



SAVING JOBS AND PROTECTING INCOMES FROM NATIONAL SCHEMES TO A EUROPEAN DOUBLE SAFETY NET



Summary

Commentators, politicians and policymakers have insisted ad nauseam on the unique and unprecedented nature of the social and economic crisis caused by the Covid-19 pandemic. Faced with more doubts than certainties, governments around the world soon realised that the only effective way to keep the pandemic at bay would be to decree the near-total paralysis of the economy and ask millions of workers around Europe to stay at home. The need for social distancing has placed labour markets under extraordinary stress and has compelled policymakers on both the national and European level to readapt their policy toolkit in order to safeguard economies and provide a bridge over the crisis for millions of European workers.

In stark contrast with previous crises, the authors of this paper take a positive view of the implementation of bold job-saving schemes predicated upon the tenets of short-time work. As shown in various case studies, these schemes have been successful in preventing mass redundancies, long-term unemployment and business closures. We posit that, for as long as this exceptional health crisis persists, governments should not give up on their duty to provide a safety net for millions of workers who are still affected by the slowdown of aggregate demand across the continent.

Our paper presents an appraisal of the newly created SURE instrument. This is welcomed as a positive step towards the attainment of anti-cyclical stabilising mechanisms on a supranational level. However, we are clear in elucidating the limitations of this new scheme. It is limited to loans and, most importantly, its scope is constrained to those jobs that can be saved. More therefore needs to be done in light of the impending economic crisis.

SURE cannot be misconstrued as a satisfactory end but rather as a window of opportunity for more ambitious progressive politics. A European unemployment reinsurance scheme is gaining increasing momentum and indeed we make a strong case for its prompt implementation. The shock-driven recovery is already underway in the form of a strengthened safety net for European working families. However, recovery needs to be followed by transformation, and policymaking at a European level can contribute decisively to the formation of a double safety net underpinned by the guiding principles of solidarity and social justice.

About the authors:

László Andor

Secretary General at FEPS Foundation for European Progressive Studies

Fernando Rejón Sánchez

Trainee at FEPS and UCL University College London.

Lukas Hochscheidt

DGB German Trade Union Confederation and Sciences Po Paris

Saving jobs and protecting incomes: from national schemes to a European double safety net

László Andor

Secretary General, Foundation for European Progressive Studies (FEPS)

Fernando Rejón Sanchez

Trainee, FEPS and undergraduate student, University College London (UCL)

Lukas Hochscheidt

German Trade Union Confederation (DGB) and postgraduate student, Sciences Po Paris

Table of contents

Introduction	2
1. National policies against the Covid-19 labour market shock.....	3
1.1. Germany.....	3
1.2. Austria	5
1.3. Spain.....	6
1.4. United Kingdom	8
2. The EU response to the pandemic: launching SURE.....	11
2.1. The EU employment policy and internal flexibility.....	11
2.2. The EU budget and a stabilisation function.....	12
2.3. The capacity and limitations of SURE	13
3. Next step: real unemployment reinsurance	14
3.1. The case for an unemployment-related stabilisation capacity	14
3.2. Emerging expert consensus: from undercurrent to paradigm shift.....	15
3.3. Unemployment insurance on the political agenda	16
Conclusions: the need for more safety nets.....	18
References	19
ABOUT THE AUTHORS.....	23



Introduction

In March 2020, European countries were suddenly overwhelmed by the Covid-19 pandemic originating from China. The unprecedented nature of this crisis may explain why most national governments, together with leaders of the EU institutions, responded to this emergency with delay as well as inconsistency. Nevertheless, it was quickly understood that the challenge was to tame a healthcare, economic and social crisis simultaneously. The search for appropriate tools and strategies began.

