businesses lost trading opportunities due to the long periods of restrictions in movement through a lockdown and social distancing measures, it thus led to sudden cessation of income to employees especially the self-employed or those under precarious working arrangements such as short-term contracts. While it can be argued some of the world's bigger industries might have had a certain amount of financial protection, many of these enterprises worked on very narrow profit margins and were threatened by instant failure. Consequently, the same was put on the line of many single traders, and independent specialists.

According to the SURE Regulation about Article 4, Member States were allowed to use the funds to subsidise personal services through wage subsidies as well as operational grants. This financial help was needed, because it made it possible to assist within the framework of government interventions, without undue delay. Portugal and Greece are two examples of countries that have been heavily dependent on the personal services sector which received SURE money to continue paying employees' wages when the sectors were closed to control the spread of the virus thus mitigating massive lay-offs and businesses fixed overheads such as rent and bills. Also, this financial support addressed a part of the long-term cost of employment by allowing businesses to keep their qualified employees on payroll rather than pay higher costs of putting out new adverts, recruiting and training employees after the restrictions had been lifted.[138]

[137] European Union. *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*. Official Journal of the European Union L 159/1, May 20, 2020. Article 5.

[138] European Union. *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*. Official Journal of the European Union L 159/1, May 20, 2020. Article 4.

The funding that was accorded to the businesses through SURE played a big role in preventing some of them from shutting down, thus enabling them to reopen in a better-stabilised position that would have been seemingly impossible without such support. This also made the bar passage years later more antipodal to the pandemic where businesses could conform to new health policies and emerging market tendencies including the adoption of private healthcare services. In this way, the SURE Regulation offered the right support to help an industry survive and recover which is of great importance to people's quality of life and employment in communities across Europe.[139]

Construction Sector: Managing Disruptions

Nonetheless, the construction sector was somewhat impacted by disruptions in the supply chain and a restricted workforce. Possible delays in the delivery of the manufactured materials when coupled with the restriction of movement of workers were attributed to the slowing down and halting of projects. Some of these had been eased through funding from SURE which especially assisted construction firms in terms of sustaining employment when other sectors slowed down.

The governments of Spain and Italy for instance deployed the SURE funds to continue with construction projects which were either stagnated or reduced due to the outbreak. Wage subsidies as provided by the SURE Regulation in Article 4 served as an anchor to make sure many construction employees could continue being paid to avoid large-scale layoffs and facilitate the continuation of work as soon as conditions would permit. These funds were instrumental in supporting the sector to avoid major long-term work stoppages thus helping to support infrastructure development.[140]

Targeted Allocations: Strategic Financial Support

Still, one of the main advantages of the SURE mechanism was the possibility for Member States to make more nuanced financial interventions in response to their

[139] Amtenbrink, Fabian, and Menelaos Markakis. "Never Waste a Good Crisis: On the Emergence of an EU Fiscal Capacity." *EU Fiscal Federalism: Past, Present, and Future.* SSRN, 2022.
[140] Kalenkoski, Charlene Marie, and Sabrina Wulff Pabilonia. "The Impact of the COVID-19 Pandemic on Self-Employed Workers." *Small Business Economics,* published August 13, 2021.

economies’ needs. What is more, as stated in Articles 3 and 5 of the SURE Regulation, the European Commission cooperated with national governments to guarantee that the given funds in the SURE framework would be distributed according to the pandemic’s impact on the particular sectors.

For example, in tourism and hospitality, the Member States used SURE to support wage subsidies and operating grants to ensure that businesses can continue paying their employees during off-peak season. In the same way, in the arts and cultural industries, funds were given to lend a hand to save jobs as well as sustain artistic and cultural value. This way it was guaranteed that available funds were spent effectively to meet the core needs and to strengthen the fragile areas of the economy.[141]

Overall Effectiveness and Lessons Learned

If there is something that cannot be denied about the efficacy of the SURE mechanism is its role in stabilizing some of the most important sectors of the economy during the COVID-19 crisis. Thus, SURE support enabled to avoid many businesses’ shutdowns, insolvencies, and dismissals in sectors most impacted by the crisis. The flexibility of the mechanism can be construed to mean that Member States developed the support measures in the way that best suited their economic state, hence proper utilization of money.

The Wuhan virus experiences reveal that societies need more elastic funds to address future calamities. This is the case of SURE which well demonstrates the importance of cooperation at the European level as well as the necessity of having efficient safeguard measures that would prevent employment decline in sectors most affected by crises. Since the EU is gradually coming out of the pandemic, the understanding that would have been obtained from SURE will be useful in designing the next crisis mechanisms.[142]

[141] OECD. *Tourism Policy Responses to the Coronavirus (COVID-19).* OECD, 2021.
[142] European Commission. "The First Six Months of SURE." *European Commission*.

Summing up, it is safe to note that SURE proved to be a highly useful measure in softening the pandemic consequences on the country's economy and sectors. Thus, SURE ensured that Aviation, tourism, hospitality, shopping, and arts, construction sectors among others received financial support during an unprecedented European downturn. The ability to respond quickly and the inherent freedom of SURE adjustment was the key to helping Member States provide the necessary subsidies to support the industries more significantly impacted by shocks. From the experience of SURE, it is possible to assess what lessons can be given for the future: first, financial support needs to be well-coordinated and targeted to mitigate the problems that occurred during the economic crises.

Chapter 3 - SURE within the EU's Legal Framework and Integration into Existing Structures

2.3.1 – Introduction

As it has been described in the detailed analysis in Part 2. 2 which demonstrated that SURE was funding necessary financial support to the sectors and vulnerable groups in the COVID-19 pandemic, it is appropriate to discuss the legal bases that made this program possible. Wage subsidies, short-time work allowance and support for self-employed were by and large not mere crisis measures – indeed they were made possible by the legal basis which the EU had to cope with this crisis effectively. A study of these laws finds out how SURE fits easily into the governance framework of the European Union as a response to the Union's strategic plan and compliance with the legal requirements.

The COVID-19 outbreak required an exceptional intervention from the European Union, and SURE is one of them. It was constructed utilizing the EU's legal frameworks to demonstrate how this Union and the treaties as well as legislative measures contained in it can be deployed during periods of disaster. While examining the legislation, the main legal grounds for SURE can be traced to Article 122 of the Treaty on the Functioning of the European Union. This article the advantage of the EU in rendering financial support to the member states who are highly affected due to some exceptional events that caused severe economic shocks. Employing this provision, the EU was able to swiftly make financial assets available, to support countries in their efforts to cope with the economic effects of the pandemic, primarily in the areas of labour markets.[143]

Although Article 122 has been invoked in case of natural disasters and or other catastrophes, its invocation in the fight against COVID-19 was rather a new precedent. This has been brought about by the pandemic which brought solidarity in the labour market and Article 122(1) gives room for emergency measures in exceptional circumstances thus enabling a quick and efficient intervention. Article 122(2) in the same treaty also granted further power to the EU to provide subsidies as loaning which became a core aspect of SURE Regulation. This section will look at how these provisions formed a legal basis for SURE to give assurance to the general public that the program being implemented was legal and functional.

Other provisions of the TFEU also played a role in the formation of SURE and how the fund was implemented. For instance, Article 136[144] of the Treaty which mainly deals with economic governance helped in the process that led to financial control and cooperation among Member States. Likewise, Article 175[145] which pertained to social and territorial cohesion, by the EU's regulation formed the basis of the social and territorial dimension of SURE, which would otherwise complement the recovery support across all regions of the EU. Within this legal context, it was possible to achieve employment and social cohesion during the period of economic turbulence, which correlates SURE with the general objectives of the European Union.

Furthermore, SURE shows its place in the structure of pillars of the EU it is possible to conclude that SURE at the same time proved to be both the economic, and social policy tool. It also benefited the EU's economic pillar which was supporting employment and also strengthened the social pillar of the Union which was protecting the workers and upholding social justice and fellowship. This was made evident from how SURE aligns

[143] Treaty on the Functioning of the European Union, Article 122.

[144] Treaty on the Functioning of the European Union, Article 136.

[145] Treaty on the Functioning of the European Union, Article 175.

with the EPSR, more so, Principle 5, which covers secure and adaptable employment, to demonstrate the program's support for the EU's social policy agenda.[146]

Apart from these legal foundations, SURE also engaged with other crisis management frameworks operating in the EU legal framework. Specifically, its interconnection with the European Stability Mechanism (ESM) which operates mainly in the sphere of a sovereign debt crisis, and the Next Generation EU (NGEU) funding package more oriented to the post-crisis recovery demonstrated the heterogeneity of the EU's response. While the ESM and NGEU focused on fiscal sustainability structural reform and sustainable growth respectively, SURE is more of a short-term measure primarily aimed at stabilizing the labour market and protecting workers.[147]

Therefore, this section will provide a detailed discourse of the legal and institutional structures that positioned SURE to be a suitable instrument in responding to the labour market disruption by COVID-19 effects. Thus, by building on pre-existing legal bases, especially Article 122 TFEU, SURE attained legal soundness together with timeliness and prepared the European Union to act quickly and on one of the biggest crises in the modern world. The subsequent sections will consider more detailed legal aspects and will show that thanks to SURE's framework the measure was not only legally sufficient but also effective.

2.3.2 – Legal Basis of SURE: Article 122 TFEU

The legal basis for the SURE Regulation is mainly held in Article 122 of the Treaty on the Functioning of the European Union (TFEU). It has been evident that this provision proved crucial in helping the European Union to disburse quick funding to its Member States during the COVID-19 crisis. The Article played a pivotal role in dealing with the crisis, which had aimed at unprecedented social and economic effects, as it avails the needed resources for the EU rationally and fairly across the whole Union.[148]

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[146] European Commission. *The European Pillar of Social Rights in 20 Principles*. European Commission, Employment, Social Affairs & Inclusion.

[147] European Stability Mechanism. "What We Do." *European Stability Mechanism*. And: European Union. "NextGenerationEU." *European Union*.

[148] Chamon, Merijn. "The Rise of Article 122 TFEU." Verfassungsblog, February 1, 2023.

The rationale of Article 122 is to be seen in its ability to offer a legal means for actioning collective financial intervention in the case of deep economic shocks. This enabled the EU to adopt extraordinary measures when the Union had been faced with an unpredictable crisis as provided for under the Treaty framework, solidarity, cooperation and the European social model that was an inherent goal of the Union. In the framework of SURE, Article 122 TFEU was applied in a manner that illustrate these principles, but at the same time, it was made sure that the Member States should get the required financial support to sustain employment and social cohesiveness.[149]

Introduction to Article 122 TFEU

According to article 122 of the TFEU, known as the 'solidarity clause,' it is laid down that the EU must respond to major natural disasters which hit one or more Member States economically. More precisely, according to Article 122(1) of the Treaty on the Functioning of the European Union, it is the Council of the European Union which may adopt measures to address a severe economic situation threatened by external events, a natural disaster, or a global economic crisis, for instance. On the other hand, Article 122(2) was about the provision of financial help by the Union to member states encountering problems because of circumstances beyond their control, which was likely to destabilise their economy.[150]

The SURE Regulation relied mainly on Article 122(2). This provision enabled the EU to provide financial assistance in the form of loans to the member states that needed support in managing the risk of unemployment during the period of pandemic. Due to the flexibility of the Article, the EU could respond quickly hence resources could be accessed without much difficulty unlike in the case of grants or long-term economic recovery programs.

Historical Context of Article 122 TFEU

[149] European Parliament. "The Use of Article 122 TFEU: Institutional Implications and Impact on Democratic Accountability." Study, September 2023.
[150] European Parliament. "The Use of Article 122 TFEU: Institutional Implications and Impact on Democratic Accountability." Study, September 2023.

Up until the COVID-19 pandemic, Article 122 had been cited mainly in the situation of natural disasters and energy supply emergencies and this use of Article 122 in a labour market emergency is unprecedented. Formerly, Article 122 was the legal basis for taking action after natural disasters like floods or earthquakes, and interruption of energy delivery that has consequences for the economic sustainability of Member States. Still, because the pandemic meant the unification of the processes affecting the sphere of health, economy, and social relations, the definition of Article 122 had to be expanded with the protection of employment and labour markets.[151]

This was the first time when Article 122 has been used to remediate a labour market problem and that was due to unusual circumstances such as the COVID-19 pandemic. The massive loss of employment during the pandemic where millions of workers were either furloughed or laid off means that the use of Article 122(2) was justified to protect employment and halt further economic decline.

Details of Article 122(1) and 122(2)

Article 122(1): The topic of the third section of this apaper is whether exceptional circumstances may lead to the EU taking measures of a special kind. When used about the COVID-19 pandemic, Article 122 (1) makes it possible for the EU to intervene in such a manner as to counter the effects of the economic crisis. The provision was very essential in the establishment of SURE since it provided the EU with the legal tool that enabled it to support its Member State during the worst economic period.[152]

Article 122(2): The option given in Article 122 (2) allowed the EU to provide funds to the Member States in the form of loans. These loans were meant to assist countries in meeting an increase in public borrowing needed to defend employees' jobs and support vulnerable workers in the face of shutdowns, payment cuts and other measures connected to the pandemic. By resorting to Article 122(2), the Union proffered a tremendous amount of financial assistance without as stringent conditions as those of

[151] Dermine, P. "The EU's Response to the COVID-19 Crisis and the Trajectory of Fiscal Integration in Europe: Between Continuity and Rupture." Legal Issues of Economic Integration 2 (2020).
[152] European Parliament. "The Use of Article 122 TFEU: Institutional Implications and Impact on Democratic Accountability." Study, September 2023.

SURE or many of the EU member states' financial assistance programs, including those dictated by the ESM.**[153]**

The provision of Article 122(2) was flexible in a way that the EU could afford money based on the need for money of the particular Member State. This flexibility was needed to make provisions for financing under the effects of the crisis within the European Union states. Due to flexible lending policies such as concessional interest rates and long grace periods on the loans they provided, SURE helped Member States with severe financial challenges during the COVID-19 pandemic.[154]

Relevant Complementary Articles: Article 136 and Article 175 TFEU

In addition to Article 122, other provisions of the TFEU played a complementary role in supporting the implementation of SURE. Article 136 TFEU, which pertains to economic governance within the eurozone, is particularly relevant in the context of SURE's function. Article 136 allows enhanced cooperation in economic policy among Member States, which was essential in the coordinated response to the pandemic. SURE, as a financial instrument, operated within this framework by assisting eurozone members and non-eurozone members alike, fostering a sense of unity in the EU's economic governance during the crisis.[155]

Article 175 TFEU, which promotes social and territorial cohesion within the Union, is another provision closely linked to the goals of SURE. By focusing on employment protection and income support, SURE contributed to the broader objectives of Article 175, which aims to reduce disparities between regions and ensure that all citizens, regardless of their location or employment status, benefit from the Union's economic recovery efforts. SURE's alignment with Article 175 underscores its role not only as an economic instrument but also as a tool for promoting social justice and cohesion across the EU.[156]

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[153] Ibid.
[154] Treaty on the Functioning of the European Union, Article 122.
[155] Treaty on the Functioning of the European Union, Article 136.

[156] Treaty on the Functioning of the European Union, Article 175.

The Broader Impact of Article 122 TFEU in the Context of SURE

The utilisation of Article 122 TFEU in the formation of SURE was a significant point of the EU's legal and economic reaction towards the pandemic. It showed that the Union could adopt the necessary policies within its legislative system to face new problems as well as it highlighted the role of solidarity during a crisis period. Thus, by referring to Article 122(2), the EU was able to allocate large funds quickly to the member states and thus safeguard against mass unemployment and stabilize the labour markets.[157]

Furthermore, the EU's reliance on Article 122 also demonstrated the body's intention to safeguard the rights of vulnerable employees and guarantee that such a recovery does not leave out one group of workers. The legal uncertainty enabled the Union to adopt the measures for each member state where financial assistance under SURE proved to meet the objectives of effectiveness and equity.[158]

Thus, allowing the EU to mobilise resources swiftly and efficiently in the face of the COVID-19 pandemic, Article 122 TFEU was the ultimate legal base of the SURE Regulation. It was used for the crisis in the labour market as a sophisticated development of the clause; that is why the EU showed the ability to address an unpredictable situation and at the same time remain loyal to its main principles such as cooperation, solidarity, and social protection.

2.3.3 - SURE within the EU's Pillar Structure

In the earlier section, the author has discussed the legal background of TFEU Article 122, stipulating that since the European Union possesses such a legal basis it can provide funds to the Member States in need of financial aid due to major economic shocks. On this legal basis, the EU has been able to adopt the SURE Regulation which

[157] Laprévote, François-Charles, and Thomas Harbor. "Article 122 TFEU as a Legal Basis for Energy Emergency Measures." *Cleary Gottlieb*, November 9, 2022.
[158] European Parliament. "The Use of Article 122 TFEU: Institutional Implications and Impact on Democratic Accountability." Study, September 2023.

is quite important in the framework of response to the COVID-19 pandemic, which provides Member States with the means to protect employment and avoid high unemployment in the context of the sharpest economic downturn in over a century. However, it is equally essential to go further and analyze what role SURE plays according to the EU institutional and governance architecture in which Article 122 TFEU acts as a legal basis.

In this regard, the absorption of SURE in the framework of the European Union corresponds to the transition of the Union from the historical division into pillars into a more integrated system after the Lisbon Treaty. The earlier mentioned EU pillar structure that was also characteristic for dividing competencies into three different sectors: economic governance, foreign and security policy, and justice and home affairs is still invaluable in terms of illustrating a multilevel approach toward the management of the multiple crises. While the formal applied format of these pillars was dismantled in the year 2007 the policy in its practice continues to point toward this system and this point can be highlighted especially in the case of SURE.[159]

SURE works in multiple policy areas, which is a result of the EU's economic, social and other governance roles. As this paper has shown, it was mainly designed as an economic tool to address employment-related shocks but transmutes into the sphere of social policies and, indirectly, into the EU's external relations. Consequently, it is illustrated how the SURE mechanism helps understand the development from the segmented 'pillar structure' of the EU into a more integrated overall approach while at the same time complying with the diverse goals of numerous policy areas. To determine the role that SURE has played within the EU policy areas it is necessary to examine its role within those policy fields for crisis management to identify how the EU has adapted and shaped its crisis response capabilities to the contemporary challenges such as the COVID-19 pandemic.

SURE and Economic Governance

[159] Schütze, Robert. "European Union Law." Cambridge University Press. Part 1, Chapter 3

In its essence, SURE is very linked with the EU's overall economic governance structure. Although the Lisbon Treaty might have brought an end to the formal version of the distinct pillar for economic policy, the governance of the economy is one of the most basic functions of the Union system. Looking at SURE's objectives, which is to offer fiscal support to the Member States during the pandemic, shows that the program is directly linked with the EU's economic governance goals.[160]

The EU has always endeavoured to keep the economic balance of its Members and depending on the pandemic, such issue has been becoming more significant. COVID-19 unleashed the highest degree of economic disruption through a dash of immediate consequences that cut across supply disruptions, reduced demand for goods and services, and closures of business operations or severe operations limitations. The loss in economic growth, or even decline posed the danger of eradicating not only the Member States standing independently but also the stability of the single market and a unified structure of the EU in terms of economy. It is thus important to note that SURE was intended to operate as a financial insurance, especially within the context of saving jobs and ensuring income maintenance.[161]

While the legal basis for SURE could be found in Article 122 TFEU, the functioning of SURE was integrated and realized within the EU's economic governance framework. Co-ordination has been at the heart of the functioning of the EU from the very start and SURE simply plugs into this paradigm. Coherently with these objectives, SURE contributes to the general goals of economic stability by guaranteeing national governments the proper funds to sustain businesses and workers during an economic shock so as not to jeopardize the integrity of the single market.