Once it was understood that to slow the spread of the pandemic much of the economic and social activity has to stop, the risk of rapidly rising unemployment was identified. The European Union was expected not only to mobilise existing instruments but also quickly to develop new ones. On 2 April 2020, after making €37 billion available from structural funds, and after freezing state aid and fiscal rules, the European Commission duly put forward a proposal for the creation of a European instrument for temporary Support to mitigate Unemployment Risks in an Emergency, also known by its acronym SURE (Corti and Crespy 2020). This bold and innovative move must be welcomed, but the actual profile of this new instrument requires clarification in order to avoid misunderstandings, false expectations, and eventual disappointment. Most importantly, SURE will not be capable of stabilising the member states' economies once mass unemployment takes effect that cannot be stopped by short-time work.

This being said, employment has just been another example of a more general flaw in the structure of the European Union – namely that practically all emergency and stabilisation mechanisms are located at the national rather than the European level. The EU allows for free movement and contributes to shared prosperity, but in 'bad times', the member states often tend mainly to rely on themselves or bilateral deals. This was experienced during the 2010 financial crisis, the 2015 migration crisis, and most recently the 2020 Covid-19 crisis. All three crises, however, have managed to push the EU towards building more emergency and stabilisation capacities, delivering "de facto solidarity", as the late French foreign minister and EU founding father Robert Schuman called it. Recent developments in the wake of the coronavirus pandemic represent a new chapter in this story.

As regards solidarity mechanisms and a European approach to the mitigation of social and economic crises, the Covid-19 pandemic has accelerated the situation. After a decade of advocacy in favour of macroeconomic stabilisation functions, in the shape of a European unemployment reinsurance scheme (or even a common EU unemployment scheme), debates on intra-EU solidarity have finally gained momentum and ended up on the negotiation table. The question of how to stabilise the European labour market *together* as 27, rather than in an unhealthy competition between the member states, is therefore likely to lead to concrete policymaking in the not too distant future.

1. National policies against the Covid-19 labour market shock

The Covid-19 pandemic has produced an unprecedented, though orchestrated, recession. As social distancing and institutional lockdown became the dominant strategy to tame the pandemic in March 2020, entire industries came to a sudden halt. The travel, hospitality and entertainment sectors have been particularly hard hit as a result. From a macroeconomic perspective, this represented a genuine ‘supply shock’, which by contrast quickly turned into a ‘demand shock’, given the substantial loss of personal incomes.

According to the OECD (2020), the impact on economic growth was immediate and heavy. Among its member countries, GDP dropped substantially in the first quarter of 2020,¹ despite the fact that most OECD countries put in place meaningful containment measures in the second half of March. The second quarter went on to record a dramatic fall in all countries of the organisation. On average across the OECD, GDP was expected to fall by 13.2 per cent in the second quarter of 2020.² In its Summer Forecast, the European Commission expected a recession of 8.3 per cent of GDP for the European Union in 2020 (8.7 per cent for the euro area) (European Commission 2020A).

The International Labour Organisation (ILO) also came forward with quick estimates about the damage to work caused by the pandemic. The Covid-19 crisis was expected to wipe out 6.7 per cent of working hours globally in the second quarter of 2020 – equivalent to 195 million full-time workers. In its Spring 2020 Economic Forecast, the European Commission had already forecast a rise in unemployment from 6.7 per cent in 2019 to 9.0 per cent in 2020 in the EU (from 7.5 per cent to 9.6 per cent for the euro area) (European Commission 2020B).

¹ Between the last quarter of 2019 and the first quarter of 2020, GDP fell by 5.3 per cent in France and Italy, 5.2 per cent in Spain, 3.8 per cent in the euro area, 2.2 per cent in Germany, 2.1 per cent in Canada, 1.4 per cent in Korea, 1.3 per cent in the

Although in most European cases it has been recognised that the economic crisis response has to be coupled with a social one, this has also been a matter of governmental choice. As we will show in the following sections, these choices have been very diverse and have led to very different outcomes.

1.1. Germany

Barely a few weeks into the Covid-19 crisis, the German federal government made a U-turn regarding its stance on EU fiscal and economic policy. Giving up its fundamental opposition to fiscal transfers in the European Union, the Merkel administration (alongside France) therefore paved the way for the Recovery and Resilience Facility, which created the first common debt instrument in the history of European integration (Hacker 2020).