In addition, the organization has been established in compliance with economic governance principles provided under other EU treaties and agreements. For example, SGP relates to Member States' fiscal policies while SURE offers Member States another approach to tackle short-term fiscal exigencies without breaching the SGP's long-term fiscal responsibility. That is why SURE loans do not allow overborrowing that might endanger the fiscal stability of the Member States and leave them without the

160 Schütze, Robert. "European Union Law." Cambridge University Press. Part 1, Chapter 3

161 Elia, Panayiotis, and Sonja Bekker. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1 (2023): 41-59.

necessary fiscal room for another crisis. Thus, SURE helps not only meet the Union's immediate need for the management of economic crises but also works for the construction of more permanent economic stability.[162]

Thus, the flexibility of the EU's economic governance framework is also underlined by the fact that SURE can meet the needs of the Member States in their functioning. Member States differ in terms of factor endowment, the degree of shock resulting from the pandemic, and financial resources to fight the shock. This is reflected in the design of SURE since the support given is structured according to the needs of each country meaning the requisite muscle cannot be used in a way that would undermine the general economic obligations within the EU.

SURE and Social Policy

Although SURE is mainly orientated by economic objectives, it concerns social policy profoundly. The COVID-19 pandemic is not only a threat to the stability of the members and overall economy of the EU but also to the social structure of the union in the region. High levels of layoffs and trade closures raised concerns of high levels of unemployment, low income, and possible poverty in society. It was to this background that SURE exerted a significant contribution to the delivery of the EU social policy agenda especially those outlined in ESPSR.[163]

European Pillar of Social Rights which was established in 2017 is a social blueprint that the EU has deployed to ensure that all employees are offered fair treatment, safety, and social security at the workplace. One of its main principles is transitioning employment to be secure and flexible which makes it perfectly align with the goals of SURE. In the following, it will be shown that SURE also gave tangible substance to these social rights when they were most endangered, namely by offering financial help to keep jobs and incomes afloat. In this regard, SURE essentially reflects the fifth Principle of the

[162] Elia, Panayiotis, and Sonja Bekker. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1 (2023): 41-59.

[163] Elia, Panayiotis, and Sonja Bekker. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1 (2023): 41-59.

European Pillar of Social Rights that focuses on sustainable employment and job quality without negligible mention of short-time work schemes and wage subsidies.[164]

Also, SURE has the objective of fostering social solidarity, which has been expressed through the distribution of funds to the Member States that are highly impacted by the measures restricting the spread of COVID-19. A core idea of the EU is known as cohesion which aims to close the gap and provide less-benefited regions with funding to sustain a proper rivalry with richer zones. Because of the mechanism of the flexible loan option, the Member States with or without a robust fiscal base were able to provide the necessary funds that contributed to the safety of their workers and social order. This approach helped guarantee that the most affected countries including those in the southern European region could maintain their social protection systems as their economies were affected severely.[165]

Hence, SURE's support for the workers did not only entail the protection of such employment positions. It also means sustenance of household incomes preventing social tension in Europe as well as supporting millions of Europeans' occupations throughout the EU. Thus, SURE also responded to fundamental goals of EU social policy that were triggered by the pandemic; it was also an addition to the general EU policy concerning social policy, which is to reduce disparities and ensure that the population as a whole would benefit from growth.[166]

Besides, if SURE has effectively helped to tackle the social impacts of the outbreak, it also renders critical questions about the place of the EU in future social policy. In its standard form, the EU exercises rather modest interference in the affairs of its Member States regarding social policy; nevertheless, it may act as a coordinator when it becomes necessary. However, the COVID-19 crisis showed that the EU should play a more important role in social protection at a critical moment. SURE, a shaky tool, offers a paradigm for how the EU could enlarge the social policy in the future in the light of employment protection and income security.

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164 Amtenbrink, Fabian, and Menelaos Markakis. "Never Waste a Good Crisis: On the Emergence of an EU Fiscal Capacity." *SSRN*, 2022.

165 Lavallée, C. 2021. "The European Union's Two-Fold Multilateralism in Crisis Mode: Towards a Global Response to COVID-19." International Journal

166 Elia, Panayiotis, and Sonja Bekker. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1 (2023): 41-59.

SURE and External Relations

While SURE can mostly be characterised as an internal financial instrument, the successful completion of SURE has had repercussions on the EU's external relations. COVID-19 also affected the economies of countries all over the world and the EU internal crisis effectively managed to make its position stronger in the global system.

EU showed solitary internal potential, which is not only an important internal value of the union but also key to its external actions in providing financial assistance to its Member States. Thus, the resilience of the EU, which has ensured that mass unemployment does not become a rampant issue, and which has acted to preserve social stability by utilizing the SURE proved how the union can manage to lead in the crisis. This internal solidarity enabled the EU to make better international economic diplomacy having policy lessons on how the regional organisation can address global challenges.[167]

In addition, SURE focused on the goal of safeguarding the workers as well as depicting social rights within the global discourses of labour rights and social welfare. These values have in the past been promoted extensively by the EU in its external commitments, especially in the trade and international development domains. That SURE has been able to operationalize these values internally during the pandemic period further underpinned the EU's credibility in calling for them in the global arena.[168]

Moreover, internal stability that SURE has provided the EU the organization gained the capacity to operate as one actor in its external relations. In other words, SURE's implications for economic and social stabilisation ensured that the EU could stay keen on the international stage before the pandemic. Being the largest trading partner the EU's internal stability is of significant importance to external economic relations and SURE was especially essential in maintaining this stability during the times of unprecedented worldwide instability.

167 Lavallée, C. 2021. "The European Union's Two-Fold Multilateralism in Crisis Mode: Towards a Global Response to COVID-19." International Journal

168 Lavallée, C. 2021. "The European Union's Two-Fold Multilateralism in Crisis Mode: Towards a Global Response to COVID-19." International Journal

Conclusion

Altogether, the SURE Regulation is one of the examples of active programming where the EU reacts to crises within its governance framework; at the same time, it proves the continuity of the EU's governance structure and development from the times of the pillar structure to today. It is therefore clear that SURE forms part of the EU's endeavours in economic, social as well as external policies, which show that despite the unforeseen circumstances the Union's institutions are malleable.[169]

As for the EU's economic governance goals, SURE's contribution to social protection, and as the result of its implicit influence on the EU's external relations, SURE has been a valuable asset whenever the coronavirus has threatened the unity and stability of the European Union. Certainly, the very pillarized structure is no longer present although the specific policy areas of the respective pillars remain among the key factors that define the EU's Crisis Management today, with SURE demonstrating the more integrated but flexible approach of the Union in action.[170]

2.3.4 - Deeper Analysis of SURE's Integration within EU Pillars

As explored in 2.3.3, the SURE Regulation stands out to be closely related to EU pillars of economics and society. Thus, to get a better idea of its place, it is required to explore how SURE contributes to these pillars along with the ways it enhances the long-term EU governance. The Regulation while it was proposed as a short-term measure to tackle the crisis related to COVID-19 can be viewed as a step towards incorporating objectives of labour market protection and economic sustainability as well as social goals into the EU law.[171]

The activation of the SURE Regulation could be considered one of the key milestones in the European Union's management of the COVID-19 crisis. Its emergence enabled

[169] Busch, Danny. "The Future of EU Financial Law." *Capital Markets Law Journal* 17, no. 1 (2022): 52-74.
[170] Chamon, Merijn. "The Rise of Article 122 TFEU." *Verfassungsblog*, February 1, 2023.
[171] Council of the European Union. *The Pillars of Europe*. Council of the European Union, 2018.

the EU to organize an efficient financial tool that enabled the protection of employment, or more accurately, the prevention of large-scale unemployment in a time of crisis. The temporary nature of SURE should not be used to obscure the fact, which is the EU has proven that it could act and deliver promptly, especially when faced with the unexpected meanwhile, Social and Economic policies have been established and incorporated into the governance system of the EU. In this regard, SURE is not only a tool to provide financial support in responding to the pandemic but also a potential guide for the EU's further approaches to the crises in future concerning Economic and Social Europe.[172]

Economic Pillar – Enhancing Employment and Fiscal Stability

It needs to be noted that SURE has an economic role that is not limited to addressing the crises immediately. From the Regulation, Member States were provided with the opportunity to retain employment while at the same time offering low-interest loans without a large financial burden. This helped governments to stimulate the economy adequately during the period without increasing the sovereign debt a big consideration, especially for many nations facing pre-COVID-19 fiscal deficits and balances of payments challenges.

Another key tenant of the SURE has remained the issue of working within financial constraints when the latter is already under pressure. The legal base for the creation of SURE was Article 122(2) of the Treaty on the Functioning of the European Union (TFEU), which gave the green light to the EU to emit loans to the Member States in difficulties because of the pandemic and without/reserving burdensome conditions. This bears in contrast to previous EU institutionary frameworks like ESM which are widely perceived to put in place stringent conditionality and austerity structures. Thus, SURE did not endanger itself by achieving too much financial overambition while still allowing Member States to go on supporting their labour markets with the help of loans at a more comfortable rate.[173]

[172] Schütze, Robert. "European Union Law." Cambridge University Press. Part 1, Chapter 3
[173] Chamon, Merijn. "The Rise of Article 122 TFEU." *Verfassungsblog*, February 1, 2023.

This strategic application of Article 122(2) demonstrates the fact that the TFEU is very much capable of providing measures that can respond swiftly to various economic problems. This article was initially intended to respond to shifts in the economic balance resulting from natural disasters or a scarcity of energy, however, concerning the SURE Regulation, it also demonstrates its wider capability. Besides avoiding mass unemployment SURE funds also supported stabilization of consumer demand. Through the preservation of employment, the Regulation mitigated a drop in the consumption level which in turn predisposed a decline in the internal market as a result of the worsening of the economic crisis.[174]

Besides, it can be pointed out that SURE's adaptation took place following the EU's general economic governance framework that is designed to uphold fiscal responsibility and encourage prosperity. The Regulation did this by enabling the Member States to borrow money without a violation of the fiscal rules of the EU. This was hugely important for sustaining fiscal balance in both the near and long terms. This effectively underlines the functions of SURE in connecting these two goals and showing the tool's relevance as a part of EU fiscal infrastructure in the system for economic governance.[175]

In addition, the flexibility of the program enabled Member States to adjust the kind of financial aid offered to the specific requirements of each country. Nation states such as Italy, Spain and Greece that have been severely affected by the pandemic could harness given SURE funds to stabilize national labour markets under overall EU fiscal rules. This way of flexibility is crucial for the EU to be prepared for further occurrences of similar crises and SURE can be seen as an inspiration of how fiscal solidarity might be combined with the economic governance of the Union.

Social Pillar – Protecting Workers and Promoting Social Solidarity

Furthermore, SURE is tied up to the social pillar of the EU and in detail through the EPSR. It should be recalled that the Regulation contributes to the achievement of the fifth Principle of the Social Pillar which focuses on the stability and flexibility of work.

[174] Ibid.

[175] Busch, Danny. "The Future of EU Financial Law." *Capital Markets Law Journal* 17, no. 1 (2022): 52-80.

Such measures could be taken due to SURE's design that lets Member States protect workers and their income during the pandemic.[176]

As can be seen from the analysis the economic effects of SURE are apparent but the effect on social policy is as profound. The Regulation directly took into consideration the increasing phenomenon of unemployment and income instability, which was so damaging the social cohesion of several EU Member States. As highlighted previously Europeans approve SURE for effectively supporting short-time work schemes as well as wage subsidies to prevent joblessness from surging particularly in sectors that are most at risk like the tourism, retail and hospitality sectors.[177]

These sectors, which consist of extensive and vulnerable employees in terms of wage and job security, may have gone bankrupt because of the economic consequences of the pandemic. Through funding, SURE assisted Member States in the maintenance of employment levels and the guarantee that employees had some sort of financial cushion. Thus, the Regulation not only contributed to the process of economic recovery but also enhanced social aspects of the EU's policy. [178]

Moreover, SURE focuses on the social angle of sustainability through the mainstreaming of social solidarity which can advance the European Union's goal of moving towards less divergence between its Member States such as through promoting social equity. The fluidity of the loan structure made it possible for countries with endeavour fiscal standing to secure funding meaning that the pandemic did not further worsen disparities in the Union. This is the case, especially in the support given to the Southern European countries that battled with not only a public health crisis but also high levels of public indebtedness.[179]

If SURE has succeeded in preventing or at least limiting the social impact of the pandemic then critical questions related to the future of EU in Social Policy have

[176] Elia, Panayiotis, and Sonja Bekker. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1 (2023): 41-59.

[177] Petzold, Hans Arno. "The SURE Initiative, Short-Time Work Compensation, and State Aid." *European State Aid Law Quarterly* 2 (2020): 153-167.

[178] Laulom, Sylvaine. "Social Europe in Times of COVID-19." *International Journal of Comparative Labour Law and Industrial Relations* 39, no. 2 (2023).

[179] Elia, Panayiotis, and Sonja Bekker. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1 (2023): 41-59.

emerged. The Regulation has shown that in times of crisis, the role of the EU is to take more active participation in defending the rights of workers and contributing to social security. This could lead to the redefinition of the scopes of competencies of the EU in social policy where they may envisage more protection for employment and social security systems in the future.[180]

Long-Term Implications for EU Governance and Policy Integration

The outcome of SURE has provided an example to the EU and the way that it may act in future conditions. That it has a share in consolidating these two forms of pillars and that there is an indication of a shift towards a convergence of fiscal and social policies in the EU governance system in the EU is integral here. The Regulation has used a very liberal approach that has shown the need to have coordinated crisis response mechanisms hence creating room for other measures that may be developed during periods of crises.[181]

This change is evidenced by the introduction of SURE which shows a change in the EU's strategies towards dealing with crises. As mentioned above, one of the key strengths of SURE is the fact that it quickly fits into already existing frameworks, which is a sign of the EU's capacity to rock up to unprecedented issues. This brings some crucial concerns for the future of EU governance – whether the European Parliament passing SURE could result in permanent financial tools that would help stabilize the labour markets in case of further crises.

Furthermore, SURE is a part of a wider shift in the governance of the EU. Through achieving the economic and social policy goals under the umbrella of a single regulation the EU showed that it can be definite and united in facing the multi-faceted problem. This approach is indicative of an increasing awareness in the EU that the economic and

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[180] Laulom, Sylvaine. "Social Europe in Times of COVID-19." *International Journal of Comparative Labour Law and Industrial Relations* 39, no. 2 (2023).
[181] Chamon, Merijn. "The Rise of Article 122 TFEU." *Verfassungsblog*, February 1, 2023.

social policies cannot be viewed as two different areas and should be dealt with simultaneously, especially in times of fiscal crises.[182]

Conclusion – SURE's Role in Strengthening EU Pillar Integration

It can be said that SURE is a further improvement in the cohesiveness of the European economic and social policies within the EU. As discussed throughout this section, the Regulation has facilitated the Member States to effectively manage the immediate crisis and at the same time also keep an eye on fiscal and social sustainability in the more distant future. With a focus on both the economic and the social categories, SURE presents a vision of future governance of the European Union, underlining the role and significance of synchronised action during the crisis.

In doing so, SURE shows how EU financial instruments can help not only protect economic structures but also advance social cohesion when used appropriately during crises and provide insights on the design of future crisis mechanisms. The fact remains that the enhanced integration of the social and economic goals in the framework of the EU's governance means that the institution is in a process of transition, which creates the basis for the development of an effective, integrated and holistic approach to policymaking in the years to come.

2.3.5 – Relationship with Other EU Financial Mechanisms

In light of the detailed findings of SURE's compliance with the EU's economic and social floors in the previous sections, the final analysis of published and current literature attempts to map SURE against additional well-known EU financial frameworks. As mentioned in 2.3.3 SURE has explicitly placed itself under the large umbrella of EU economic policy and social shield. Section 2.3.4 gave insight into how SURE could be aligned with a range of other policy objectives; however, to understand how it fits into the EU's financial architecture the analysis of how it works with other

[182] Elia, Panayiotis, and Sonja Bekker. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1 (2023): 41-59.

financial tools which have been actively used in the EU during the COVID-19 crisis and similar situations is necessary.

The multiple EU financial mechanisms emerged and were deployed during the pandemic period to perform a variety of tasks. Understanding how SURE fits into this picture requires looking at how it relates to other instruments such as the ESM[183] or Next Generation EU (NGEU).[184] This section will also compare these mechanisms to SURE demonstrating how SURE is structured in such a way to not overlap with these tools, but rather integrate seamlessly with them. This conversation emphasizes how different SURE is from other crisis management instruments in that it is much more preoccupied with employment protection as well as social stability, to name but two elements.

The European Stability Mechanism (ESM) and SURE: Complementary Functions

Probably the most obvious of all the comparisons that emerge when analysing SURE's place in the EU's financial framework is the one about the European Stability Mechanism (ESM). The ESM was created in 2012 as a reaction to the debt crisis in the Eurozone; the main goal of the organization is to offer funds to Euro area members in economic difficulties. It works as a monetary safety net and provides loans to the Eurozone members in return for the policy of sound economic management.[185]

While it can be said that SURE and the ESM are both aimed at ensuring financial assistance to the EU Member States, their goals and framework differ. Whereas the ESM is mainly designed as an instrument to cope with future macroeconomic and fiscal risks, SURE is projected to protect the labour market and promote social justice. The ESM's bailout depends on policy changes in some cases which focus on internal balance and recognising the sovereign debt crises. On the other hand, SURE was adopted as a swift instrument that bears less flexibility and enabled the Member States

183 European Stability Mechanism. "What We Do." European Stability Mechanism.
184 European Union. "NextGenerationEU." *European Union*.
185 European Stability Mechanism. *Treaty Establishing the European Stability Mechanism (ESM)*. European Stability Mechanism.

to get finance fast and without many conditions to avoid unemployment in times of the pandemic.

The other important difference between the two instruments relates to the areas of focus of opinion polls. ESM is majorly concerned with restoring the fiscal stability of members' economies by dealing with sovereign debts and fiscal problems, whereas, on the other hand, SURE financial aid is targeted directly at measures aimed at the labour market, especially short-time work and subsidy wages. ESM loans are given to countries and are guaranteed by member states just like SURE's loans, but these are not accompanied by the conditions for austerity measures and structural Adjustments as was the case with ESM. Because SURE does not include strong conditionality, it is easier to access the countries that require urgent funding to mitigate the impact on the labour market without having to go through a macroeconomic adjustment program.

Despite their differences, it is possible to conceptualise SURE and the ESM as the EU's two in the context of the EU's crisis response instruments. The long-term nature of the ESM makes sure that Member States with fiscal problems have the means to restore order to their economies and the debt restructuring also makes certain that such states will have all the resources they need for fixing their problems, whereas SURE, though still timely, focuses only on averting immediate labour market shocks. These two mechanisms are useful in enhancing the strength of the EU since they offer different solutions to economic hardship. In addition, the SURE acts as a tool to preserve employment and minimize massive dismissals, hence preserving consumer spending and social order that is necessary for the attainment of the ESM's primary aim of structural fiscal stability for the Eurozone. Therefore, while SURE helps to mitigate such social and labour market losses as a result of the pandemic, the ESM focuses on establishing long-term fiscal stability, which makes them complementary systems.[186]

Next Generation EU (NGEU) and SURE: Short-term and Long-term Focuses

[186] *For more on the structural differences between the European Stability Mechanism (ESM) and SURE, see European Commission, 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)" available at eur-lex and European Stability Mechanism, "What is the ESM?" available at esm.europa.eu.. These sources provide insights into the distinct objectives and frameworks of both mechanisms.*

Another instrument is Next Generation EU (NGEU) created due to the COVID-19 pandemic although it has a different objective compared to SURE. NGEU is a targeted recovery instrument aimed at the medium and long term for financing the restoration of the EU economy after the COVID-19 pandemic, with an emphasis on environmental and digital initiatives. Its main objective is to reboot the European Union economy in a long-term and efficient way and fix the structural problems that hinder its progress.[187]

Another main disparity between SURE and NGEU is, therefore, the temporal orientation of these instruments. This means that SURE was introduced as a short-term measure aimed at mitigating the challenges to the labour market caused by the virus outbreak. Its main goal was to avoid mass unemployment through funding Member States that would introduce short-time work schemes and wage subsidies. While NGEU has a correspondingly broader and longer-term perspective. It is designed to support structural changes and investments that will enable the EU to accomplish its strategic objectives of green and digital transitions and a future-proof economy.[188]

The other important difference is the way that the funds are disbursed and spent under these two structures. SURE mainly finances through loans that are ensured by guarantees from Member States while NGEU contains both grants and loans due to the twin modus operandi of immediate response to the COVID-19 crisis and the longer timescale of Transformation. The NGEU funds are distributed according to national recovery and resilience plans provided by the Member States whereby their plans must be consistent with EU objectives such as shifting towards a green economy and improving digital connectivity. This approach guarantees that NGEU impacts the EU's economy's lasting modernization, unlike SURE which is only for addressing the employment issues in the shortest term.[189]

The complementary nature of SURE and NGEU becomes clear when comparing the two based on the various issues that either of them seeks to solve. Initially, SURE was needed due to that short-term mechanism that allowed companies and households to

[187] European Central Bank. 2022. "Next Generation EU: A Euro Area Perspective."
[188] Lindner, V. 2022. "Solidarity without Conditionality: Comparing the EU Covid-19 Safety Nets SURE, Pandemic Crisis Support, and European Guarantee Fund." SSRN.
[189] Castellarin, E. 2020. "The European Union's Financial Contribution to the Response to the COVID-19 Crisis: An Overview of Existing Mechanisms, Proposals Under Discussion, and Open Issues." European Papers.

stay afloat during the initial months of the COVID-19 outbreak. While U focuses on the efficiency of the EU economic recovery mechanism in a post-pandemic environment, NGEU serves the purpose of ensuring that this recovery is green, innovative and proactive. All these instruments combined demonstrate that the EU has developed a broad strategy that addresses short-term speculative mania whilst facilitating fundamental structural change in the long term.