This paradigmatic shift at EU level was accompanied by a bold and unprecedented rescue agenda at the national level, designed by Germany’s finance minister Olaf Scholz (SPD). Besides a temporary VAT reduction from 19 per cent to 16 per cent, the rescue package contains €130 billion of additional public spending, leaving behind the fiscal austerity paradigm of balanced budgets (the ‘*schwarze Null*’ or ‘Black zero’ rule, referring to budgets balanced between fiscal spending and tax receipts) which the German government adopted after the Great Recession (Roßmann 2020).

As regards its labour market, Germany has (once again) been much less affected than its European neighbours. In July 2020, the German unemployment rate reached 6.3 per cent, which represents a 1.3 per cent increase compared to July 2019. With 2.9 million Germans unemployed, the symbolic threshold of 3 million jobless individuals has not been

United States and 0.6 per cent in Japan (OECD 2020).

² Projections published in the July 2020 OECD Employment Outlook (OECD 2020).

reached. Compared to countries like Spain, where unemployment skyrocketed to 20.1 per cent in May 2020 (16.1 per cent in May 2019), Germany has done fairly well in protecting employment.

One of the reasons why Germany has been able to avoid mass unemployment despite a comprehensive lockdown is its *Kurzarbeit* (short-time work, STW) model. Building on the success story of German STW schemes in the past, the German government decided to expand the existing scheme, making it even bigger than that applied after the Great Recession of 2008. Starting on 1 March, the new programme was initially supposed to run until the end of 2020. By the end of May 2020, about 7 million workers had been enrolled in STW schemes (Höfgen and Ehnts 2020; Wixforth and Hochscheidt 2020).

The German model is similar to that of Austria: if companies decide to temporarily reduce the working time of their employees instead of laying them off, the state takes charge of the workers' STW allowances and social security contributions. Nonetheless, there are important differences between the two countries regarding the net income replacement. While Austria grants a replacement rate of between 80 per cent and 90 per cent of net income, the German scheme replaces only 60 per cent of the income loss (67 per cent for workers with children). After strong pressure both from Germany's trade unions and its Social Democratic Party (SPD), a new income replacement scheme was agreed in late April 2020. After three months of STW, the income replacement rate goes up to 70 per cent (77 per cent) and eventually reaches 80 per cent (87 per cent) as of the seventh month.

This relatively low level of income replacement has been widely criticised in Germany as it increases the risk of poverty for low-income workers (Stahl 2020). Given that even full-time work on the current German minimum wage (€9.35 per hour) pays below the poverty threshold of 60 per cent of the median national income, the drastic income cuts due to STW represent a major challenge for many working families. Another point of criticism is the maximum period of benefits. Normally, STW

allowances are paid for a maximum period of 12 months and even though this has now been extended to 21 months due to the developments in the Covid-19 crisis, this extended period of benefits is only for STW arrangements that existed before the outbreak of Covid-19.

In addition to STW, Germany has put financial support mechanisms into place for the self-employed. After the first round of (non-repayable) emergency support grants financed by the federal budget (from March to May), a new mechanism has now been created to help SMEs and self-employed workers cover their ongoing operating costs for three months. This scheme has been complemented by additional funds at the regional (*Länder*) level.

Even though the total number of workers in STW has decreased significantly since May (Statistik der Bundesagentur für Arbeit 2020), the crisis is far from over and successful job-saving mechanisms will still be needed. Germany's minister of labour and social affairs Hubertus Heil (SPD) has therefore put forward a proposal to carry on the crisis-adapted STW schemes until March 2022. Regarding the maximum period of benefits, Scholz called for a general extension of existing arrangements to 24 months which Heil included in his proposal. According to the Ministry of Labour and Social Affairs, the additional costs of an extended period of benefits could amount to €10 billion, depending on how many workers are concerned (Küstner 2020). The Heil plan also includes complete coverage by the state of the employer-share in social security contributions – an important argument to convince employers to prefer STW over layoffs in the next two years.

On 25 August, the German government coalition of Christian-Democrats and Social Democrats decided to implement most of what Heil and Scholz had proposed. The expanded STW scheme will now run until the end of 2021 (not March 2022, as proposed), with the same income replacement rates and an extended period of benefits (24 months). The employer-share in social security contributions for workers under an STW arrangement will continue to be fully

reimbursed by the state until the end of June 2021; between July and December 2021, the reimbursement will be reduced to 50 per cent (100 per cent for STW workers who take part in professional training and qualification). At the same time the support mechanism for SMEs and the self-employed will also be carried on until the end of 2021. The government cabinet will vote on these measures on 16 September.

To address the risk of long-term unemployment, IG Metall, the German metalworkers' union in the important and hard-hit automobile sector, has called on the government to consider 'four-day-week' arrangements. These time reduction schemes could create incentives for companies to refrain from lay-offs and provide safe jobs in the years after the crisis, once STW schemes have been phased out. Heil has shown interest in this proposal, on condition that such arrangements are developed and agreed upon jointly by the social partners.

1.2. Austria

Austria represents one of the strong economies in the euro area and has been a model of exemplary practice, whether on the quality of social dialogue, the effectiveness of its public employment service, or on innovative solutions like the youth guarantee. Austria has also been quick to respond to the Covid-19 crisis, applying *Kurzarbeit* (short-time work, STW) schemes.

After the Austrian government introduced massive confinement measures on 16 March 2020, unemployment soared by roughly 180,000 individuals within two weeks, from a total of 400,000 at the end of February. The most affected sectors were accommodation, where the number of unemployed people climbed by 178 per cent within two weeks, and construction (+64 per cent). Moreover, personnel leasing workers have seen a 39 per cent rise in unemployment.

To counter this rapid increase in unemployment, the Austrian social partners negotiated a new model which was introduced on 20 March (Schnetzler et al. 2020). This

includes a public net income replacement of between 80 per cent and 90 per cent for three months and a temporary reduction in working time to as little as zero hours. While unemployment in April 2020 was at an all-time high not seen since the end of the second world war (12.7 per cent), there has been a large number of applications for STW. By the end of May 2020, 1.3 million Austrian workers had enrolled in STW arrangements (Höfgen and Ehnts 2020). This represents roughly a third of the working population.

Through its STW arrangements Austria is thus enabling a significant number of employees to keep their job and sustain consumption levels in order to mitigate the economic crisis. The positive effects on the demand-side are mainly due to the relatively high income-replacement rate of the STW scheme compared to unemployment benefits (which have a net income replacement of only 55-60 per cent). Although current STW applications by far exceed the levels reached during the Great Recession, the STW scheme put into place in 2008 was nevertheless a useful blueprint: while working hours declined by 3.2% in 2008 and 2009, employment only decreased by 1.5% (Mazohl 2020).

The budget for public income compensation was initially limited to €400 million. This was raised to €1 billion on 28 March. In the end, €3.9 billion was spent on STW until the end of July, which is nearly 1% of Austrian GDP. In addition, Austria spent some €25 billion in subsidies to support companies and to fund sector-specific state aid between mid-March and the beginning of July. These 'extra efforts' boosted the liquidity of Austrian companies and indirectly enabled them to refrain from mass lay-offs. In this regard, Austria is in a far better position than EU member states with more limited fiscal leeway. Indeed Austria is spending nearly as much to support its domestic economy as Spain, but Spain's GDP is more than three times as big (Wixforth and Hochscheidt 2020).

In late July 2020, the Austrian government and social partners negotiated a new STW scheme that is due to start 1 on October (ORF 2020). As a great number of workers are still

concerned by STW (475,000 on 28 July), the new programme is set to run for another six months. While the net income replacement rate of between 80 per cent and 90 per cent is to be maintained, short-time workers must now work at least 30 per cent of their regular working hours in order to be eligible for STW.