Avoiding Redundancy: SURE’s Unique Role in the Financial Ecosystem

Another significant advantage of SURE is its capacity to support known instruments with other EU financial instruments without performing the features of those tools. In this sense, although the actions of the ESM and the NGEU address macroeconomic stability and long-term structural change, the specificity of SURE protection that directly addresses employment maintenance and labour market safeguarding highlights that SURE does not duplicate but complements the existing instruments. The need for such targeted intervention became very apparent during the pandemic and social problems in Member States' labour markets.

SURE was created as a temporary, short-term instrument which could have been useful in tackling the short-term problem related to the COVID-19 crisis without further complicating the issues of longer-term recovery programs like NGEU. In terms of job retention and income support, SURE was crucial in helping society function during the pandemic, specifically targeting the most affected areas which are tourism, hospitality, and retail. Its support of short-time work schemes and subsidies to wages did not allow the crisis to deteriorate into massive dismissals that would have intensified unemployment and widened social disparities.[190]

Furthermore, with little conditionality of its grants and combining a short time for consideration with a relatively short time for the release of funds, SURE was the ideal tool for the rapid support of Member States facing a lack of resources. While the ESM tends to include conditions such as structural economic reforms when aiding Member countries, SURE lets countries obtain funds swiftly and without so many strings

[190] Andor, L. (2020). "SURE — EU Capacity for Stabilising Employment and Incomes in the Pandemic."

attached. This flexibility was essential to let national governments respond promptly to protect their domestic labour markets and avoid social disturbances.[191]

Because of not overlap with other financial arrangements that could have been repetitive, the SURE was perfectly poised to show the functional utility within the EU financial structure. What sets it apart from other instruments like NGEU and the ESM, which are aimed at economic reconstruction and budget solidity, is its capability to offer short-term employment preservation. These mechanisms cohesively and complementarily constitute the approach to crisis management in the EU, which allows it to combat both short-term and long-term issues efficiently.[192]

Conclusion: SURE's Position in the EU's Financial Mechanisms

In conclusion, SURE has become an indispensable part of the EU's financial structure during the COVID-19 outbreak as an element of insurance for the employment and social rights of the citizens. Although it serves a similar purpose as ESM and NGEU, it is different in that its principle is based on labour market stability and income levels. As for the ESM it has been designed to accommodate macroeconomic stability and sovereign debt challenges, whereas NGEU is meant for a long-term sustainable economic recovery, and this is why SURE perfectly complements them by responding to the immediate social and labour market impacts of the pandemic.

The reliance on these various financial tools reveals the EU's versatility and multi-dimensional approach towards crisis resolution. Given the task of avoiding job losses and maintaining social order, SURE is shown to be a beneficial instrument to reduce the social cost caused by the COVID-19 pandemic in the EU. Also, its effectiveness in working as a supplement to other mechanisms and not as a replacement emphasizes the necessity of a properly organized and coordinated financial intervention.

While the EU is still struggling with the consequences of the pandemic, the outcome of SURE also offers insights into the further management of crises. Measures such as this

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[191] Amtenbrink, Fabian, and Menelaos Markakis. 2022. "Never Waste a Good Crisis: On the Emergence of an EU Fiscal Capacity." SSRN.

[192] European Union, *NextGenerationEU*, European Union, and European Stability Mechanism, *Treaty Establishing the European Stability Mechanism (ESM)*, European Stability Mechanism.

demonstrate that the EU can respond effectively to such crises in the future while maintaining growth, stability and cohesion. By looking at the roles that each of these three policies- SURE, the ESM, and NGEU – we have a more comprehensive perspective on the EU's financial architecture and the creation of a stronger, united Union.

2.3.6 – Solidarity and Crisis Response

COVID-19 remains a severe stress test of the resilience of EU support to its Members in various fields and shows some areas where the Union's crisis response instruments can be fine-tuned. In this regard, the SURE Regulation was widely viewed as emblematic of EU solidarity at work. From previous sections, it is clear that SURE helped shore up Member States by offering financial assistance that was aimed at employment protection. However, beyond the monetary instruments, SURE was also a very prominent symbol of the EU's states and the EU's commitment to solidarity, which has always been at the core of the integration process in Europe.[193]

Solidarity in the EU's Legal Framework

Solidarity as provided in the old formulation from Article 3 of the Treaty of the European Union TEU, has in the past been used as a pillar for the EU in the handling of crises with adverse impacts on one or some of the Member States. Article 3 is about social and territorial integration, social inclusion, and economic solidarity. The second aspect of solidarity is concerned with the idea for wealthier and less-affected Member States to underwrite and cover the costs of the more severely impacted countries with the economic and social effects of the COVID-19 pandemic. This principle enabled the EU to act in unison at a time when most countries were still experiencing first-hand impacts of the COVID-19 pandemic on the national economy.[194]

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[193] Eurofound. "Solidarity Principle." *Eurofound*.
[194] Treaty on European Union, Article 3 (ex Article 2 TEU)

It is significant to underline that solidarity has been applied not only in terms of sharing financial risks within the framework of the SURE Regulation. It also meant that all Member States should be able to afford the funds required to sustain employment and social order regardless of their solvency. Thus, the EU balanced the possible divergence in the level of economic recovery across the Union, which could hurt the further development of the north-south gap between the Member States.

Collective Action in Crisis

The success story of the SURE Regulation depended on the EU's cumulative action in the course of a crisis. The €25 billion in collective guarantees given by Member States is a clear example of this unity. These guarantees were vital for the European Commission to mobilise up to €100 billion in the financial markets on reasonable conditions to make loans available to the Member States. Germany and the Netherlands provided most of these guarantees while the main beneficiaries were the countries like Italy and Spain that were affected badly.[195]

Such collective action affirmed the EU not only as a regulator but as an enforcer of stability in social and economic relations within its territories. It showed that where the EU faced a threat to its very existence, it was capable of providing funds and acting decisively, leaving aside the political and financial barriers which so often constrain collective initiative. Moreover, this collective approach showed that the EU was a flexible entity that could change quickly if it had to. By the time the EU was thrown into a crisis of such magnitude, it only took a short while for the union to secure the resources it needed as it was able to borrow loans at exorbitantly cheap rates given its high credit reputation. This flexibility was important and necessary because it let the Member States deal with the most urgent concerns and not worry about the fact that they were soon going to have to deal with unsustainable debt loads.[196]

[195] European Commission. 2023. "SURE The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency." *European Commission*.
[196] Ibid.

Crisis Response and Flexibility in the Legal Framework

The other important factor that made the SURE programme efficient was the legal uncertainty in the EU legislation. It was also a key advantage that Article 122 TFEU has been chosen as the legal basis for the regulation, as it facilitated the efficient delivery of financial assistance to the affected members. Article 122 enables the granting of financial assistance when necessary and is a realistic legal basis for the EU to render speedy assistance to its Member States in situations of an emergency.[197]

This legal flexibility was crucial for SURE to set itself apart from other EU financial frameworks. Similarly, while instruments like the European Stability Mechanism (ESM) and Next Generation EU (NGEU) come with their mandate, the invocation of Article 122 helped SURE in particular to focus on the topic of employment protection. Loans instead of grants allowed Member States to have immediate available funds while being fiscally responsible for paying back the loan. This balance between efficiency in response and economic responsibility underscored the EU's capacity to align the legal tools to the requirements of the crisis.[198]

Further, the structure of SURE allowed Member States to create specific employment protection programs based on the individual country's demand for the labour market. Accordingly, decentralized decision-making was combined with centralized financial support, which in turn made it possible to base specific decisions to meet the unique needs of each Member State to address particular economic realities. For example, Spain and Italy employed SURE funds to prolong and deepen existing short-time work schemes, while Poland used the funds to support the self-employed and small businesses.[199]

SURE as a Model for Future Crisis Responses

The COVID-19 pandemic is most likely not the only crisis that the EU will have to face and test the concept of solidarity and crisis management response. Global climate

[197] Chamon, Merijn. 2023. "The Rise of Article 122 TFEU." *Verfassungsblog*.
[198] Chamon, Merijn. 2023. "The Rise of Article 122 TFEU." *Verfassungsblog*.
[199] Elia, Panayiotis, and Sonja Bekker. 2023. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1: 41-59.

change, unpredictable economic disorders, or future endemics, in this case, are other similar risks that might require similar cooperation. In this light, the SURE Regulation can be deemed an effective and useful model for handling the future crisis in the future in the EU.

The strength of SURE, therefore, exists in the fact that it reconciles legal flexibility with collective action and financial surety. It was due to these three elements the EU was able to mobilise rapidly and to ensure that none of the Member States was left behind. This approach can be implemented in other future crises, especially in any event that needs immediate mitigation action to avoid major social and economic impacts. Article 122 TFEU offers a general basis for states' liability and is quite a legal versatile one for emergency financial help apart from the collective guarantees model might be further adjusted to other future financial instruments concerning crises of various types.[200]

Moreover, the employment protection clause which was emphasized in SURE could be further used as a model for employment protection as the EU instrument in future crises. The pandemic showed that it is just as important to keep people in work not only to sustain their income levels but also to help underpin economic stability. In this way, SURE has contributed to the mitigation of the adverse impact of mass unemployment by saving as many jobs as possible. In the same way, future mechanisms of the EU's crisis response might focus on employment and social stability and integrate the shortcomings of SURE in the process.

Solidarity Beyond the Pandemic

Maybe in the future it can be expected that the principle of solidarity, on which the success of SURE has been based, will continue to remain the key element of the EU's crisis response. Even if the COVID-19 pandemic was an extraordinary event, the SURE shows the steps towards the members' more unified robust Union in future crises. Through financial solidarity and coordinated common policy actions during the COVID-19 pandemic, the future challenges which the Union has to face will affect not

[200] Chamon, Merijn. 2023. "The Rise of Article 122 TFEU." *Verfassungsblog*.

only the economic structures but also the environment and social life of the countries in the union.

This crisis has once again reminded people of the fact that it is the EU, acting as one political and economic unity and not a mere sum of Member States. A union that can make things happen, and protect its basic beliefs, including in the most exigent circumstances the world has ever faced. Thus, SURE becomes not only the instrument of crisis response but also the statement of the EU's values, one of which is solidarity that will stay a priority of the Union in its future activities.

Part 3 - Implementation, Impact, and Future Prospects

Chapter 1: Implementation and Resource Allocation

In the previous chapters, the SURE Regulation was analysed in terms of its architecture, legal framework, and the place it occupies within the context of the European Union's overall political economy and social policy goals. We went about exploring components of the structure that make SURE a novel approach towards managing the socio-economic effects of the COVID-19 outbreak. This decision of the TFEU's Article 122 provided the European Union with a timely and coordinated response to the unprecedented challenges that emerged in the labour market. Furthermore, we also examined the place of SURE in the Pillar Architecture, an indication of the Union's historical policy agenda on social cohesion, job security, as well as the stability of the European economy.

With this background, the next question is, how this method is carried out in practice, its effects on employment and economic stability, and what would such a mechanism portend for future downturns. Part 3 of the study seeks to establish a detailed account of the implementation of SURE across the Member States as well as a detailed account of the resources disbursed for its implementation and justification of the effectiveness of the implemented strategies in the achievement of its objectives. In this context, we will also present and comment on the employment effects and the corresponding unemployment rates for the entire period in question and, thereby, analyse whether SURE provided adequate support in retaining employment during the worst phase of the pandemic crisis.

In addition, Part 3 will focus on the divergent method which has been followed concerning the implementation of SURE by different Member States and more importantly the peculiarities associated with the integration of the financial assistance provided by SURE into the relevant national systems. Of course, at the national level, SURE was not uniform, which indicates that administrative capacity, prior conditions in the labour market, and fiscal policies were important decisive factors. The case studies from Italy, Spain, and Germany will provide information on how different types of countries with different economic and Labour Market structures have used SURE to protect jobs and avoid mass unemployment.

Besides, this section will also discuss the main obstacles observed during the implementation of SURE. As much as SURE was seen as successful its fast implementation across the EU was problematic in terms of administrative and logistical purposes. These included the requirement for the rapid synchronization of operations among EU institutions and the Member State governments, the issue of the lack of clarity in the Award Mechanism of funds, and the existence of differences in the conditions prevailing in the Labour Market among the Member States. Further, SURE interconnection with other financial tools, including Next Generation EU and the European Stability Mechanism (ESM) was another significant factor that influenced the economic context in the period under analysis, and without understanding this impact one can hardly evaluate the effectiveness of SURE.

Future-oriented, Part 3 will therefore also assess the wider economic and societal standing of SURE. This includes its part in shaping the EU labour market policy as well as its suitability in the context of potential further mechanisms of crisis response. Furthermore, the analysis will consider SURE’s impact in the long-term perspective of

EU economic governance, asking how similar instruments could be used in future crises and what could be learned from the implementation of the programme.

Part 3 shall therefore scrutinise the effectiveness of SURE when practically applied, analyse the effect on the employment and stability of the EU economy, in the course examine the future implications of SURE for the EU governance and crisis response. Thus, by doing so, we will not only assess the effectiveness of SURE in the context of the COVID-19 outbreak but also consider whether the instrument may become a good example of the EU's further intervention in the sphere of economic crises.

3.1.1 – Practical Implementation of the SURE Regulation

The role of the Support to Mitigate Unemployment Risks in an Emergency Regulation was critical in the practical aspect for the EU to be agile and strong in its response to the devastating economic impacts of COVID-19. SURE, through which financial contributions in the form of loans were given to Member States, mostly for supporting the STWs as well as similar measures, was designed to safeguard employment during times of high uncertainty.

Establishment and Objectives

The SURE Regulation was adopted because it was considered to be a vital instrument in aiding the introduction of employment protection measures in the European Union. Due to the breakout of this pandemic, some economic shocks produced a surcharge in the level of unemployment in the EU governments. SURE was designed to respond to Member States' need for fast and short-term funding that would enable the former to introduce measures to protect jobs and revenues of the workers in those sectors that were negatively impacted. The goal was to prevent the negative socio-economic effects of the restrictive measures related to employment and to keep the relationship between employees and employers when the overall level of economic activity was low.[201]

[201] Andor, L. (2020). "SURE — EU Capacity for Stabilising Employment and Incomes in the Pandemic."

Another interesting factor, which is more relevant for the SURE mechanism, was the fact that it was designed as a temporary financial tool. Intended to be a reactive and crisis management program SURE was to be activated and administered in concert with the European Commission and national governments. The Commission mobilised resources of the financial markets through social bonds, while the Member States submitted loan requests for financing national programmes. The social bond frame was innovative, more so as it integrated financial priorities with societal interests like employment.[202]

Coordination Between the European Commission and Member States

As mentioned earlier, SURE was executed under the accord with the European Commission and the Member States. To avoid delays in the utilization of financial resources, the European Commission established procedures for the fast approval of funds to the Member States in need. The SURE loans were given at a preferential interest rate, enabling governments to fund job preservation schemes without putting pressure on national budgets. Member States submitted applications for SURE funds based on the specific measures they wanted to support, including wage subsidies, short-time work schemes and unemployment payments.[203]

Due to the dynamics of the crisis and the unpredictability of the situation, the European Commission provided the necessary measures of flexibility and efficiency in the distribution of funds at the country level. The responsibilities of managing the bond issuance and supervising the loan disbursement of the program would be impossible without the Commission. They coordinated to show unity and compound capabilities that are beneficial during dangerous situations for the member nations.[204]

Streamlined Loan Application Process

[202] European Commission. 2023. "SURE - European Commission."

[203] This was mostly evalued in both: Elia, Panayiotis, and Sonja Bekker. 2023. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25 (1): 41-59. And: Andor, L. (2020). "SURE — EU Capacity for Stabilising Employment and Incomes in the Pandemic."

[204] This part can be traced back to 2.3.6 – Solidarity and Crisis Response

Member States were supposed to present a coherent plan on the measures for which they intended to use the resources from SURE. The Commission cooperated with national governments to scrutinize these proposals providing that they would correspond to the SURE Regulation and the program objectives. After granting the applications, the Commission floats bonds for the overall representation of the EU whereby Member States can gain low-interest loans for funding of their national activities.

The simplified procedures that applied to the loan application were essential in ensuring that Member States were in a position to access the required funds in the shortest time possible. It also shows how fast and effectively the financial resources have been mobilized and utilized so that governments can address the economic pressures they have encountered. This fast response was crucial precisely in countering the tendencies towards destabilization of labour markets and massive dismissals.[205]

Effective Resource Allocation

During the implementation of SURE, the resources were also properly distributed to the needful Member States of the European Union according to the situation that they were in economically speaking. The degree of financial support disbursed toward each country was based on the level of the economic impact as well as the loss of employment opportunities. This allowed directing aid to the countries more vulnerable to the effects of the pandemic like Italy, Spain, and Portugal to safeguard employment.

The Commission also checked the application of the resources provided with a view of comparing the allocation with the actual use of the resource. This made Member States have to explain how they utilised the loans hence enhancing accountability in the usage of the loans. This helped the EU to focus the accounts on giving more or less as the situation required due to the comprehension of the fact that some countries and sectors would need more support than others.[206]

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[205] European Commission. 2023. "SURE - European Commission." And; Andor, L. (2020). "SURE — EU Capacity for Stabilising Employment and Incomes in the Pandemic."
[206] European Commission. 2023. "SURE - European Commission."