Despite the very positive effects of STW on economic recovery and job security (58 per cent of workers who lost their jobs in the second half of March were recalled by the end of June) there is still room for improvement because STW is a tailor-made solution for industrial companies. Where highly skilled and specifically qualified workers are difficult to replace, there are strong incentives for companies to prefer temporary lay-offs and STW over permanent (mass) dismissals (Nekoei and Weber 2020). However, low-skilled workers in the services sector and employees of SMEs are far less protected by STW. Their employers might consider the opportunity costs of STW schemes higher than the cost of lay-offs (as well as new recruitment) and dismiss rather than keep workers. The same goes for workers in the platform economy and other precarious working arrangements such as seasonal work (Mazohl 2020).

Austrian trade unions, the Federal Chamber of Labour and the Social Democratic Party of Austria (SPÖ) are therefore calling for stronger unemployment insurance schemes, including atypical forms of work, with a considerably higher net income replacement (Tamesberger and Woltran 2020; Feigl et al. 2020). STW can help mitigate the immediate consequences of a rough economic shock. However, for an economy to be resilient and to secure the labour market in the long run, a comprehensive and poverty-proof unemployment insurance is still key.

Alongside all this, Austria is in the midst of a lively debate on fundamental reforms of the labour market. Between 2008 and 2016, long-term unemployment rose from 33,000 to 120,000 workers unemployed for more than a year (Theurl and Tamesberger 2020). To prevent a further increase in long-term unemployment after the Covid-19 crisis,

different proposals have been put on the table. While some call for a job guarantee (at the national level), creating employment in the public sector (ibid.), the idea of a working-time reduction to a ‘four-day-week’ has gained momentum.

The Austrian Confederation of Trade Unions (ÖGB) has been advocating such an arrangement for many years and has already successfully implemented ‘four-day week’-options in some collective agreements at sector level (Leinfellner 2020). Recently, the SPÖ has also called on the government to create the possibility for workers to reduce their weekly working time by one fifth. The resulting income loss would be shouldered equally by the state, the employer and the worker. As a result, a 20 per cent decrease in working time would result in a wage loss of only 5 per cent for workers. According to SPÖ president Pamela Rendi-Wagner, the ‘four-day week’ would prevent future mass unemployment and is a cheaper alternative to STW in the long run (John 2020).

1.3. Spain

Inspired by the German policy model of *Kurzarbeit* (short-time work, STW), Spain’s progressive coalition government has situated its short-term layoff scheme, the ERTE (*expediente de regulación temporal de empleo*), at the centre of its response to the economic crisis. Faced with a near-total halt in activity, the scheme has enabled the Spanish state to protect millions of jobs whose destruction would otherwise have swelled the already-high unemployment figures (17 per cent prior to the outbreak of the pandemic). Incurring an overall cost of €17 billion in direct transfers plus €6 billion in forgone social-security payments (Airef 2020), the state’s treasury assumes the payment of 70 per cent of the employee’s salary and exonerates employers from paying the social-insurance costs associated with the workers on this scheme.

At the peak of the pandemic, the ERTE protected over 3.4 million workers – over one-sixth of Spain’s workforce – and half a million businesses of all sizes. In no month between

2008 and 2013 had the number of workers thus protected exceeded 60,000 (Dombey 2020). At that time, under a conservative *Partido Popular* government, the political response to recession rested entirely on mass redundancies and business closures. The current government is not willing to repeat that mistake.

In a political climate characterised by increasing polarisation, Spain's Ministry of Labour and Social Affairs headed by Yolanda Díaz – the first communist to occupy a ministerial position in Spain's recent history – has managed to anchor its policy action within the framework of social dialogue, securing the support of the trade unions and employers' organisations. Businesses with furloughed workers have agreed not to lay off workers for six months after resuming ordinary economic activity. Furthermore, the scheme excludes companies headquartered in tax havens and it bans the distribution of dividends to large companies receiving public support.

The relaxation of Spain's lockdown measures in June has allowed for a partial recovery of economic activity and indeed recent figures suggest that the ERTE has been a clear success. At the time of writing, more than 75 per cent of furloughed workers have already rejoined their businesses' payrolls, which means that the overall number of people under ERTE protection has now shrunk to 959,000 (Seguridad Social, July 2020) from a record high of 3.4 million in May. Despite the accentuated short-termism of Spain's labour market, for the first time in the country's recent history employment figures are plummeting at a far lower rate than the contraction of gross domestic product (Dombey 2020). Good jobs in viable industries have been protected thanks to the policy intervention of socialist prime minister Pedro Sanchez's executive.