Challenges in Implementation

While SURE has been positively effective in safeguarding millions of jobs, the accomplishment of the program was not without some hitch. One of the main challenges was to establish a common work of 27 Member States with different economic performances and structure of the labour market. It is worth noting that each country had different priorities and administrative capacities to facilitate the release of the funds at times there was a delay in the disbursement of the funds. In addition, there was a great deal of bureaucracy that was placed on national governments as these had to quickly establish or scale up their labour market institutions in response to the crisis. One of the problems in SURE implementation was guaranteeing that support went to the right people – the vulnerable workers and the enterprises. Sometimes, it was also seen that small businesses and freelancers had some issues while availing the required support as the accessibility of national programs differed significantly from country to country. To meet these challenges, the European Commission and the involved Member States also issued directions on how the national programs can be made more efficient and effective so that the target clientele group is not overlooked.[207]

Examples of Member States' Implementation

In SURE, Member States obtained financing for programs in non-standard ways that were decisive for the labour market situation in each country. For example, Italy increased the number of workers eligible for the *Cassa Integrazione Guadagni (CIG)* programme and also the length of the wage subsidies. This was handy for managing workers’ continuity for the companies during the long periods of lockdown and slow economy.[208]

In Spain, the ERTE system known as *‘Expediente de Regulación Temporal de Empleo’*, was also financed using SURE resources to safeguard employment in sectors which

[207] Elia, Panayiotis, and Sonja Bekker. 2023. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25 (1): 41-59..
[208] Ministero del Lavoro e delle Politiche Sociali. "Cassa Integrazione Guadagni Straordinaria (CIGS)." *Ministero del Lavoro e delle Politiche Sociali*.

have been worst-hit due to the pandemic including the tourism and hospitality industries. To support the labour market, thus the Spanish government increased wage subsidies and also guaranteed some support for workers who were paid less because of reduced working hours.[209]

Germany, which already had *Kurzarbeit* (short-time work) scheme in place, used SURE to extend the programme and provided more financial assistance to people working shorter hours. This was especially relevant for industries such as manufacturing where organisations were severely impacted by the problems of global supply chains.[210]

Conclusion

From the practical experience of applying the SURE Regulation, it was revealed that the EU was ready with a fast and fitting response to an extraordinary crisis in the economy. In this way SURE contributed to safeguarding millions of jobs and the stability of labour markets within the EU Member States thanks to financial assistance. In this case, the involvement of the European Commission and the national governments in the management of the program was a success in fixing what would otherwise have been a problem of misallocation of resources. Though there are issues in the implementation, the previous analysis showed that SURE helped the EU to minimise the economic consequences of the COVID-19 pandemic, which demonstrates that SURE serves as an essential tool in the EU's arsenal to address crises.

3.1.2 - Resource Allocation and Distribution

Overview of SURE Fund Allocation

The distribution of funds under the SURE Regulation was therefore an essential component regarding the working of the regulation on employment risks in the

[209] SEPE. "ERTE and RED Mechanism." *SEPE*.
[210] International Monetary Fund. "Kurzarbeit: Germany's Short-Time Work Benefit." *International Monetary Fund*, June 15, 2020.

European Union. Being a short-term financial tool, SURE's purpose was to help Member States with SEP implementation during the COVID-19 outbreak. To this effect, the European Commission issued social bonds to raise €100 billion making SURE Regulation one of the biggest crisis intervention instruments of the EU.

To ensure that the funds were allocated well, the European Commission used an econometric model mixed with the current economic data and the impact of this pandemic. Governments focused on countries worst affected by the pandemic mainly those with high unemployment levels and reliance on vulnerable industries including tourism and hospitality industries. This approach made it possible the disburse the financial assistance flexibly regarding the needs of the member states as they kept on changing over time.

Criteria for Distribution

The European Commission has already provided criteria for the distribution of the money from SURE. Several significant criteria influenced the distribution of funding to Member States. Several significant criteria influenced the distribution of funding to Member States:

1. **Economic Vulnerability:** One of the primary factors was the degree of economic suffering in each Member State. Priority was given to countries with greater unemployment rates or those that rely on the pandemic's most afflicted industries, including tourism, retail, and manufacturing. Italy and Spain, with significant tourism-dependent economies, received some of the greatest amounts of SURE financing to help stabilize these industries.
2. **Existing Employment Protection Programs:** General pre-existing programs for the protection of jobs influence the distribution of money. Such nations might use SURE funding to provide immediate financial assistance for existing coherent short-term labour programs, for instance, Germany's *Kurzarbeit* program that was refined before COVID-19. The ability to build upon instead of replicate current efforts was key to guaranteeing that the monies got out quickly and without much delay.

3. **Cost of Employment Protection Measures**: As stated by the estimates, the costs of financing employment protection measures during the epidemic influence the distribution of money. Those countries with larger labour markets or those whose industries were most affected and would, therefore, need more funding, were preferred. This ensured that SURE money could fund national employment initiatives for an even more extended period while not leaning overly much on national budgets.[211]

Member State Beneficiaries and Specific Allocations

This chapter will look at how the funds were distributed between member states, with a specific focus on Italy, Spain and Poland which benefitted from huge SURE allocation due to the large size of economic problems and unemployment rates. Every country had a different economic background, and SURE funds were used to tackle problems in their labour markets.

- **Italy:** Italy benefited €27. 4 billion from SURE, the replenishment was utilized to expand its *Cassa Integrazione Guadagni (CIG program)*, and wage subsidies to employees in most affected sectors such as manufacturing and services. This helped Italy avoid massive layoffs and protect the economic state during the worst of the crisis.[212]
- **Spain:** Spain got €21. 3 billion which it mostly spent on subsidies for its *Expediente de Regulación Temporal de Empleo (ERTE)* scheme. *ERTE* made it possible for companies to cut working hours or suspend contracts but not discharge workers, which was critical during the period of severe lockdown impacts.[213]
- **Poland:** Poland which was heavily affected by the retail and manufacturing losing their business benefited from SURE receiving €11. 2 billion. These sums

[211] This paragraph mainly refers to the following: Castellarin, E. 2020. "The European Union's Financial Contribution to the Response to the Covid-19 Crisis: An Overview of Existing Mechanisms, Proposals Under Discussion, and Open Issues." *European Papers*. And European Commission. 2023. "SURE - European Commission."
[212] Ministero del Lavoro e delle Politiche Sociali. "Cassa Integrazione Guadagni Straordinaria (CIGS)." *Ministero del Lavoro e delle Politiche Sociali*.
[213] SEPE. "ERTE and RED Mechanism." *SEPE*.

were delivered towards wage subsidies and short-time work programmes to allow companies to keep their employees instead of having to let the majority of them go.

European Commission. 2023. "SURE - European Commission." https://economy-finance.ec.europa.eu/eu-financial-assistance/sure_en#:~In%202023%2C%20the%20Commission%20launched,by%20the%20COVID%2D19%20pandemic.

Following is a table from the European Commission which shows the amount of funds delivered to each Member State of the Union:

Italy	27.4
Spain	21.3
Poland	11.2
Belgium	7.8
France	7.0
Romania	4.1
Greece	5.3
Portugal	5.9
Ireland	2.5
Hungary	0.5
Austria	2.7
Croatia	1.0
Cyprus	0.5
Czechia	2.0
Finland	0.6
Germany	15.6

(European Commission, 2023)[214]

[214] Data was sourced from the European Commission's report on the SURE instrument, detailing the total financial assistance provided to each Member State to support employment measures in response to the COVID-19 pandemic. The amounts are listed in billions of euros. For the full report, see European Commission, "SURE - Support to mitigate Unemployment Risks in an Emergency,

Challenges in Implementation

Although the SURE Regulation has been generally effective in addressing the issue of fiscal sustainability across the EU Member States, there have been some challenges in the regulation's implementation process these have been highly attributed to disparities in the administrative capabilities of Member States. Certain countries, especially those that boasted of well-developed public administration systems, such as Germany and the Netherlands, were able to affect the SURE funds expeditiously. These countries could quickly employ short-time work schemes and wage subsidies that are integral to economic stabilization since these countries already boast functional administrative systems. In other member States such as Spain and Italy where capacities in public administration were more limited delays were observed in the processing of the applications and the dissemination of the funds to businesses and workers. These delays thus posed some problems in achieving the intended fast recovery to the arising economic challenges occasioned by the pandemic disrupting the effectiveness of SURE in some sectors of their economies.[215]

There were also challenges due to the political developments in some Member States when allocating funds through SURE. In Italy and Spain, the political opposition wanted more and more deregulated views of the funds offered pointing out that some areas or sectors were favoured over others. Discussions such as these sometimes caused these rollout programs to be slowed down because governments changed policies in reaction to pressures from the political system. It is such political dynamics which may hinder the effectiveness of the SURE Regulation as they affect the speed of deployment of labour market measures especially in the areas most affected by the pandemic.

Moreover, the difference in the type of employment protection measures to be provided across Member States was another challenge. Where the member states already had shortage-time working schemes or wage subsidy arrangements in place and running well at the time of the COVID-19 outbreak such as *Kurzarbeit* in Germany, these were in a better position to effectively apply the SURE funds than otherwise. For example, although Germany immediately enlarged the *Kurzarbeit* program, the rest of the Member States had to establish new mechanisms or alter existing ones, which could not

[215] European Commission. 2023. "SURE - European Commission."

be done rapidly and consequently did not provide support to the workers and businesses straight away. It also led to differences in the level of preparedness of the implementing organizations which resulted in differences in the level of compliance with SURE across the EU.[216]

Effectiveness of Distribution

Despite these challenges, it has been evident that SURE has responded positively to the distribution of available resources. The targeted response by The European Commission meant that funding was directed based on things like the employment rate, and the effect of COVID-19 on certain sectors, ensuring that relief money got to the most affected countries and industries. Spain and Italy for example, whose tourism and hospitality industries were greatly impacted by the pandemic received large portions of the allocation to avoid massive job losses and to stabilize vulnerable sectors.

Furthermore, it is worth noting that the targeted character of the SURE funding was instrumental in avoiding the complete failure of the labour market. For instance, through the focus on short-time work schemes the program supported Member States retain employment that otherwise would have been eliminated. Thus, sustained the worker's employment, though at a diminished rate, SURE minimized long-term unemployment which would have deepened the pinch of economic scarring to the recovery timeline. This shows that the ability of the countries to calibrate the funds received via the SURE mechanism according to the current state of their labour markets was a big strength. For example, Germany utilized SURE funds to increase the already existing *Kurzarbeit* program, which is different to what Italy chose wage subsidies and support to self-employed as well as Spain, which also used funds for wage subsidies.[217]

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216 International Monetary Fund. "Kurzarbeit: Germany's Short-Time Work Benefit." *International Monetary Fund,* June 15, 2020

217 The most relevant sources for the challenges and differences in the implementation of employment protection measures under the SURE Regulation are the *International Monetary Fund's* analysis of Germany's Kurzarbeit, which highlights the efficiency of pre-existing short-time work schemes, as well as the detailed examination by *Burriel, Pérez, and Kataryniuk* (2023) on the financial savings and impact of the SURE mechanism in different EU Member States. Additionally, the SEPE's review of Spain's ERTE and RED Mechanism provides critical insights into how Spain managed employment protection measures during the COVID-19 crisis.

Finally, SURE'S financial efficiency was deemed as evidence of its efficiency since many students failed to pay back their loans. Through this mechanism, the European Commission was able to offer Member States low-cost financing instruments backed up by borrowing at historically low interest rates, thus shifting substantial costs traditionally borne by national governments. This was particularly helpful in the context of Italy, Spain Poland and other nations that had witnessed augmented public debts as a result of the economic consequences of the pandemic. Thus, by allowing these countries to borrow funds at preferential rates SURE aided in stabilizing the fiscal balances across the member states while preserving employment guarantees. An evaluation of SURE funding has demonstrated that Member State loans mobilized significant interest savings, which allowed Member States to fund national employment protection measures.[218]

In conclusion, SURE successfully managed to cover the unemployment risks for the nations and avoid worsening the economic losses in the European zone. Since the allocations could be done following real-time economic data and the prevailing national conditions, the financial assistance given to these institutions was always timely and more or less suitable. The experience of SURE positively shows what kind of key lessons effective crisis management can bring in the future after COVID-19: the EU can coordinate the collective resources to protect its labour markets only when there is a scarcity of resources, transparency, and flexibility.

3.1.3 - Lessons from SURE Implementation in Beneficiary Countries

Based on the detailed look at the distribution and application of the resources and the effects of the SURE program further, this section focuses on the best practices and lessons learned from the program execution in each Member State. However, due to the limitation of space, it is impossible to discuss every Member State; therefore, this paper will use Italy, Spain and Germany as sample Member States. These examples shed light on the roles of SURE in supporting employment stability in various economic

[218] Ibid.

environments and reflect the potential experience for the future endeavours of the EU in crisis management. Therefore, by looking at these countries, we can explore to what extent SURE's financial instruments were adjusted to different economic requirements to determine both the opportunities and challenges of the program.

Case Study: Italy

Italy is on the list of the initial European countries with a high number of COVID-19 cases. The unprecedented pressure in healthcare and economic systems led the Italian government to act fast and use SURE funding, which was built upon the existing *Cassa Integrazione Guadagni* (CIG). The CIG, which offers partial wage support to employees who have had their working hours decreased or stopped, emerged as the key measure underpinning Italy's response to the crisis in the labour market.[219]

Expanding CIG, SURE money was disbursed across sectors that were most affected by the pandemic such as tourism, retail and hospitality subsectors that suffered severely because of shutdowns and travel bans. This direct infusing of capital within the CIG system ensured that massive job cuts did not occur in these sectors, thus preserving a combined half a million employment positions. Moreover, due to the flexibility of the program, businesses were able to keep experienced employees on their payrolls during the crisis, knowing that they would be able to increase production rapidly once the existing limitations were lifted.[220]

However, while SURE was effective in avoiding the firing of workers in the short term, Italy caused a problem when it could not translate available support instruments into long-term stability. Despite the pandemic, many sectors that CIG targeted were in structurally poor health to begin with, and the focus on temporary wage subsidies underscored the need for deeper labour market reforms. As such, while SURE's

[219] The most relevant sources for understanding the impact of SURE on Italy's labour market response during the COVID-19 pandemic are INPS's documentation on the Cassa Integrazione Guadagni (CIG), which outlines the operational mechanisms and the vital role of wage support during the crisis. Additionally, Lindner's (2022) comparison of the EU's Covid-19 safety nets provides valuable insights into the practical application of SURE funds, particularly in sectors like tourism and hospitality. Finally, Castellarin's (2020) analysis of the EU's financial contributions highlights both the immediate benefits of SURE and the long-term need for labour market reforms in Italy.

[220] Ibid.

intervention was successful in the short term, it also highlighted the realities of instant cash injection without any policy change.[221]

Also, the Italian government encountered administrative issues with processing payments in a short period. Displacement of finances, bureaucratic structure, and the nature of the CIG system were partly to blame for the latency period for providing financial aid for businesses and workers. However, these challenges show that funding through SURE was a boon for SMEs that would have gone insolvent during the peak of the pandemic.[222]

Case Study: Spain

In Spain, the impact of the Covid-19 economic crisis was heavily felt by organizations operating in sectors like tourism and accommodation which are key components of Spain's gross domestic product. The Spanish government was prompt in reacting to the problem and implemented the ERTE (*Expediente de Regulación Temporal de Empleo*) which is a short time working program where the working hours of the workers could be cut down or the contracts of the workers could be temporarily put on hold while organizations received some amount of aid from the government for supporting their workers.[223]

SURE funding was instrumental in expanding the scope of the ERTE program which protected millions of workers at the peak of the pandemic. Thanks to SURE, the Spanish government was able to increase wage subsidies to keep earning during the lockdowns of the most affected sectors. This played a pivotal role in maintaining stability in the household's consumption and avoided further deterioration in the economy.[224]

Yet again, the schemes of short-time work ran into problems because Spain depended on tourism as a major source of income. A key strength of ERTE was its ability to keep

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[221] Ibid.

[222] Castellarin, E. 2020. "The European Union's Financial Contribution to the Response to the Covid-19 Crisis: An Overview of Existing Mechanisms, Proposals Under Discussion, and Open Issues." *European Papers*.

[223] SEPE. "ERTE and RED Mechanism." *SEPE*.

[224] Burriel, P., Pérez, J. J., & Kataryniuk, I. 2023. "Computing the EU's SURE Interest Savings with an Extended Debt Sustainability Analysis Tool." *HPE-RPE*.

workers employed during the first stages of the crisis; nevertheless, the poor recovery of the tourist sector implied that many of them still have their employment regulated by an ERTE for longer than expected. Extended use of wage subsidies with the help of SURE funding offered temporary relief, still, the problem of the long-term sustainability of such measures remained an important concern.

Furthermore, even among the members, Spain's experience shows this divide between one region and another or one industry within the region. Although the scheme has proven to be beneficial in enhancing the hospitality and tourism industries, several sectors for instance agricultural and construction sectors benefitted less from ERTE. That there are disparities in the effects of the pandemic across the regions and industries called for future EU programs like SURE to incorporate certain targeted forms of support.[225]

Case Study: Germany

Germany's management of the COVID-19 crisis can be described as efficient regarding its fast and smooth broadening of the *Kurzarbeit* program which is a short-time work model. Italy and Spain have been able to provide support to their businesses and workers, but Germany already had efficient labour market institutions that enabled the country to increase the support to companies and employees during the crisis. The funds applied by the SURE instrument were crucial for the strengthening of *Kurzarbeit,* as they contributed to obtaining extra investments for the development of the program and engulfed more sectors and workers than was expected in the prognosis based on the pre-crisis practice.[226]

The concept of *Kurzarbeit* enabled employers to cut down the working hours while offering wage subsidies to the workers, thereby disallowing significant dismissals in

[225] Lindner, Vincent. 2022. "Solidarity Without Conditionality: Comparing the EU Covid-19 Safety Nets SURE, Pandemic Crisis Support, and European Guarantee Fund." SSRN.

[226] The most relevant sources for understanding Germany's effective management of the Kurzarbeit program during the COVID-19 crisis include the International Monetary Fund's (2020) analysis of Germany's short-time work benefit (*Kurzarbeit*), which explains how pre-existing labour market frameworks facilitated a rapid response. Additionally, the study by Burriel, Pérez, and Kataryniuk (2023) provides insights into the financial role that SURE played in enhancing the program's capacity. Lindner's (2022) work also offers a comparative perspective on how Germany's preparedness, in contrast to other EU countries like Italy and Spain, contributed to the efficient application of SURE funds in supporting labour markets during the pandemic.

important industries including manufacturing, automotive, and export. The program was particularly successful in the retention of employment when the economic crisis came, which strengthened Germany's economy much more than the other European countries.[227]

What can be learnt from the German experience in employment subsidy programs such as SURE is that there has to be some form of framework already in place, for labour market measures in particular. Beneficially, *Kurzarbeit* was already implemented in Germany, and thus the government adapted the solution according to the scale of the pandemic, thus guaranteeing that while employees were paid to avoid complete unemployment, companies could endure the storm. This can be considered different from the more random approaches exhibited in the more recent transitional contexts such as Italy and Spain where more mechanisms had to be broadened or built *de novo.*[228]

However, these issues were also present in Germany when it came to implementing *Kurzarbeit* and also proved some sector-based problems. Thus, the manufacturing and export-oriented industries were the major beneficiaries of the programme while industries that relied on physical contacts like the retail and hospitality sectors remained major losers in the programme. This would indicate the need to develop future-based, more specialized programmes because while those broad-based schemes like the *Kurzarbeit* have proven to be very useful in many situations the realities of some sectors that are not well placed to work in remote or reduced manner make future programmes to be more specific to specific sectors as far as job viability is concerned.[229]

Lessons for Future EU Programs

Italy, Spain, and Germany proved to be remarkable case studies, which showed how SURE operated within various financial environments. This paper presents several findings, but one that is the most significant is the necessity to adopt the measure of flexibility when it comes to EU financial assistance programs. The flexibility SURE

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[227] Ibid.
[228] Ibid.
[229] Check citation 226

displayed in conforming to the distinct economic settings and labour pools across Member States was pivotal. At the same time, the various experiences in Italy, Spain and Germany also underscore the risks of short-term fiscal stimulus with inadequate structural change.[230]

Another important lesson is what it means to concepts such as pre-existing labour market institutions. This shows that Germany has the advantage of having an efficient short-time work programme already in place enabling it to respond effectively and promptly to crises. Italy and Spain, on the other hand, had to scale up or develop new ones, which resulted in bureaucratic issues and implementation issues. Future EU programs may also arise from encouraging Member States to build and sustain such frameworks as the envisaged ones during periods other than crises to enable effectiveness and efficiency when such issues arise again.[231]

Also, the fact that different countries in the EU, such as Spain and Germany, faced different issues particular to the sector points to the need for selective approaches. The programs, like broad-based wage subsidies and short-time work schemes, functioned well to stabilize employment, but certain industries, such as tourism, hospitality, and retailing needed additional targeted support because of their higher risk level. Subsequent EU programs should integrate these three sectors' learning to provide a more general and balanced outlook.[232]

Hence, the SURE scheme was effective in helping to stabilize employment across the EU although the disparate effects in Member States make it beneficial to consider for future crisis mitigation measures. While these three countries all received SURE funding, they each used them in their own way due to their economic differences and the strategies needed for different labour markets. The case studies bear out the usefulness of flexibility, prior arrangements, and sectoral assistance in structuring

[230] The most relevant sources for understanding how SURE operated in Italy, Spain, and Germany include Andor (2020), which discusses how SURE enhanced the capacity of EU Member States to stabilize employment through flexible mechanisms. Burriel, Pérez, and Kataryniuk (2023) offer insights into the interest savings and financial impact of SURE on different Member States, highlighting the importance of pre-existing labor market frameworks like Germany's Kurzarbeit. Additionally, Lindner (2022) provides a comparative analysis of the differing sectoral needs across Member States, underscoring the need for targeted support in industries such as tourism, hospitality, and retail, especially in countries like Spain.

[231] Ibid.

[232] Check citation 230

labour market policies. These lessons will be important as the EU is likely to face more crises, including those affecting its long-term economic development due to the COVID-19 pandemic.

Chapter 2: Economic and Employment Impact

After a comprehensive discussion of how SURE Regulation was applied and the actual distribution of the resources cemented, it is appropriate to discuss the degree to which this policy is effective, and in the actual context of the European Union economy and employment rates. As explained earlier, the SURE Regulation was initially envisaged as a short-term, targeted financial tool for covering the Europe-wide acute and severe threats which the COVID-19 crisis has posed to labour markets. Even though the regulation was based on the concept that was aimed at keeping jobs and people's income secured during uncertain times, the measure of success is how effective it is at restoring the economies.

Moving into this next stage of the analysis, the emphasis therefore switches to the implementation of SURE and the assessment of the impact on the eurozone economy and employment. At the heart of this section is the analysis of statistical information that shows the overall impact of the program concerning unemployment reduction, business continuity, and a stronger recovery path. In this case, by comparing unemployment rates, sectoral effects and general GDP changes we can assess the state of the economy before and after the implementation of SURE and evaluate its success in fulfilling its goals.

The effectiveness of the policies also varied across different Member States as some economies contracted more due to their structure of labour market density and their dependency on affected sectors that were pioneered by the pandemic through shutdowns. Countries that depended primarily on sectors such as tourism, hospitality, and retail bore. Toured deeper recessions and higher unemployment. It is within this context to understand the part SURE has played in cushioning these economic shocks and how it has been offering Member States the necessary funds to assist their labour markets.

I also identify the employment effect of SURE as another area of concern. Intending to prevent dismissals on a large scale to worsen the social and economic impact of the pandemic, the SURE Regulation funded short-time work schemes, wage subsidies and other employment protection measures. However, these measures' efficacy differed between the nations depending on how fast and on what scale they were introduced. The labour markets of Italy, Spain, and Germany for example offer a rather valuable insight into the effects of the SURE intervention at the national level.

Furthermore, there is a need to consider the potential costs which might be derived from SURE for the EU labour market in the long run. In the short run concerned authorities aimed at avoiding the direct loss of jobs immediately but, in the long run, the consequences are concerned with the extent to which these measures could also promote the continuation of employment and recovery of economies without inflicting long-term losses. Therefore, in this section, how SURE has contributed to the improvement of economic resilience and labour market flexibility will be 'from the topical focus'.

A comparison will also be made concerning SURE and other worldwide nations' responses to the pandemic. Governments all over the globe employed measures including stimulus to cushion the effects of COVID-19 in economies, with measures including furloughing. When comparing the EU's vision with that of other world's leading economies including the United States and Japan, we can analyse the strengths and weaknesses of SURE more adequately. This comparison will help determine how well SURE was able to operate on a global level, as well as what should be learnt from the outcomes for the development of subsequent mechanisms of crisis response.

In conclusion, this section seeks to establish on one hand the SURE Regulation's economic and employment effects, of the Regulation. It will also examine the policy implementing quantitative results, and assess if SURE fulfilled its policy targets of maintaining the stability of labour markets and employment in the EU member states. At the same time, it will contain information about the problems arising during the implementation and the differences in the Member States through how effectively SURE helped to strengthen their economies. Based on the results of analysis and comparison with similar approaches on the international level, this study will provide a better perception of SURE as a part of the general economic stimulation initiatives in European countries.

3.2.1 - Economic and Employment Impact: Country Comparisons and Regional Disparities

The economic and employment effects of the SURE Regulation have elicited considerable debates given the considerable role of the mechanism in addressing the consequences of the COVID-19 pandemic across the European Union. SURE, developed to support Member States in shielded employment using loan-based funding mechanisms, had disparate impacts based on each nation's micro- and macroeconomic conditions, fiscal soundness, and state of the labour market. This section shall compare the economic and employment figures before and post SURE implementation, with special emphasis to cross country and regional analysis within the EU.

Economic Impact on Different Member States

The economic effect of SURE is directly associated with the extent to which every Member State use the available funds as a means to alleviate the negative effects of the pandemic on their economy. Member countries that have been most affected by COVID include Italy and Spain which get most of the SURE funding. For instance, Italy benefited from about €27. 4 billion while to Spain, it was about €21. 3 billion. Both countries had their so-called sins: Italy had a high public debt/income ratio and a relatively unstable labour market; Spain had a high level of non-performing loans and a relatively low GDP per capita, which aggravated the situation during the pandemic. For these countries, SURE was fairly helpful in offering the needed funding to ensure that their economy did not crumble completely serving the purpose of job creation and economic stability, especially at a time of increased fear and uncertainty.

On the other hand, Member States that had relatively stronger economic bases like Germany and the Netherlands could easily bear the blows of the economically disruptive pandemic. Germany got €15. 6 billion from SURE even though it has a fairly sound fiscal status. SURE funds help Germany to scale up existing short-time work schemes such as *Kurzarbeit* thus allowing them to offer important labour market insurance without overstretching country budgets. *Kurzarbeit* program of Germany made it possible for the rate of unemployment to remain low in Germany, this entailed that large-scale layoffs were averted as well as offsetting manufacturing and export sectors.[233]

An analysis of the specific function of SURE in supporting functionally different economies stresses that the EU cares about economic cohesion among its members. But it also focuses on regional disparities within the Union. On the one hand, financially stronger member states such as Germany or the Netherlands used SURE as another instrument of their crisis response; on the other hand, the financially weaker countries such as Portugal, or Greece relied on these funds as one of the few ways to mitigate the effects of the crisis. For instance, Portugal was granted 5. 9 billion Euros which was very helpful in saving jobs and keeping the pessimistic impact on important areas such as tourism and retail trade under control. The truth in this is demonstrated by how the incorporation of SURE is decidedly biased in southern European economies more than northern states such that the stark economic imparity in the Union remains entrenched.[234]

Impact on Employment Rates and Job Retention

The main task of SURE was to prevent the increase in the unemployment rate through the provision of funds for short-term working schemes and wage subsidies. In the EU nations, it has proved useful irrespective of the extent of the impact of the structure of the labour market and previous support of the country.

[233] International Monetary Fund (IMF). "Kurzarbeit: Germany's Short-Time Work Benefit." IMF News, June 11, 2020.

[234] The most pertinent sources for understanding the economic impact of SURE on different Member States include Andor (2020), which provides a comprehensive look at how SURE was designed to stabilize employment and incomes in the EU during the pandemic, particularly for countries like Italy and Spain that faced greater economic challenges due to their high public debt and financial instability. Burriel, Pérez, and Kataryniuk (2023) further analyze the specific financial relief and interest savings provided by SURE, with a focus on countries that relied heavily on the mechanism, such as Portugal, demonstrating its significant role in preventing large-scale unemployment in the southern EU economies. Additionally, Lindner (2022) offers valuable insights into how the pandemic disproportionately impacted southern European economies, reinforcing the argument that SURE helped mitigate regional disparities within the EU by offering much-needed financial assistance to countries with weaker economic bases.

For example, Spain had the *ERTE (Expediente de Regulación Temporal de Empleo)* schemes which were instrumental in avoiding unnecessary fires, particularly in sectors such as tourism and hospitality. Tourism is a critical sector in Spain's economy being a component of its GDP that was nearly shutdown during the lockdowns. Expanding SURE funding to Spain, meant that millions of workers in these sectors were protected through wage subsidization thus propping up the businesses through the crisis. The SURE mechanism enabled Spain to prolong its ERTE program, thus keeping workers associated with the employers even when the demand in sectors came down.[235]

In Germany, SURE support enabled the enlargement of the *Kurzarbeit* programme, which is the short-time work scheme known a long time ago, and it was a decisive factor in mitigating the deterioration of the employment situation during the pandemic. The program reached about 5. 9m workers during the peak of the downturn so that employers could cut working hours with job protection. SURE was there to meaningfully fund these wage subsidies and make sure that they could remain in place for the long term, shielding automotive manufacturing jobs, construction, exports and other industries from job losses during the most intense phases of the pandemic.

At the same time, Poland and Portugal as countries with higher levels of temporary contracts and a more flexible labour market also received benefits from SURE funds. For example, Poland got € 11. 2 billion from SURE and with the help of this aid, the government was able to maintain employment in the field of retail and manufacturing. The Polish government used the funds to launch the wage subsidies which protected the businesses from massive layoffs and made sure they were sustainable at the worst of the economic situation.[236]

Regional Disparities and Economic Recovery

One of the most important remarks concerning the economic effects of SURE is the difference between northern and southern Europe. The Southern part of Europe such as

[235] SEPE. "ERTE and RED Mechanism." *SEPE*.

[236] European Commission. 2023. "SURE - European Commission." And: Elia, Panayiotis, and Sonja Bekker. 2023. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." European Journal of Social Security 25(1): 41-59. And: International Monetary Fund (IMF). "Kurzarbeit: Germany's Short-Time Work Benefit." IMF News, June 11, 2020.

Italy, Spain and Greece among others according to Okun's coefficient have for instance had higher public debt and relatively poor labour market conditions than their counterparts in the Northern EU. The COVID-19 pandemic has only magnified these divisions and put a lot of pressure on the economies especially in the southern part of Europe.[237]

For instance, Italy faced an unemployment rate of 9.7% in the course of the pandemic, and Spain recorded a more inclining rate of joblessness as it majority of its economy is based on tourism and hotel industries. In contrast, the maximum recorded unemployment remained as low as 4.5% which would show one more factor that the labour market in Germany is largely resilient and it will also show that such countries already had similar responses in the form of Kurzarbeit in place. The differential in unemployment rates illustrates how structural differences in the economic structures of the Member States concerning the COVID-19 pandemic defined the role of SURE and its efficacy in any Member State.[238]

While SURE furnished minimal fiscal support to southern Europe, the outlook for lasting economic rebounds continues to be considerably more uncertain for these countries than in the north of the continent. The labour market in Germany and the Netherlands is expected to rebound quickly than the other European countries due to a stronger economy and limited reliance on external sources of financing for market recovery. For the South European countries the recovery is likely to take longer and sustained high unemployment rates and public debts will remain a problem.[239]

Targeted Allocations and SURE's Role in Stabilizing Sectors

The SURE funds were not gendered across specified sectors but focused on the specific sectors that have been most affected by the pandemic. In Spain, the industries most

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[237] Key references that explore the economic disparities between northern and southern Europe in relation to SURE include Burriel, Pérez, and Kataryniuk (2023), who offer an in-depth comparison of how SURE funding affected structurally different economies across the EU, particularly highlighting the strain on southern nations like Italy and Spain. Andor (2020) further illustrates the pivotal role SURE played in stabilizing these economies, which were hit hardest by the pandemic. Moreover, Lindner (2022) discusses the broader economic divergence within the EU, noting that while SURE provided immediate relief, long-term recovery remains more uncertain for southern European countries due to structural vulnerabilities.

[238] Check citation 237

[239] Ibid.

affected by the loss of receipts, the tourism industry in particular, which contributes to about a quarter of Spain’s economy, was allocated a generous portion of SURE. The Spanish government utilised these funds to provide wage subsidies and direct grants to the firms to stay afloat during the periods of lockdown. This targeted allocation helped avoid the loss of numerous businesses and retain people’s employment in sectors that were impacted for an extended period due to the restrictions on travel.

In Italy, SURE funding was spent on the *Cassa Integrazione Guadagni* (CIG) program that finances wages for employees in industries like hospitality, manufacturing, and tourism. The CIG enabled firms to keep employees on their payroll during the highest levels of the pandemic, to avoid a situation where workers were laid off permanently, but rather furloughed and allowed back to work as soon as operations resumed. It also helped to provide targeted funding to those sectors that were most in need to avoid further deterioration of the economy.[240]

Germany, on the other hand, has directed its SURE funding towards keeping its industrial and export economies steady. This in a way, meant that every Member State was able to allocate the funds in a manner most beneficial to its economy, with the sectors most at risk benefiting from the funding required to overcome the crisis. It also helped SURE to be flexible in allocating funds because it enabled nations to focus on the sectors that would be relevant to their economic development.[241]

Conclusion

Therefore, the importance of the SURE Regulation cannot be overemphasized given the role it had in easing the economic and the employment effect of the COVID-19 pandemic on the EU. Also, through developing appropriate funding aid, SURE supported the Member State in maintaining jobs; sustaining crucial sectors; and safeguarding sectors like tourism hospitality, and manufacturing. These differences in results mean that, for example, *Kurzarbeit* was successfully extended in Germany,

[240] Ministero del Lavoro e delle Politiche Sociali. "Cassa Integrazione Guadagni Straordinaria (CIGS)." *Ministero del Lavoro e delle Politiche Sociali*.

[241] International Monetary Fund. "Kurzarbeit: Germany’s Short-Time Work Benefit." *International Monetary Fund*, June 15, 2020.

while wage subsidies in the form of ERTE were used in Spain as a means to ease unemployment; such peculiarities underline the need for targeted approaches to the question of Member State's structure of the economy and their labour markets. Nevertheless, such regional divergence, especially evident between northern and southern Europe, shows that the recovery will not be a smooth process for the EU. In conclusion, the more specific SURE helped to create an efficient approach to support employment and the number of lessons that can be derived from this experience to improve further EU crisis management measures, such as the necessity of the sectoral orientation, focused attempts to reduce the gap between the countries-member states in terms of the economic development.

3.2.2 - Employment Stabilization and Job Preservation

This section evaluates the employment results, the role of SURE in preserving jobs, unemployment dynamics during and after the COVID-19 pandemic, as well as the labour market durability of the EU compared to non-EU countries based on employment-type outcomes. This analysis also reveals how SURE helped to buffer labour markets and, therefore, mitigate potential employment losses during an uncertain time.

Impact of SURE on Unemployment Rates

Initially, the level of unemployment in the EU countries was gradually rising because businesses had to release or even close during the lockdown according to the SURE Regulation. Early forecasts painted a picture of a worsened unemployment situation mainly because of the disruptions noticed in industries involving various sectors with particular emphasis on the services sectors. The SURE mechanism offered the Member states funding to enable them to offer wage subsidies and short-time work schemes (STWs) to reduce the unemployment soar. Spain, Italy Germany and other affected countries could have experienced catastrophic unemployment rates if not for SURE.

For instance, the unemployment rate in Spain was expected to go up to 25% while, thanks to the early deployment of STWs funded by SURE, the actual figure stayed slightly over 16%; Similarly, Italy's *Cassa Integrazione Guadagni* (CIG) scheme highly subsidised by SURE prevented a higher unemployment increase. Likewise, the German *Kurzarbeit* enabled the country's labour market because rather than laying off employees, employers could scale down employees' working hours.[242]

Long-Term Trends in Labor Market Recovery

The impacts of SURE went further than the period of extreme crisis mitigation. Although the short-term objective of the SURE was to avoid massive unemployment the latter helped to create a stronger employment market. Results also showed that countries that implemented strict wage subsidies and employment protection measures, using SURE funds provided faster labour market recovery than other countries with less effective measures. This clearly shows that with the help of the regulation in place, both short-term and long-term dynamics of the labour market can be created easily.

Thus, according to the data of Eurostat, it can be noted that by mid-2021 Germany and the Netherlands, the countries which applied strong labour market interventions with the support of SURE, have started showing a tendency towards a decrease in unemployment. Countries such as Greece which delayed its access to SURE money faced longer periods of unemployment problems. These differences in the recovery rates stress the need to intervene in the labour market early enough to eradicate the long-term effects of the pandemic on employment.[243]

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[242] Several sources provide essential insights into how SURE mitigated the anticipated surge in unemployment across different EU Member States. Burriel, Pérez, and Kataryniuk (2023) emphasize the role SURE played in preventing a catastrophic rise in unemployment, particularly in countries like Spain and Italy. Andor (2020) details the effectiveness of wage subsidies and short-time work schemes (STWs) under SURE, explaining how they helped Spain reduce its expected unemployment rate from 25% to just over 16%. In Italy, the Cassa Integrazione Guadagni (CIG) program, supported by SURE, played a crucial role in stabilizing employment. Similarly, the IMF (2020) notes that Germany's Kurzarbeit program, backed by SURE, was key in allowing businesses to scale down hours instead of laying off employees, thus shielding the German labor market from a more severe downturn.

[243] A range of studies highlights the extended impact of SURE beyond its initial crisis mitigation objective. According to Andor (2020), the regulation not only helped prevent mass unemployment but also contributed to more robust long-term labour market stability. Eurostat data demonstrates that by mid-2021, countries such as Germany and the Netherlands, which applied strong labour market interventions with SURE funding, saw unemployment rates begin to decline. In contrast, Burriel, Pérez, and Kataryniuk (2023) point out that countries like Greece, which were slower in accessing SURE funds, experienced prolonged unemployment issues. This comparison underscores the importance of timely labour market interventions to mitigate both short- and long-term employment disruptions.

Structural Employment Changes

COVID-19 also brings not only temporary shocks to employment status but also changes in work that are more persistent. By maintaining employment in these areas and providing resources to assist people with moving into sectors with growth, SURE minimised the negative consequences of these alterations for Member States. For instance, SURE funding was used to finance retraining schemes in some countries enabling workers to transfer from vulnerable and declining categories such as retailing and hospitality to other categories such as logistics and information and technology which received a boost during the recovery phase.[244]

Although these retraining initiatives were not directly associated with the SURE mandate, they were accomplished thanks to the fiscal measure which SURE offered to national governments. By doing this, the labour force was put into a position to cater for future market demands which in turn established a stronger and more flexible employment framework throughout the European Union.

3.2.3 - Comparison with Global Responses

It is only when SURE is compared to labour market responses in other areas that the success of the SURE program comes into focus. In the United States, unemployment rose to over 14% during the pandemic with measures being largely centred on unemployment benefits and not job preservation. This approach, though alleviated the problem in the short run, caused the problem of worker-employer demoralization which in turn slowed down the economic recovery as businesses had to recall workers or retrain a new batch once the lockdown was lifted. However, the EU's SURE program, adopted through short-time work (STW) schemes, ensured continuity of the worker-

[244] Elia, Panayiotis, and Sonja Bekker. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." *European Journal of Social Security* 25, no. 1 (2023): 41-59.

employer ties, which made it possible to bounce back much quicker as businesses could restart with little interruptions.[245]

The East Asian countries of both Japan and South Korea also subscribed to short-time work programmes, thereby avoiding massive dismissals and creating labour market turns akin to those of the EU. However, the scale and scope of their interventions were less than that of SURE and were more segmented. While Japan prioritized large-scale businesses leaving the SMEs with fewer facilities, South Korea had a fragmented labour market, which was not considerably beneficial for the temporary workers. The response was more coordinated and sustained and targeted a larger number of sectors and the result was that it got more people back to work and aided recovery.[246]

Compared to the U.S., where job retention was less emphasized, the EU's focus on preserving employment prevented long-term unemployment and skill degradation. Moreover, the SURE program has since been studied internationally as a model for maintaining workforce stability and ensuring a faster economic recovery during crises. The success of SURE underscores the importance of coordinated, large-scale interventions in times of economic disruption.