Nevertheless, a closer look into fresh figures reveals that this recovery is by no means symmetrical across all economic sectors. Indeed, 50 per cent of the remaining furloughed workers are concentrated in three economic industries: food and drink (22 per cent), trade (16 per cent) and accommodation (15 per cent) (Seguridad Social, July 2020).

Public authorities are raising the alarm as the epidemiological situation rapidly worsens. Spain is now facing the worst infection surge in western Europe as fresh flare-ups of the virus have forced public authorities to impose local lockdowns and decree the nationwide closure of night clubs, bars and other nightlife businesses. For an economy that has long suffered from an unsustainable over-reliance on tourism, the travel restrictions imposed by most European countries have dealt a tremendous blow to innumerable businesses in coastal locations and undermined Spain's tourist season enormously.

The uncertainty inherently linked to the pandemic has not gone away. The state of Spain's labour market is contingent on the constant variation of the country's epidemiological situation, and the subsequent slowdown of certain economic sectors that are not even approaching the long-awaited normality (which is very unlikely to emerge in the months to come). Other European governments are facing a similarly complicated dilemma over the extension of their job-protection schemes or their gradual phase-out in the months ahead.

However, it is of paramount importance to note that Spain's labour market continues to be an exception. The continuation of exceptional job-protection measures is therefore more than justified. Some experts ask themselves whether it is correct to subsidise jobs that they claim are no longer viable. Yet the question of the viability of jobs cannot be detached from the undeniable impact that health-related factors of a presumably temporary nature still have on the labour market. It is in everyone's interest to maintain a worker's attachment to the labour market, and to prevent long-term unemployment, as it is in this way that the foundations will be laid for a faster recovery as soon as health conditions allow.

The Spanish government is correct in its intention to extend the ERTE beyond the current deadline of 30 September until at least the end of the year. As long as the Covid-19 pandemic continues to generate uncertainty, the Spanish government should continue its

endeavours to provide stability in the form of a robust safety net for working families. The government is still immersed in ongoing negotiations with social partners, but all actors have expressed their willingness to maintain the programme for the months ahead (Piergiovanni 2020). For the public treasury, the extension of such a costly scheme is undoubtedly very significant. Spain is therefore set to receive €21.3 billion in financial assistance from the EU's newly created SURE scheme in the form of favourable loans. The support offered by the European Commission is to be welcomed as positive step in ensuring the financial viability of job-protection schemes, especially in countries burdened by large fiscal and budgetary limitations.

1.4. United Kingdom

Back in March 2020, when Europe finally woke up to the threat of the pandemic, Chancellor of the Exchequer Rishi Sunak sent a decisive message to the British public. Echoing the words previously pronounced by former ECB president Mario Draghi, Sunak declared that the government would do “whatever it takes” to safeguard the UK economy through this unprecedented crisis. Far from being merely a figure of rhetoric, Sunak’s “whatever-it-takes” promise carries policy implications of enormous significance. After decades of fiscal austerity and labour market deregulation under the auspices of economic neoliberalism, the government’s initial response was favourably received by the public and by most commentators for its extensiveness and ability to generate confidence in times of enormous uncertainty. Of particular relevance due to its size and stabilising impact is the Job Retention Scheme (JRS), more commonly known as the furlough scheme.

This scheme aims to avoid adverse long-term damage to the British economy by preventing mass job losses while supporting aggregate

demand in times of acute income falls. By subsidising 80 per cent of the worker’s wage, the state aims to maintain the attachment between employee and employer and thus limit the risk of a firm’s bankruptcy. The UK has been an outlier in not setting eligibility criteria for accessing the JRS. Any business, regardless of the scale of the negative financial impact from coronavirus, can furlough staff and claim the state subsidy. Official statistics and public statements repeatedly emphasise that over 9.5 million workers have been furloughed over the last five months. However, a methodological note is in order here as this figure constitutes the cumulative number of workers who have been furloughed for at least three weeks at some point during the pandemic, but it does not tell us what the situation looks like right now. Indeed, most estimates calculate that the current number of furloughed workers oscillates between 3 to 4 million people (Tomlinson 2020). This indicates that half of all furloughed workers are no longer covered by the scheme, suggesting an early success of the policy in bringing people back to work upon the recovery of normal activity in some economic sectors.

While offering hugely significant support for struggling companies, employees, and families, furlough was meant to be something to be phased out. Sunak announced that the JRS would be wound down from August, as employers’ national insurance contributions increase, and that it will ultimately be stopped by the end of October. Moreover, the Chancellor has set out the introduction of a Job Retention Bonus which offers £1,000 for each worker brought back from furlough by firms. According to the government, the withdrawal of the JRS is more than justified as it was meant to act as a temporary bridge over the crisis and never as a discouragement for people to remain out of the labour market or as the prime minister Boris Johnson said, “in suspended animation”.³

³ Jonathan Portes (2020) similarly argues that an extension of the JRS might produce an erosion of workers’ skills as inactivity is prolonged. In his view, government policy should rather allow for shifts in

demand and supply to freely materialise in a flow of workers “from firm to firm and sector to sector”. Although the argument certainly has force, it does

The adoption of the JRS entails a financial effort of undoubted significance for public finances as the UK Exchequer is incurring an overall cost of £60 billion this financial year (Young 2020). Nevertheless, the long-term cost of the scheme's premature withdrawal, as announced by Sunak, should make the government re-evaluate its decision. The one-size-fits-all phase-out risks aggravating the probability of permanent economic scarring as a consequence of lasting unemployment. An estimation by the leading National Institute of Economic and Social Research warns that a blanket phase-out of the furlough scheme risks driving unemployment up by 1.2 million people beyond the 2 million workers who are expected to lose their job in the autumn when the scheme comes to an end (Lenoël et al. 2020). Keeping the furlough scheme "makes economic sense", as its premature withdrawal will unleash an estimated 1-point decrease in productivity and a 1-point increase in permanent unemployment, leading to GDP being 2.5 per cent lower than it would otherwise be (Young 2020).

The government posits that its decision will encourage labour mobility from non-viable jobs towards emerging vacancies of higher productivity. However, this assertion does not square with the tremendous upheaval the British labour market is still experiencing today. The government's phase-out plan misses the sectoral nature of the current crisis facing the UK. The variation in initial output falls by sector is almost six times as large as during the financial crisis (Lenoël et al. 2020). Indeed, 50 per cent of the hospitality sector has not resumed ordinary economic activity (BICS 2020).

Driving employment towards the traditionally labour-absorbing (and most precarious) sectors of the British labour market such as hospitality or leisure will not work this time around as these are the sectors hit hardest by the scourge of the pandemic. The government's planned withdrawal of the JRS is premature and unsynchronised with regard to the country's economic landscape: overall

demand is still expected to be 15 per cent below the pre-crisis trend by the end of October and the number of available vacancies remains at record low levels (Adrian 2020). The government's reliance on the imaginary possibility of labour mobility at a time when the labour market is still under profound stress is thus either an over-optimistic forecast or a fallacy meant to obscure other political issues.

Sunak likewise argues that dropping the JRS is justified as it does not make sense to provide support for jobs that are no longer viable. However, once again, the Chancellor seems to be missing the underlying health-related reasons motivating the temporary suspension of work for millions of people. The progressive think tank Institute for Public Policy Research (IPPR) calculates that 3 million workers will still need to be supported by the JRS in October (Mcneil et al. 2020). Researchers warn that 2 million of these jobs are indeed viable, and sustainable in the long run if subsidies are maintained. Should the Chancellor go through with his plans, most of the collateral redundancies will not be caused by strictly organisational reasons or structural shifts in consumer preferences, but by health-related factors of an expected temporary nature. The exceptional reasons causing mass job losses led the Chancellor in March to provide a "bridge" over the crisis, as he puts it. Yet if the very same reasons persist as we continue to struggle against the Covid-19 pandemic, one cannot help but ask why Sunak has decided to let workers down just yet.