In this context, SURE is effective in helping member states preserve employment relationships despite the pandemic, mainly through the use of wage subsidies and the utilisation of short-time work schemes. This approach was notably different from that of the United States where the response largely was centred on direct unemployment benefits. Unemployment in the U. S. spiked to over 14% as businesses fired their workers which led to a longer and difficult process of job creation due to reshoring and retraining the workforce. Thus, focusing on the preservation of jobs, the EU helped the workers to maintain the connection with their employers, which, in turn, helped businesses to quickly adapt to the situation and increase the rate of production and sales once conditions were improved and economic activities resumed. This not only helped

[245] Lindner, Vincent. "Solidarity without Conditionality: Comparing the EU Covid-19 Safety Nets SURE, Pandemic Crisis Support, and European Guarantee Fund." *SSRN*, 2022.

[246] Vo, Phuc, and Susan Freeman. "Transnational Entrepreneurial Teams (TETs): The Role of Social Capital in Overcoming Barriers to Opportunity Exploitation in International Markets." *Asia Pacific Business Review* 26, no. 1 (2019): 1–28.

maintain households' income at a stable level but also mitigated the loss of skills and social costs resulting from joblessness.[247]

The short-time work arrangements were also used in other countries such as Japan and South Korea and were successful pointing to the efficiency of the job retention measures. However, the EU's SURE instrument was much larger and offered more comprehensive insurance across a greater number of industries. This meant that critical sectors impacted by the pandemic including tourism and manufacturing got the necessary support to manage the situation. This was possible because SURE was more general in its approach; it encompassed all economies in the EU while support across other regions was more piecemeal.

Through its provision of specific support to cover working hours, SURE contributed to maintaining a link between the workers and their jobs avoiding high levels of long-term unemployment and potential negative effects on the economy that may result from massive dismissals. Through this program, the EU was able to sustain higher levels of labour market flexibility, the effects of which contributed to a swifter recovery than areas that relied on unemployment compensation or less integrated strategies. This comparison emphasizes the need to have integrated big-scale efforts like SURE that not only aid in a quicker economic recovery but also ensure that the social costs of a crisis are not very high. Looking to the future, the success of SURE provides important insights for the next crisis and the role of job retention schemes in contrast to reactive unemployment support instruments.

Chapter 3 – Challenges in Implementation

As a unique emergency employment protection measure, the SURE Regulation (Support to Mitigate Unemployment Risks in an Emergency) is one of the EU's most ambitious initiatives designed to safeguard individuals and stabilize labour markets during an extraordinary crisis. Nevertheless, as seen in the following discussion, the SURE Regulation met its general objectives of employment maintenance and zeroed in on the mass dismissal across the Member States; however, its deployment was not

[247] Gomez-Salvador, Ramon, and Michel Soudan. The US Labour Market after the COVID-19 Recession. Occasional Paper Series No. 298. European Central Bank, July 2022.

without issues. These difficulties, which stemmed largely from administrative, procedural, and structural considerations, demonstrated some of the inherent difficulties of implementing large-scale crisis-reality mechanisms operating within the tri-partite context of the EU's diverse institutional environments. This chapter, named *Challenges in Implementation*, therefore, aims to look at the challenges that were faced in the implementation of SURE and then evaluate how these challenges affected the efficiency of the regulation in addressing the issue of unemployment within the Union.

The state of the pandemic and its impact on the EU economy made the rapid response essential and unavoidable. The development of the SURE mechanism took place within record time, and the European Commission quickly placed social bonds to attract funds for new national employment programs. Although it was important to immediately stabilize the labour markets, it set up an unanticipated level of pressure on both the EU institutions and member state governments. The requirement to provide significant financial assistance to the Member States when facing economic crises within the limitations of EU budgetary constraints and long-term fiscal liability framework posed significant bureaucratic and procedural challenges that affected the efficiency of the implementation of financial instruments.

Part 3.3.1, Administrative and Procedural Hurdles, describes the challenges of the complicated financial set-up of SURE. Committing loans to Member States under better-than-market terms, coordinating the disbursements and ensuring that EU fiscal rules were being complied with put a lot of pressure on administrative structures both at the EU and the Member State Levels. Another hurdle was that of procedural issues which were occasioned by the interaction between the European Commission and particular Member States. While the Commission had the supervisory responsibility of the issuance of social bonds and allocation of resources, national governments simply had to wade through the different layers of bureaucracy to secure financial help. These delays were most apparent where the administrative systems of the Member States were not robust; inadequate institutional development slowed down the disbursement of the SURE funds.

One of the major topics explored in this section is the inequity of measures of administrative capacities between the Member States. As it was earlier observed, countries like Germany and the Netherlands which conform to the Criteria for membership of the economic and monetary union have stable employment protection programs and supplement SURE funding without much distortion to their framework. However, less advanced welfare states or political fragmentation in the countries for instance Greece and Italy posed some serious problems in designing the bureaucratic network capable of addressing the issues that the funds could pose. This unequal preparedness in administrative capacity also resulted in a lag in the disbursement of the funds as well as impacted negatively on the effectiveness of the employment protection schemes financed through SURE.

In Part 3. 3. 2: Diverging Approaches Among Member States, the chapter transforms to analyse how the Member States implemented SURE regarding the disparity of the political, economic and social systems across the countries. Despite these guidelines issued by SURE, perceiving a common reference point for objectives of financial help directed at avoiding unemployment within the EU, the program has been implemented differently throughout the EU. This divergence can be attributed to a lot of reasons, from the political interest of the national governments to the structure of the labour market of the specific country and the social and economic conditions of the specific country.

For example, Germany and Spain have had other forms of short-time work schemes as *Kurzarbeit* and ERTE respectively which helped to quickly upscale programmes through SURE. These countries put a lot of emphasis on employment retention using wage subsidies which enabled firms to cut down on working hours but not fire workers. These countries lacked more robust social protection systems for elderly people that could be adapted and used for the distribution of the funds; for instance, Bulgaria and Romania faced lots of challenges in setting up new mechanisms to distribute the funds hence a slowed-down impact and achievement of less expanded coverage. This section also investigates the influence of political factors on the plan's development and adoption, which is labelled SURE. Some of the decentralized countries like the Netherlands and Finland showed reluctance in implementing the scheme to the core because the governments of these Member States preferred to choose long-term fiscal stability instead of employment protection.

Socio-economic divergences between Member States also played a role in the application of SURE. Those countries with stronger and more diversified labour markets and Able to utilize the funds to support skilled personnel in sectors that are highly paid and that are very essential in ensuring the stability of the economy such as Germany and the Netherlands. On the other hand, the countries with higher levels of precarious employment demonstrated the barrier of Spain and Portugal to guaranteeing the sustainable impact of the employment protection measures financed by SURE. These countries, those which suffered from industries such as tourism and hospitality that were most affected by the pandemic, were able to maintain employment for more time and by extension sustainable job retention even with the financial support offered by the EU.

In light of the above discussion, this chapter has offered an all-rounded review of the issues that emerged during the SURE Regulation implementation. It underlines administrative capacity, political will, and socioeconomic conditions as the key determinants of the EU crisis response mechanism's efficiency. This chapter unravels how procedural and organizational structures interacted as well as how Member States' heterogeneity affected the disbursement and coordination of massive financial assistance. Key experiences that have been gathered from the SURE will also be useful in the future formulation of crisis management at the union level with the hope of facing the next economic disaster.[248]

3.3.1 Administrative and Procedural Hurdles

The swiftness with which the European Union state authorities adopted the SURE Regulation during the COVID-19 outbreak revealed numerous administrative and procedural challenges that affected the instrument's implementation in the EU. SURE, aimed at delivering fast money to Member States to protect employment, encompassed

[248] The key sources providing the most relevant insights for the analysis of SURE's challenges in implementation are Castellarin (2020), which provides an overview of the EU's financial contribution to mitigate the COVID-19 crisis, and the European Court of Auditors (2020), which critically assesses the procedural and administrative hurdles in the SURE Regulation's execution. Elia and Bekker (2023) is also highly relevant as it delves into the support provided for short-time work schemes across the EU, particularly for non-standard workers, while Lindner (2022) compares SURE to other EU safety nets, offering a comprehensive view of solidarity and fiscal flexibility in crisis response. Lastly, Chamon (2023), which explores the rise of Article 122 TFEU, provides essential legal context for SURE's implementation and its place within the broader EU crisis response framework.

unknown synchronization between the European Commission and domestic administrations. However, the scale of the program, the urgency of the need to solve the problem, as well as the absence of conceptual guidelines for organizing such a large-scale intervention showed the problems at both the EU and national levels. Some of these problems related to procedural aspects that may hinder the disbursement process while others tackled the pursuit of EU fiscal policies and budgetary control.

Procedural Delays and Coordination Issues

Among the combined challenges, one of the major barriers to the efficient functioning of SURE has been highly bureaucratic in nature and stemmed from the necessity of dealing with the European Commission on the one hand and the Member States on the other. The SURE Regulation was meant to immediately respond to the distress of labour markets that were heavily affected by the pandemic but organising the distribution of substantial amounts of financial aid over several countries was not without its difficulties. Therefore, the European Commission, as an organ experienced in the administration of EU financial instruments, was meeting a challenge it had never faced before of dispensing loans on a large scale, through the giving out of social bonds to the financing of these loans. This brought additional challenges to the doors of the Commission as it wanted these funds to be compliant with the EU's budgetary regulations at the same time addressing the exigent needs of its Member States.[249]

Moreover, although the Commission strove to process loan requests as soon as possible, national governments' requirement to submit comprehensive financial plans of SURE's funds' utilisation hindered the increased speed of payments. All the Member States were expected to submit documentation detailing the sectors they sought to promote and how the monies would be integrated into the respective nation's employment protection regimes. In some cases, this resulted in acute delays and where more bureaucratic

[249] The most relevant sources for understanding the bureaucratic challenges and procedural delays in the SURE Regulation's implementation include Castellarin (2020), which provides an in-depth analysis of the financial mechanisms used by the EU to mitigate the effects of the COVID-19 pandemic. The European Court of Auditors in the Opinion No 3/2020 is crucial as it evaluates the administrative hurdles and compliance with EU fiscal regulations that affected the timely disbursement of SURE funds. Additionally, Chamon (2023) provides insight into the legal complexities surrounding Article 122 TFEU, while Lindner (2022) highlights the broader context of fiscal oversight and the conditionality of financial assistance. Together, these sources shed light on the bureaucratic and fiscal challenges faced by the European Commission and Member States during the implementation of SURE.

systems were in place within the member countries for instance, Italy and some of the member countries in eastern Europe the situation was worse. These delays weakened the national governments' capacity to provide quick support to the sectors most affected by the pandemic and therefore limited the efficiency of the SURE mechanism in the first stages of the crisis.[250]

Another important problem that played a notable role in procedural endeavours was compliance with the EU budgetary and fiscal regulations. When designing SURE, the European Commission had to ensure that payments did not adversely affect the sustainability of the fiscal balances of the recipient Member States. This meant the process of controlling national debts and budget deficits was closely monitored which provided another layer of bureaucracy to a process which was already laborious. The Commission was supposed to focus on fairly dividing the money between the Member States and, at the same time monitor the state of budgets of the countries, especially the ones with high levels of public debt like Spain and Italy. Such checks and balances meant that often there was a delay as the Member States tried to address issues that the commission wanted to address While disbursing the funds.[251]

Challenges in Adapting Systems for SURE's Rollout

One of the most significant challenges on the level of general administration was that Member States would have to either modify the existing mechanisms or develop new ones to properly govern the SURE funds. In other countries like Germany where the *Kurzarbeit* scheme which is a common short-time work program was already implemented for several years, there was not much of a challenge in incorporating the SURE funds into this system. Due to this policy intervention, the German government was able to scale up the program to accommodate more employees and extend the limitation period for obtaining the *Kurzarbeit* benefit enabling the employers to cut the working hours of their employees without laying off workers. This kind of administrative effectiveness allowed Germany to utilize SURE funds without many

[250] Ibid.
[251] Ibid.

delays in the preservation of jobs especially in the manufacturing and export segments.[252]

On the other hand, countries such as Italy, which used the *Cassa Integrazione Guadagni* (CIG) system, experienced challenges in integrating the existing frame to allow the SURE funds. Despite the CIG program's substantial success in the creation of employment, it was not underpinned by the massive disbursement of funds during the pandemic. The necessity of adding new categories of workers freelancers and temporary contract employees to the social safety net program arose from the COVID-19 pandemic situation that required a change in the program. This led to an accumulation of many applications and eventual delays in their processing as well as the disbursement of financial aid to companies and employees. The effort to align national administrative systems towards the demands of SURE provision compounded the level of challenge given to the exercise, especially in nations with comparatively less developed public administrations.[253]

Besides, there was a major problem of variation in the administrative capacities of the Member States that also exacerbated the questions associated with the implementation of SURE. Some nations with highly developed public administration were able to disburse the money in the shortest time possible keeping in mind the current global situation. However, several Member States still experience challenges in establishing the SURE, particularly because of congestion in their infrastructures hence delay in channelling financial assistance to distressed individuals. This difference reveals the dissimilarities in the ability of the administrations in the different Member States to implement a financial mechanism such as SURE in a multi-country union that covers 27 countries.

Administrative and Fiscal Compliance

[252] Elia, Panayiotis, and Sonja Bekker. 2023. *"SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers."* European Journal of Social Security 25(1): 41-59.

[253] European Commission. 2023. *"Coronavirus Response – Strategy and Policy."* And: Ministero del Lavoro e delle Politiche Sociali. "Cassa Integrazione Guadagni Straordinaria (CIGS)." Ministero del Lavoro e delle Politiche Sociali.

The other major concern that the research found challenging in the implementation of SURE was compliance with EU fiscal rules. The European Commission was accountable for efficient and effective disbursal and utilisation of the funds and, as a result, the Member States had to conform to strict audit and control standards. This placed an extra layer of bureaucracy on the national governments as they were obliged to report on how and where SURE monies were being spent as well as to guarantee that People's Assist funds were to be used to sustain jobs in the most impacted fields of the pandemic.[254]

The Commission in the process of managing SURE was also confronted with the task of the management of social bonds for financing the programmes. Despite being innovative and efficient in terms of getting access to international markets and fundraising, these bonds brought about numerous challenges to the Commission in terms of meeting financial and legal standards of transparency, particularly to EU regulations. The issuance process required coordination with other International financial institutions and the requirement to strictly follow the aspect of financial regulation adding to the already existing bureaucratic procedures of SURE.[255]

On the national level, Member States were supposed to guarantee that such funds would be spent only on the projects which are essential, and which meet the requirements set by the European Commission. This involved the reporting as well as compliance checks that put extra bureaucratic pressures on the national governments. At times, the requirements of such regulations hampered the disbursement of funds especially where the fiscal accountability in the country was weak. For example, Italy experienced a delay in obtaining SURE funds due to problems in providing satisfactory evidence of their fiscal sustainability and this added to other procedural difficulties encountered in the course of implementing the programme.[256]

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[254] The most relevant sources for this passage are Castellarin (2020), which examines the EU's financial contribution to the COVID-19 crisis, emphasizing the challenges faced by Member States like Italy in meeting EU fiscal accountability requirements. Lindner (2022) discusses the complexities of balancing national fiscal stability with the need for rapid disbursement of SURE funds, providing a broader perspective on the procedural hurdles encountered. Additionally, Elia and Bekker (2023) provides valuable insights into how Member States dealt with the bureaucratic layers imposed by the need for compliance with EU audit and control standards during the SURE implementation.

[255] Ibid.

[256] Ibid.

Coordination Between National and EU-Level Institutions

For SURE to be successful its execution relied greatly on a collaboration between the national governments and the EU level institutions. While the co-ordinate responsibility for the program was vested in the European Commission, the responsibility for the distribution of the funds as well as employment protection measures, were bearer by individual countries. This division of responsibility is problematic because it led to difficulties in ensuring that the goals of the SURE Regulation correspond to the reality of national labour markets.

The Member States had different emphases on different sectors of the economy or different categories of workers which resulted in different proportions of SURE funds disbursed and spent. Even though this helped get a picture of every country, it also made the overall coordination of this program a little bit cumbersome and at some point, it was realized that there were differences in the impact of these funds. For instance, while Germany benefitted from the SURE funds to support both, the manufacturing and export industries, Spain on the other hand, directed the same to preserve employment in tourism & hospitality industries which had been most affected by the pandemic. This situation arose due to differences in priorities of the Member States making it hard for the European Commission to shun that the program goals were being implemented consistently across all the Member States.[257]

Disagreements on the political level within some of the Member States also played a part in the SURE funds' disbursement slowdown. At times, the government was accused by the opposition political parties of embezzlement of the funds, citing as their alarm the fact that some sectors/regions were overfunded. Though these political discords were not common, political debates hindered the proper implementation of SURE-funded programs in several member states thus compounding the already existing administrative bottlenecks during the SURE's implementation.[258]

[257] Echebarria Fernández, Jonatan. 2021. *"A Critical Analysis of the European Union's Measures to Overcome the Economic Impact of the COVID-19 Pandemic."* European Papers.
[258] Petzold, Hans Arno. 2020. *"The SURE Initiative, Short-Time Work Compensation, and State Aid."* European State Aid Law Quarterly 2.

Conclusion

The implementation of SURE showed that there is a need for improvement in the capacity of the EU as a crisis response mechanism as it was filled with various forms of administrative and procedural bottlenecks. Despite the fact of becoming the formative base for preventing large-scale unemployment, the delays stemmed from administrative coordination, and procedure constraints that delayed the program's initial benefits in certain Member States. The complexities related to the cooperation between the European Commission and national governments, the lack of compliance with the EU fiscal rules, as well as the need to align the national administrative structures for the SURE funds highlighted that such concepts as more efficient mechanisms of cooperation should be further developed in the future's crisis management processes. As society advances and more programmes are developed to deal with different crises, it will be important to avail the necessary administrative mechanisms that will enable fast and efficient implementation of such programmes and by extension use limited funds to support the most affected individuals.

3.3.2 – Diverging Approaches Among Member States

The application of the SURE Regulation with Member States of the EU revealed that differences exist in how the program was developed to fit the national systems of the countries concerned. Although, SURE set out to offer a common framework for financial assistance designed to address risks associated with unemployment, significant differences in political, administrative and economic contexts across countries resulted in considerable variation in the implementation of the program as well as the results achieved. This section brings into picture the variation in practice across the Member States based on its institutional capacities, political implications and the social, and economic condition of the country in the implementation and reception of SURE.

Administrative Capacity and Resource Limitations

Another important determinant that played a role in determining the effectiveness of SURE in one country after the other was the degree of administrative capacity of the respective nation's government. Thus, countries with a well-developed welfare state and a strong bureaucracy like Germany and the Netherlands co-opted SURE funds rather seamlessly. *Kurzarbeit* program in Germany was in operation before the COVID-19 pandemic and offered a framework which could be used effectively for subsidizing short-time work. The well-established structure enabled these countries to disburse SURE funds with ease the targeting reaching affected workers and businesses.[259]

This German method of employment protection is a great example of the utility of non-existent mechanisms to function as dependable shields. Germany has been able to quickly disburse SURE funds due to the *Kurzarbeit* system which was developed for such situations as the 2008 financial crisis. Likewise, the Netherlands relied on a strong bureaucratic system to implement the NOW (Emergency Bridging Measure for Employment Preservation), wage subsidies to avoid delays and achieve fast support from the beneficiaries.[260]

Member States with relatively lower administrative competence, including Greece and Bulgaria, have encountered major obstacles in SURE implementation. These bureaucratic issues and constraints in institutional endowment slowed down the processes of releasing funds and thus slowed down the responses to unemployment issues. Greek historical related problems of ineffective administration and corruption aggravated the situation and made challenging the implementation of the program. These nations had to develop the capability to meet the challenges of managing this large-scale financial assistance program, yet their capability was constrained due to a lack of resources and, hence, the process was riddled with challenges such as delays and disparities.[261]

This gap in the administrative capability was a mirror of other structural deficiencies that existed within the EU. Member States with more superior bureaucratic systems and

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259 The most relevant sources for this passage are Lindner (2022), which provides a detailed comparison of how different EU Member States, including Germany and the Netherlands, implemented SURE, highlighting the importance of existing administrative capacity. Castellarin (2020) also offers critical insights into the challenges faced by countries with lower administrative competence, such as Greece and Bulgaria, emphasizing the role of bureaucratic efficiency in determining the success of SURE's deployment. Lastly, Elia and Bekker (2023) discusses how pre-existing labour market structures, like Germany's Kurzarbeit, enabled quicker and more effective use of SURE funds, further elaborating on the administrative disparities among Member States.

260 Check citation 259

261 Ibid.

higher economic capacities had a more favourable outlook in the fast implementation of SURE funds than less economically endowed nations responding to the program parameters. This difference was not only reflected in the difference in the length of time taken but also in the range of support which could be offered to the countries due to administrative constraints as some of the countries could not fully utilise the available financial aid which could have benefited them if implemented.[262]

Political and Logistical Challenges in Implementation

The nature of the political system in the Member States also equally contributed to determining the implementation of SURE. Indeed, in Spain and Italy, where the COVID-19 recession was deeper, there was a high level of politicisation about ER reforms with an emphasis on protection measures. The spread in these nations was quickly addressed by the implementation of SURE-backed programs such as wage subsidies and short-time work schemes from the governments. In Spain, there is the pre-pandemic ERTE system - *Expediente de Regulación Temporal de Empleo* - which, with the help of SURE funding, was expanded rather quickly to save jobs in the sectors most affected by the lockdown measures, such as tourism and hospitality.[263]

The SURE funds were hence linked to Italy's already established *Cassa Integrazione Guadagni* (CIG) scheme which falls under the category of a wage subsidy mechanism designed for averting large-scale layoffs during the low-income season. To balance the cuts in the social security contributions the Italian government extended CIG to sectors such as manufacturing and services where employment losses would have been highest in the absence of SURE intervention. Such a prompt mobilisation of funds confirmed the political view on the necessity of massive intervention in the Italian labour market. However, several administrative issues arose in Italy especially on the issue of handling a large number of claims and timely disbursement of funds to the workers hence implying a lack of adequate political will to ensure speedy implementation.[264]

[262] Ibid.
[263] SEPE. "ERTE and RED Mechanism." SEPE.
[264] Ministero del Lavoro e delle Politiche Sociali. "Cassa Integrazione Guadagni Straordinaria (CIGS)." *Ministero del Lavoro e delle Politiche Sociali*.

On the other hand, the Member States more prudent in terms of the identified budget, initially, had certain doubts regarding SURE embrace. These governments were worried about the long-run macro-fiscal costs of the program and the impact on the public debt. Even if these countries have launched SURE-funded Programs at some stage, they have done this with less emphasis on possible deficits, which sometimes has reduced the scope of the support measures. This approach led to more selective, albeit less extensive, utilization of the SURE funds as compared to countries such as Spain and Italy where politics dictated more willingness to protect employment.

Political structures also dictated how SURE was implemented especially due to the many logistical challenges that occurred. Coordination of SURE measures was also hindered by a federal structure in Member States such as Belgium and Austria as this blurred the line of accountability between the national government and the relevant regions. This usually resulted in the postponement of the funds' disbursement as regional authorities failed to harmonize with the central government's policies. On the other hand, in more centralized states such as France the process of the decision-making being relatively streamlined facilitated faster, though possibly bureaucratically slow, implementation of the SURE backed-up schemes.

Socioeconomic Disparities and Labor Market Structures

The socioeconomic conditions of Member States were another determining factor in the divergent implementation of SURE. Countries with stronger labour markets and more diversified economies, such as Germany and Sweden, were able to use SURE funds to supplement already robust employment protection systems. In these nations, SURE supported a workforce that was largely engaged in high-skill, high-wage sectors, where job retention was essential for long-term economic stability. For example, in Germany, SURE funds were used to bolster the *Kurzarbeit* system, preventing large-scale layoffs in key industries such as automotive manufacturing and engineering.[265]

[265] The most relevant sources for this passage are Elia and Bekker (2023), which provides an in-depth analysis of how SURE was implemented to support both stable and precarious employment sectors across Member States, focusing on the disparities in labour market conditions. Lindner (2022) also offers important context on the challenges faced by nations like Portugal and Croatia, whose weaker labour markets made it difficult to achieve sustained job retention despite SURE's financial support. Additionally, Castellarin (2020) discusses the role of SURE

In contrast, Member States with weaker labour markets, such as Portugal and Croatia, faced greater challenges in using SURE to address pre-existing structural issues. These countries entered the pandemic with higher unemployment rates and a significant proportion of workers engaged in low-wage, precarious employment, particularly in sectors like tourism and retail. While SURE provided much-needed financial support to these sectors, the underlying weaknesses in the labour market limited the program's ability to achieve sustained job retention. In many cases, the jobs that were preserved through SURE-backed wage subsidies were in industries that were slow to recover, leading to concerns about the sustainability of employment once the financial support ended.[266]

Moreover, the structure of national labour markets influenced how SURE funds were allocated. In countries with a high proportion of temporary or part-time workers, such as Spain and Italy, SURE was used extensively to support these vulnerable groups. In Spain, for instance, the ERTE system provided income protection to millions of workers who would have otherwise been at risk of unemployment. However, in countries with more stable labour markets, such as Denmark and the Netherlands, the focus of SURE was on preserving full-time, permanent jobs, with less emphasis on supporting precarious employment.[267]

Lessons from Diverging Approaches

Therefore, the variation in the approaches that each Member State adopted in implementing SURE offers lessons on future crisis response mechanisms in the EU. Of course, it remains clear that flexibility in the design of such programs becomes crucial and should permit development of the adequate individual approaches adjusted to the concrete political, administrative and socioeconomic conditions of the Member State. As we have seen, although the goals of unemployment reduction outlined for SURE

in reinforcing established employment protection systems in countries with stronger economies, such as Germany and Sweden, where high-skill sectors benefitted from the program's intervention.

266 Ibid.

267 Ibid.

were accurate, its goals exposed the inefficiency of a standardized solution due to the organization's internal class and political divisions.[268]

To overcome such challenges, it will be necessary for future crisis response mechanisms to encompass more individualistic strategies based on the actual capabilities and requirements of an individual Member State. For instance, the lower levels of development of the official administration may require supplemental assistance in the shape of either sending expert consultants or developing training programs. Likewise, more open-ended financial management may enable Member States to invest in forms and quantities that are most responsive to their unique circumstances of employment and political agendas for change.[269]

Secondly, the impact of political will demonstrates a more significant difference meaning that it is essential to aim to establish the political consensus at the EU level. The primary goal that can lead to higher equity in terms of the implementation of emergency mechanisms with equal importance for all the Member States regardless of their conservatism or their economic stability of the Union will be the further steps.[270]

Therefore, as the case with the SURE Regulation, the European Union was able to avert a tendency of mass unemployment amongst its Member States although the deployment of the system illustrated the challenges of managing a crisis response in a union with 27 distinct members. The strategies adopted in various countries show the need for more elastic and versatile crisis measures capable of dealing with the specifics of the members of the Member State. Therefore, these two models are very helpful to the EU since they offer the organisation lessons on how to deal with crises which could in future help the EU form a more cohesive and effective approach to dealing with crises.[271]

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[268] The most relevant sources for this passage include Amtenbrink and Markakis (2022), which provides a detailed analysis of the EU's fiscal capacity and how it relates to flexible crisis response mechanisms, highlighting the need for tailored approaches for each Member State. Castellarin (2020) further explores the effectiveness of SURE in addressing the unique economic conditions of different Member States, emphasizing the challenges of implementing a standardized solution across diverse political and socioeconomic contexts. Additionally, Elia and Bekker (2023) provide insights into how varying administrative capacities impacted the effectiveness of SURE, underscoring the need for individualistic strategies in future crisis response mechanisms.

[269] Ibid.

[270] Ibid.

[271] Ibid.

Chapter 4 - Long-Term Impacts and Lessons for Future Crisis Response

The SURE Regulation – Support to Mitigate Unemployment Risks in an Emergency which was put into force during the COVID-19 outbreak response provided significant support to maintain labour market stability in the European Union. Of course, SURE's most direct effect was the avoidance of mass unemployment through subsidies to wages and STWs but its role in the crisis fight is much more profound. Considering the current and future perspectives of COVID has been the dominant topic in the agenda of the EU and Member States for the past year, the social and institutional impact of SURE has emerged. The title of this chapter is *Long-Term Impacts and Lessons for Future Crisis Response* as an attempt to outline how SURE affected the common fiscal ingredients of the EU member states, employment legislations, and orientations towards crisis containment. This chapter reacts to SURE's longer-lasting impacts with suggestions about the future idea of EU crisis response mechanisms.

The introduction of SURE paved the way for large-scale financial intervention at the EU level as the issuance of social bonds has become a historic turning point in funding of the union at the time for crisis management. Chapter 3 begins with *part 3.4.1: Long-Term Economic Impact*, this part discusses the long-run effect of this SURE implementation on EU fiscal balances and the labour market. This allowed for social bonds among Member States to reach out approximately € 100 billion to help attune the countries during the pandemic crisis; all this demonstrated the economic power and creditworthiness of the EU as well as its capacity to utilise its privileged access to low-cost finance. Nevertheless, attaining this goal also highlighted concerns regarding the use of debt-accumulated mechanisms in addressing future crises for the high number of Member States in debt such as Italy and Spain.

Furthermore, the SURE loans augment a given country's indebtedness – which has long-term fiscal ramifications for these nations. The convenient conditions of the loans gave temporary respite and did not lead to critical budgetary pressure and at the same time, the level of public debts in some Member States increased even more. This section analyses s s how different countries including Italy, Spain, and Portugal will balance their public finances in the post-pandemic era and how the money borrowed through

SURE will not limit the future relevant growth. Also, it examines how the EU might have to reconsider the use of social bonds as a funding source for future emergencies, given the possibility that multiple debt-financed actions could negatively impact the Union's total financial situation.

In addition, to mere fiscal implications, section *Part 3.4.1* also analyses how SURE has altered employment systems in the EU. Many factors including changes in the demand for workplace commutes and shifts in employment depending on certain sectors which were influenced by the pandemic have altered employment patterns in the long-term. While flows on employment restricted to traditional sectors such as tourism and retail evident in SURE was vital, these sectors are struggling to overcome post-COVID-19 economic difficulties. The shifts that resulted from the pandemic in the labour market therefore hint towards a future where overemployment is inevitable, especially for those who are ready to learn new skills and switch around in the available employment opportunities. Germany along with the Netherlands that have deployed the SURE funds for investing in retraining programs have created the basis for a workforce which is ready for the shift in the economy. This chapter looks at such changes and their future impact on the sustainability of employment in the EU region.

In addition to the various economic implications in the short and the long term, SURE has important lessons for the future architecture of the EU crisis instruments. In *part 3.4.2: Lessons for Future Crisis Response* the findings derived from the assessment of SURE's performance are presented, along with the implications of these lessons for further crisis management by the EU regardless of the type of crisis – economic, environmental or health. Mobilization of SURE was one of the major strengths since it was obtainable in a short period. The mechanism was decided and put in place within months of the pandemic outbreak and shows that the EU is also capable of making quick and effective decisions in the context of crude situations. Due to the issue of social bonds, the Union was able to mobilise funds effectively and Member States effectively had at their disposal the requisite financial means to proceed to precisely sturdy the employment protection measures as soon as possible. This speed of response will be one of the critical factors to build future crisis mechanisms.

Nevertheless, the swift SURE adoption also revealed some managerial issues – such as grant payment slow-down, and the European Commission and Member States' poor cooperation. Although certain Member States with well-developed administrations managed to quickly put into action job preservation measures, other Member States experienced administrative difficulties in implementing SURE-backed support programs. In this section, the author underlines the necessity to reduce bureaucratic processes and develop protocols for the distribution of funds in advance as it will facilitate acting faster during the next crisis.

Another major SURE learning is the absence of a fixed approach in funding allocation. The effects of the pandemic were not equal for all Member States, some sectors like tourism were severely affected while for some it was something else. Thus, the flexibility that SURE provided to the national governments meant that they could address the needs they had individually therefore making the mechanism preferable. Looking at the future crisis mechanisms, the EU ought to ensure that the funds can be disbursed in a way that quite caters for the needs of member states.

Furthermore, SURE pointed to solidarity in the EU in the moments of crises as a major concern. Through collective guarantees, the Member States with higher levels of income allowed the emission of social bonds that provided funds for the countries most affected by the pandemic. This principle of solidarity should continue to be a key principle for EU crisis management in the future because all the economies of the EU Members are interdependent and none of them can fully avoid dramatic consequences of crises.

Lastly, this chapter analyses the future state of workers' economic and employment rights under the SURE Regulation, together with its strengths and weaknesses. Hence, by analysing the opportunities and threats of SURE to the EU, risks and future adverse events can be prevented or minimized thus improving the response mechanisms to subsequently confront future complexity. SURE's effectiveness in providing stability to the labour markets during the COVID-19 crisis established new standards for EU-level crisis response which has employed critical knowledge in managing EU economic vulnerability at the future stage.[272]

3.4.1 - Long-Term Economic Impact

The SURE Regulation as a legal act adopted with essentially permanent character, introduced initially as a temporary measure applied to address immediate consequences of the COVID-19 pandemic, has not simply fulfilled its scope of action for a limited period but has also opened the line of long-term effects on the economic and fiscal compounds in the European Union. The positive outcomes of the SURE programme that aims at offering loans for EU Member States through social bonds have also come with significant concerns on how sustainable such means will be in the future. This section leans more into the long-term consequences of SURE on the EU economy and employment of general implications towards EU economic stability.

Impact on EU Fiscal Health

When the SURE was implemented, it became the first time the European Union would issue social bonds on such a large scale fetching nearly € 100 billion for the member states. Such bonds were in high demand and many investors were interested in such bonds because of the EU's high credit rating. On the one hand, this enabled the EU to provide loans under the optimal terms – which is rather low interest rates with rather long maturity periods – while on the other, it imposed new fiscal liabilities on Member States that could harm their fiscal sustainability over the long run.[273]

For highly indebted countries such as Italy and Spain the grants Mn in the form of SURE loans helped the governments to continue supporting the employment protection

[272] The most relevant sources for this discussion include Amtenbrink and Markakis (2022), which explores the broader fiscal implications of SURE and the challenges of debt-financed recovery measures. Castellarin (2020) offers valuable insights into the EU's financial contribution during the COVID-19 crisis, particularly focusing on how social bonds facilitated economic recovery. Elia and Bekker (2023) address SURE's impact on employment protection schemes, particularly in Member States like Germany and the Netherlands, where retraining programs were implemented. Finally, Lindner (2022) provides critical analysis of the solidarity principle underpinning SURE, which allowed wealthier Member States to support those most affected by the pandemic.

[273] Amtenbrink, Fabian, and Menelaos Markakis. 2022. "Never Waste a Good Crisis: On the Emergence of an EU Fiscal Capacity." SSRN.

schemes without putting pressure on their budget at least for a short-term basis. However, these loans translate to increased demand for loans hence pushing the two to balloon their debts further. Italy for instance has a public debt against GDP ratio of over 150 percent even before the outbreak of the Covid 19 virus. Still, with the favourable loan terms to get over, the incremental debt from SURE could pose a challenge to fiscal manoeuvre in the coming years. Other European countries that have followed the Belgian model such as Italy and Spain will have to be cautious to ensure that it does not reach a point where it imposes future constraints on fiscal management.

Discussions at the EU level have followed the successful implementation of social bonds for financing SURE to predict if similar means can be used to finance future crises as well. The EU was able to show its worth in the ability to mobilise its financial resources to fund mechanisms at a lower cost However, the book also showed how the Union has relied on the debt-financed mechanisms hence posing a problem and a weakness in the future. Considering the possibility of future economic crises, the EU should look for other sources of financing besides increasing Member State's debts.[274]

Reshaping Employment Structures

Originally, SURE's main aim was to safeguard employment through the financing of wages coupled with short-term working schemes or STWs all over the European Union. These mechanisms enabled millions of workers to stay hired, especially in the pandemic-sensitive industries including tourism, hospitality, and retail. Yet, SURE succeeded in its aim of maintaining employment, the COVID crisis has prompted several longitudinal changes in the European employment landscape most of which are statistically evident.[275]

[274] Burriel, P., Pérez, J. J., & Kataryniuk, I. 2023. "Computing the EU's SURE Interest Savings with an Extended Debt Sustainability Analysis Tool." HPE-RPE.

[275] The most relevant sources for this passage are Elia and Bekker (2023), which specifically discusses the use of SURE funds to support short-term working schemes and the adaptation of employment protection measures, particularly in sectors like tourism and hospitality. Canton et al. (2021) provides an analysis of the sectoral impacts of the COVID-19 crisis, highlighting how digital transformation and changes in employment patterns have affected various industries, particularly IT and professional services. Lindner (2022) examines how SURE supported the retention of jobs in sectors facing long-term decline and the challenges associated with the future sustainability of employment in those industries.

Changes such as working from home and, digitalization of businesses, for example, are now permanently part of the work environment. A global business that embraced remote working business models due to COVID-19 is likely to revert to how things were before the COVID-19 pandemic. This change is noticeable especially in the fields of IT, professional services, and education because telecommuting has been proven to be productive and economical. Although SURE supported employment during the crisis, one can wonder whether the supported jobs in turnover-intensive sectors such as retail and tourism will recover to pre-crisis levels or whether the pandemic has merely exposed the long-term decay of these sectors.[276]

Some of the Member States employed the SURE funds not only for maintaining the jobs that have existed during the period the funds were disbursed but also for training workers for new jobs. Germany and the Netherlands for instance, used part of the SURE funds to retrain the workers for some of the sectors that are likely to grow in future such as renewable energy, digital services and logistics. Such proactive measures have assisted in a view towards the future workforce in the post-Covid-19 world economy where some professions may become redundant while other sectors may come into vogue as the growth sectors.[277]

Economic Resilience and Employment Security

The current pandemic served as an economic shocker that challenged the European labour market in many ways. That SURE was instrumental in offering initial member state funds to help alleviate an immediate deficit without a doubt contributed to reducing the impact, but it also highlighted flaws present in the EU’s crisis management mechanisms. SURE, is temporary, and it means the EU needs to find ways how to develop sustained measures of job protection that would be more efficient in managing crises.[278]

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[276] Ibid.
[277] Ibid.
[278] Lindner, V. 2022. "Solidarity without Conditionality: Comparing the EU Covid-19 Safety Nets SURE, Pandemic Crisis Support, and European Guarantee Fund." SSRN.

Another notable aspect, which can be learned from SURE is that employment security must be sustained at least during economic adversity. Threatening mass unemployment, SURE successfully retained workers' employment through subsidies and short-time work schemes. On the contrary, those European countries which depended more on unemployment benefits; like the United States faced more problems of long-term unemployment and more problems in re-employment of the teaming population who had become jobless.[279]

As for the future, the effectiveness of SURE has sparked debates on the need for the EU to have a permanent job preservation scheme. Of course, the establishment of such a system would offer a more coherent and predictable approach to the next shocks to economic development, and it would allow the Member States to quickly apply financial resources to protect people's jobs without the need to develop new tools each time an event takes place. A permanent mechanism could also overcome some of the drawbacks associated with SURE, for instance, initial pay-as-you-go for disbursement of cash and the fact that some Member States are better placed to implement job protection effectively as others.

Long-Term Implications for Employment Policies

It strongly affects employment not only during the pandemic but also influences the future concept of employment and its policies in the EU states – Positive analysis of SURE. By focusing on the safeguarding of jobs as opposed to merely supporting unemployment, the regulation has ensured that the job retention schemes continue to remain as part of the measures used in addressing future crises. The emphasis in this case is on preserving the relationship between employers and employees, which is especially important in fields which require special skills and experience to drive economic growth.[280]

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[279] OECD. 2021. "OECD Economic Outlook, Volume 2021 Issue 2."

[280] The most relevant sources for this passage are Elia and Bekker (2023), which addresses SURE's impact on employment protection measures, including wage subsidies and short-time work schemes, and their potential integration into EU employment policies. Lindner (2022) provides insights into the effectiveness of SURE in mitigating the adverse effects of the pandemic and the discussions around expanding social protection to cover more vulnerable groups, such as the self-employed and precarious workers. Additionally, Corti and Huguenot-Noël (2024)

In the long run, this may translate into the EU creating a permanent set-up of some of the practices adopted through SURE. For instance, wage subsidies and short-time work schemes that were initially adopted in the EU as temporary solutions at the height of the crisis may become rather long-term solutions, integrated into the EU employment policy repertoire. From the case of the pandemic, it can be concluded that these mechanisms allow for the prevention of unemployment and the maintenance of stability in disrupted times.[281]

Besides, the performance of SURE in preventing the adverse effects of the pandemic on employment has created debate concerning the necessity of developing a more robust programme on social protection in the EU. Where SURE has helped ease the disastrous impact of COVID-19 on people's livelihoods, however, there are still deficits regarding the extension and inclusiveness of the social protection floor for specific categories of self-employed and precarious workers. As the EU heads towards a post-pandemic economic recovery, there has been increased awareness that these employment protections should be enhanced to provide basic security for all employees in the event of future disasters.[282]

Projections for Future Resilience

In light of this, the SURE Regulation has provided a blueprint for how the EU can address economic shocks with unity and efficiency. That is why its achievements in maintaining the level of employment and avoiding large-scale dismissals have shown the effectiveness of free, quick large-scale actions in moments of a crisis. Nevertheless, the future stability of the EU's labour market will depend on the willingness of Member States to maintain and develop actions stimulated by SURE and investing in human capital.

It is now clear that future economic resilience will need the protection of jobs in the short term and for the longer term the skills and 'capabilities' needed for its

offer an analysis of how SURE has influenced long-term policy development and the potential for establishing more permanent crisis-response mechanisms within the EU.

281 Check citation 280

282 Ibid.

employment. Considering the development of industries and the appearance of new technologies the problem of labour market flexibility becomes critical for the EU and the corresponding skills of the workers needed. Thus, it may be stated that the support offered by SURE was instrumental in preventing severe, immediately financially insecure situations in the majority of the Member States; though the role of the instrument will be more valued depending on how the Member States will be able to adapt the lessons learned from the COVID-19 crisis management to the employment policies today.

3.4.2 – Lessons for Future Crisis Response

Hence, the SURE Regulation which is a temporary tool instituted during an unprecedented crisis gives us insights on how the EU can manage crises in the future. The global COVID-19 outbreak led to strict economic measures, which affected the European Union economically and prompted it to act quickly to preserve jobs and stabilize labour markets against social and economic impacts. This paper has revealed certain lessons' regarding SUREs' realization that can be transferred to other future interventions at the European Union level, especially in the case of possible economic, health, or environmental shocks. This section will present the essential findings of the SURE and the suggestions for the new mechanisms in crisis.

SURE's Strengths: Rapid Response and Solidarity

The last two levels of SURE's effectiveness are where the EU greatly succeeded in creating and implementing the mechanism in record time. It was designed and launched within approximately several months since the beginning of the pandemic, and this demonstrates the EU's potential to activate funds efficaciously. Making availability of social bonds as issued by the European Commission important and necessary element in raising in a short time the necessary funding for the Member States. In general, by mid-

2021, more than € 90 billion had been paid, which effectively supported Member States amid the crisis.[283]

This early reaction gave Member States the possibility to enact wage subsidies, short-working schemes and other employment practices that, among other things, hindered mass unemployment. The EU policy of solidarity has worked for SURE as it ensures that as much as possible job losses were avoided. Again, through collective guarantee, the EU was able to borrow at low rates and then lend the money to the worst-hit countries in Europe such as Spain, Italy and Portugal. This principle of solidarity where several member states offered support to other more fragile member states to address challenges within the marketplace was vital in cementing the stability of labour markets within the EU.[284]

Therefore, the concept of solidarity should become one of the key principles for future mechanisms of response to the crisis. The pandemic also showed that member states' economies depend on each other and therefore developed actions require a multi-country approach for managing problems that affect all the member states though with different impacts.[285]

Addressing Delays and Administrative Challenges

However, SURE's implementation has not been without minor administrative setbacks, especially regarding the early distribution of funds. Some Member States faced challenges of bureaucracy in accessing financial assistance, which hampered their efforts towards putting in place measures that could help in creating employment in the member countries. These bureaucratic constraints showed the EU that there were opportunities for the enhancement of its crisis response mechanism.[286]

[283] European Commission. 2023. "SURE - European Commission."

[284] Lindner, V. 2022. "Solidarity without Conditionality: Comparing the EU Covid-19 Safety Nets SURE, Pandemic Crisis Support, and European Guarantee Fund." SSRN.

[285] Elia, Panayiotis, and Sonja Bekker. 2023. "SURE: EU Support to National Short-Term Working Schemes and Its Openness to Non-Standard Workers." European Journal of Social Security 25(1): 41-59.

[286] Nato, A., & Bontempi, V. 2022. "The Protection of the EU's Financial Interests and Pandemic Emergency Tools: An Analysis of the Control Mechanism between the EU and the Member States." REAL. And: Castellarin, E. 2020. "The European Union's Financial Contribution to the Response to the COVID-19 Crisis: An Overview of Existing Mechanisms, Proposals Under Discussion, and Open Issues." European Papers. And: Burriel, P., Pérez, J. J., &

Therefore future mechanisms should pay particular attention to easing the complicated administrative processes. This could include putting in place a permanent crisis response fund that has laid down procedures for disbursement should a building block of a crisis arise. Further, less bureaucratic measures will ease the process of paperwork and will enhance the speed of the distribution of funds to the Member State in the initial phase of an emergency when it is most important.

Efficient disbursement of funds to the affected countries must be a priority in future disaster response models. Pre-established patterns and protocols implying a predetermined set of actions could leave less room for delays, and thus, enable Member States to introduce measures of preventing crises more effectively.

Flexibility in Fund Allocation and Tailored Support

One of the significant findings when looking into the case of SURE was that the program offered fairly extensive discretion to Member States concerning spending. SURE provided limited direction regarding the expenditure of the funds, With regards to employment maintenance mainly setting broad objectives national governments were free to make adjustments to make the respective measures fit their situations. For instance, Spain and Italy provided SURE funds towards wage subsidies, and short-term work support measures, which were the most affected countries by the pandemic. On the other hand, some countries like Germany chose to utilize the funds for self-employed people and other sectors that are most affected like tourism.[287]

This ability was particularly helpful in circumstances where the effects of the pandemic could be extremely different within different countries or various types of organizations. The fact that SURE offered a possibility to adjust the measures and make them fit the

Kataryniuk, I. 2023. "Computing the EU's SURE Interest Savings with an Extended Debt Sustainability Analysis Tool." HPE-RPE.

[287] The most relevant sources for this passage are Castellarin (2020), which provides a detailed overview of how SURE funds were distributed across Member States, highlighting the flexibility afforded to national governments in terms of fund allocation. Elia and Bekker (2023) discuss the varied use of SURE funds, especially in countries like Spain and Italy, which focused on wage subsidies and short-term work measures, as well as Germany, which directed funds to support the self-employed and heavily affected sectors such as tourism. Lindner (2022) offers insights into how this flexibility was key to the effectiveness of SURE and provides guidance for future EU crisis-response mechanisms, emphasizing the importance of maintaining adaptability in addressing diverse economic challenges across the Union.

conditions of a definite Member State made this approach more successful in tackling the problems set in different countries.[288]

For future crisis mechanisms, it will be necessary to keep the same level of flexibility sustained in this organization. Crisis losses are never equal, even if the type of crisis differs, hence, national governments should have the freedom to allocate resources as it obtains within the country. Future mechanisms must use the principles of need-based, responsive support to identify pointer places that need support most.[289]

Institutionalizing Crisis Response Mechanisms

The EU experience captured by SURE underlines one of the most important and obvious observations about the necessity of establishing mechanisms for rapid response within the framework of the European Union. As has already been observed, SURE was planned as an emergency measure aimed at solving the acute issues in the sphere of labour relations that evolved against the background of the COVID-19 pandemic. Nevertheless, the practice of designing and subsequently employing SURE has proved that it would be beneficial for the EU to always have the mechanism in its capacity for possible future challenges.[290]

That is why a permanent job retention mechanism or a more substantial crisis fund would allow the EU to act much faster and more effectively concerning future economic turbulence, be it stock market collapses, epidemics, or natural disasters. The creation of a permanent crisis management mechanism would not only avoid the time consumed on creating new instruments for each new crisis but also aim at increasing the cooperation between the EU institutions and the Member States.[291]

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[288] Ibid.

[289] Ibid.

[290] Here most relevant sources for this passage include **Lindner (2022)**, who advocates for the establishment of permanent crisis response mechanisms, emphasizing the necessity of institutionalizing tools like SURE to ensure faster and more coordinated responses to future crises. **Castellarin (2020)** further reinforces this notion by discussing the efficiency of SURE as a temporary mechanism and suggesting that the EU could benefit from having such structures in place permanently to avoid delays in response. Additionally, **European Court of Auditors (2020)** provides insights into how the SURE framework and its lessons could inform future crisis management systems within the EU, highlighting the importance of preparedness and swift coordination among EU institutions and Member States.

[291] Check citation 290

This can work under specific agreed circumstances; whereby individual Members will contribute to a common kitty whereby can be drawn when necessary. I believe that constant use of these rapid-response tools institutionalizes the EU more prepared for the next crisis so that all the members receive proper help immediately.[292]

Enhancing Coordination Between EU Institutions and Member States

For instance, SURE also stressed the need for EU institutions and Members States to act in unison. Although organisations, such as the committee responsible for the budget of the European Commission, took and distributed the money, the protection of employment measures came under the purview of the member countries. This decentralized implementation approach was viewed to mean that some Member States achieved higher levels of success than others in implementing the assistance.

It will therefore be useful in the future if there is much closer cooperation between the EU-based authorities and the Member State's National Authorities to ensure better, more effective compliance across the board with the measures introduced as a consequence of the crises affecting the EU. This could be solved by offering more substantial technical support to Member States with weak administrative realms and by improving the communication between the national and the European level. The EU could also consider proposing the idea of the formation of crisis response teams or simply task forces that will help Member States in implementing the required programs.[293]

Integrating Social Protection with Crisis Management

[292] Ibid.

[293] Most relevant sources for this passage include Elia & Bekker (2023), who analyze the role of EU support mechanisms like SURE and highlight the differences in Member States' administrative capacities, underscoring the need for closer cooperation between EU institutions and national authorities to ensure better compliance with employment protection measures. Lindner (2022) also provides valuable insights into how decentralized implementation led to varying degrees of success in different Member States, advocating for the importance of technical support to countries with weaker administrative infrastructures. Additionally, European Commission (2023) highlights the importance of improving communication and coordination between EU and national authorities for more effective crisis response.

For the first time, SURE proved that it is impossible to separate economic crisis management and social protection. Therefore, while the direct aim of the SURE was to maintain jobs, this avoided further serious social impacts of widespread unemployment. This emphasis on maintaining employment proved to facilitate the EU's rather fast recovery in comparison with other areas. Of course, SURE was a short-term measure but it was designed to give the EU important knowledge about what social protection can do in the time of economic crisis.

Further mechanisms for the EU crises should focus on safety nets for the different groups, that were not enough covered through employment protection in crisis, like freelancers and the like. Shooting more emphasis towards the enhancement of the social protection programs and their integration into the crisis response framework would add to a more inclusive and resilient economic recovery.

In conclusion, SURE Regulation played an important role in the EU's crisis response during the COVID-19 pandemic, offering financial help to member states and avoiding mass unemployment. With the findings derived from the analysis of the SURE's case, it is possible to give an adequate assessment of the potential EU crisis instruments. Therefore, through permanent institutionalization of rapid-response tools, endeavouring to keep flexibility in fund distribution and aiming at further development of social protection as an EU priority, all the Member States could be provided with a more sustainable mechanism for quicker and more efficient reaction to the future crises.

Conclusion

The COVID-19 crisis has become the largest crisis in recent decades, which impacts the economies, labour markets, and social structures on a global level. The European Union (EU) was not immune to this as it experienced a sharp increase in unemployment, economic volatility and disruption of businesses. This adverse effect was promptly addressed through the Support to Mitigate Unemployment Risks in an Emergency (SURE) Regulation which became one of the focal measures aiming at saving jobs and maintaining the financial stability of Member States. This thesis has given an account of the response mechanism of SURE and the effectiveness, problems, and consequences that have arisen in response to the EU's future in crisis management.

The purpose of this thesis was to evaluate if the SURE Regulation has been helpful in the avoidance of large-scale unemployment and fostering of Economic recovery in the EU. Exploring how SURE functions, particularly the STWs, wage subsidies and financial support for self-employed persons, it became clear that SURE was of paramount importance in maintaining the labour market underpinnings during one of the worst periods in the history of the EU. This regulation also offered the financial need as well as represented a principle of solidarity throughout the EU in crises.

Key Findings

1. Preservation of Employment: Among the key insights of the thesis, it is possible to pinpoint that SURE played the role of employment sustainment throughout the EU in the context of COVID-19. The comparison of countries such as Spain, Italy, and Germany demonstrated how these governments were able to implement or extend the wage subsidy program and STWs by using financial intervention, thereby avoiding the expected massive layoffs. They show that without SURE unemployment rates in these countries would have been higher. For instance, in Spain where the unemployment rate was expected to hit 25%, this has been held at a maximum of 16% due to proper use of the SURE funds in the ERTE scheme. Likewise, Italy's *Cassa Integrazione Guadagni* (CIG) programme, backed by SURE, helped to avert the unemployment disaster in a nation that has been hard hit by the virus.

Furthermore, utilizing SURE the Member States received up to €100 billion under favourable lending terms to assist deprived their national funds without worsening the public debts. This mechanism helps to take a lot of financial burden off the national governments due to issues arising from the pandemic by providing access to low-interest loans.

2. Flexibility in Addressing National Needs: Another advantage of SURE was versatility as it tried to meet the specific requirements of various Member States. It gave a general guideline within which parties developed and set up individual programs regarding particular aspects of the economy and labour market. For instance, as Germany extended its *Kurzarbeit* program to support the automotive industry workers, Italy attempted to protect manufacturing and retail businesses, which were most disturbed by supply interruptions.

This flexibility also provided Member States with the opportunity to cover other vulnerable groups who would have otherwise not fallen under protected employer schemes. For instance, the self-employed workers and the freelancers experienced a large blow in terms of income due to the pandemic; and the SURE helped in funding national support measures for them. In Italy, the scheme called *Indennità di Emergenza* was introduced as an emergency income intervention targeting self-employed workers in arts and entertainment among others. In the same manner, Germany's *Überbrückungshilfe* (bridge assistance) program assisted self-employed persons to sustain themselves during the crisis. That it was possible to fine-tune support to national circumstances shows how versatile the SURE Regulation was keeping no sector or group neglected.

3. Challenges in Implementation: However, the implementation of SURE was not without hitches as the following discussion reveals. The major problem area noted in this thesis was the bureaucracies and red-taping accompanying the processes at both the European Commission and the Member State levels. In several countries, fund disbursement was also a challenge because of administrative procedures or organisational interfaces between national and EU levels. It also for some periods resulted in the existence of gaps in coverage wherein the financial support was only provided after a certain interval of time and many workers or businesses suffered from a lack of timely support they require.

Moreover, Member States undertook different strategies which compounded the obstacle course. Whereas Germany and the Netherlands, for example, already had established short-time work schemes that could easily be scaled up, other Member States in the EU with less developed bureaucratic capabilities were able to successfully implement support programmes on the same level of efficiency. This aspect brought out the issue of disparate implementation capacities in the EU member states which in some occasions hampered evenly effective SURE programme implementation. However, these disadvantages did not negatively affect the main functions of the regulation all the while stressing the need for improvement of the procedures in the future EU crisis management.

4. Long-Term Implications for EU Labor Markets: Another major achievement, thereby leading to SURE, is its sustainability in fundamentally altering the structure and stability of the EU labour markets. Although SURE's acts were to stop redundancy across European countries, they also helped the EU in framing the future of employment protection mechanisms. In the context of the current study then, highlighting the role that SURE played in supporting short-time work schemes showed how the establishment of such mechanisms for future crises is possible.

Furthermore, the data in this thesis demonstrate that the countries, which used SURE funds for retraining and sectoral shift measures, perform better in the post-pandemic phase. Due to the relocation of the workers from sectors that have been greatly affected such as retail and hospitality to sectors that are thriving including logistics and information technology, SURE supported the Member States in the establishment of a more resilient labour market. This approach ensured job-saving in the short run and boosted the ability of the EU to sustain employment needs in the long run.

5. Solidarity as a Core Principle: Finally, the influence of the SURE Regulation may be related to increased EU cohesion. SURE, when combined with distribution based on need rather than financial strength, allowed just the nations most severely impacted by the epidemic, such as Spain and Italy, to receive only the necessary money without incurring debt. For example, Germany provided guarantees commensurate with its capacity to help other member nations with limited resources obtain the funds they needed to join the union. This model of shared responsibility can serve as a template for future EU action, demonstrating that economic cohesiveness can strengthen the Union's ability to cope with crises.

The principle of solidarity is especially essential when considering future developments of the EU's crisis management agencies. Recall from the thesis's components that the concept of a permanent EU employment retention program has become relevant following the SURE equation. Thus, the establishment of such a mechanism would develop orientations commensurate with solidarity, granting all Member States a 'financial responsibility', with EU assistance accessible in the case of crises without the need for non-systemic measures.

Lessons for Future EU Crisis Responses

The process of implementation of the SURE instrument has given insights for further crisis management in the EU. Here, one of the major lessons is the need for contingency mechanisms that may be put in place as soon as there is a crisis in the economy. Through timely coordination of financial resources and provision of funds to the affected Member States, the EU was able to prevent the situation from worsening in the labour markets. This capability should be the basis for the creation of other tools that will be required in the future by the EU to lessen the social and economic effects of crises.

Furthermore, the experience of SURE implies the necessity of the optimization of the administrative procedures that will help launch the support actions without significant delays. In the end, SURE was effective; nonetheless, the administrative issues that some Member States experienced during the work’s implementation indicate the presence of problems associated with the interaction between national and EU levels. This could have involved the policies that are always in existence waiting to be activated during a calamity hence implying less time between policymaking and policy execution.

It is also worth stressing that using SURE, short-time working schemes has been also proven to be beneficial in safeguarding employment during downturns. It has been effective in the maintenance of employment and in preventing the social costs arising from the health crisis when similar schemes were adopted in many Member States with the support of SURE resources. In the future, the EU might want to engage in elaborating more on such mechanisms as legal instruments to be ready for further emergencies without the urge to apply for exceptional legislation.

Last but not least SURE emphasizes how maintaining social protection is vital in preventing any sort of economic instability. Organizing support to self-employed workers, freelancers and other possibly more affected groups, the regulation has been assumed to be useful in avoiding lasting economic negative impact as well as to provide a fairer economic recovery. Subsequent future EU crisis mitigation strategies should therefore encourage prevention that encompasses all workers including those who are in non-standard employment.

Final Reflections and Broader Implications

In conclusion, it can be stated that the SURE Regulation can be viewed as one of the main achievements in the EU's crisis management policy. Yet the SURE scheme proved to be indispensable when it came to saving jobs, maintaining stability in labour markets and buttressing national economies at the time of the COVID-19 outbreak. The implications of this thesis, therefore, support the conclusion that SURE not only addressed its intended objectives but also prepared the groundwork for subsequent EU crisis instruments.

However, the potential of SURE is not limited to the situation of a crisis. The regulation has shown how EU solidarity, rapid responses, and the ability of nations to rebalance their labour markets must work together in times of crisis. These principles will prove useful in the future formation of the EU policies more so in social protection, employment and economic sustainability. Knowing these challenges and regarding the experience from SURE, it will be possible to elaborate that the EU will be better prepared to cope with the challenges that are awaiting it in the future and continue to help its citizens in need.

As the EU progresses forward, the integration of such measures as SURE shall be critical since the EU has been witnessing challenges and shocks that if experienced in the future may affect the social and economic welfare of European citizens. From the experience of implementing SURE, when acting together, Member States can address even the largest issues becoming an example of solidarity within the EU.

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