The UK government has decided to act against the advice of social partners – both trade unions and business associations – which are sounding the alarms about the fatal consequences that the withdrawal of the furlough scheme may have on the livelihoods of British working families. While this pandemic has been characterised by uncertainty since its onset, the government is illogically adhering to a rigid schedule that leaves millions of workers unprotected. Good jobs in viable businesses are at stake.

not seem to square with the bleak state of the UK's labour market today.



The government did have a choice. It could have opted for making the JRS more flexible and permeable to the stifled situation millions of workers are still experiencing. The IPPR has proposed turning the JRS into a “work-sharing scheme” (Mcneil et al. 2020), setting up a stronger system of incentives to encourage businesses to re-open and bring back their staff under subsidised part-time working. To avoid the maintenance of ‘zombie jobs’ (jobs that have effectively been lost), the scheme would be calibrated to offer support to those businesses deemed viable over the medium-long term (also taking into consideration the social-distancing restrictions affecting specific sectors).

The UK government stands out as an outlier in Europe with its unilateral, premature, and non-consensual decision to phase out the protection of workers and businesses. Nevertheless, the JRS represents an uncommon deviation from the UK’s neoliberal tradition under Conservative leadership, in times when the battle for ideas is in full swing in Europe. The government could have decided to renew its commitment towards British families and businesses through a more flexible extension of the JRS. However, once again, balancing the books has proven to be an issue of priority for the UK Conservatives. Old habits die hard.

2. The EU response to the pandemic: launching SURE

Shortly after the pandemic outbreak, the European Commission put forward an entirely new instrument promoting, and also financially supporting, short-time work (STW). Labelled SURE (temporary Support to mitigate Unemployment Risks in an Emergency), this new instrument is to demonstrate European solidarity by helping the efforts of national governments to save jobs. The core idea of SURE is that when a member state experiences a sudden severe increase in actual and planned public expenditure for the preservation of employment because of the member state's response to the Covid-19 pandemic, it can request financial assistance under SURE to cover part of this additional expenditure. Relevant expenditure concerns the extension or creation of STW schemes or similar measures designed to protect workers from the risk of unemployment and loss of income.

2.1. The EU employment policy and internal flexibility

This is not the first time that the European Commission has highlighted the potential of STW solutions. It was also the case in April 2012, when the Commission put forward the Employment Package to counter the consequences of the great financial and economic crisis. By popularising STW at the time of the euro area crisis, the EU did what it has been doing ever since the launch of the Lisbon Strategy: identifying best practices in the member states, and sharing them through various EU processes.

At the same time, by popularising STW, the EU was also moving towards defining a European labour model and creating consensus around a *hierarchy of adjustment possibilities* in the labour market for periods of economic downturn. If demand drops, adjustment through the reduction of working-time appears superior to other options such as the

reduction of wages, reduction of employment, or reduction of the labour force by lowering the retirement age. Although very far from being uniform, Europe has indeed shown some great examples of negotiated STW schemes coupled with training – for instance in Germany and Austria. This internal flexibility provides a strong basis for an economic rebound once demand picks up, creating a competitive advantage especially in comparison with the United States.

The most important feature of SURE is that it promotes internal flexibility at the time of a recession (as an alternative to external flexibility). This is seen as the royal road from an economic as well as social point of view, although it is not seen as a universal solution, or wonder weapon. Make no mistake: the STW arrangement is a much better option than unemployment, but this option does not exist everywhere.

STW has three main pre-conditions for it to function:

- (1) a demand-side shock after which the same economic structure as before can bounce back;
- (2) a strong social partnership⁴ between employers and trade unions, facilitated by a government that values the outcome of tripartite agreements and social dialogue;
- (3) the financial capacity to provide support either from an unemployment fund or directly from tax money.

Given these preconditions, an EU scheme focusing on STW would necessarily be biased for the better off workers from countries with stronger industrial relations and greater fiscal leeway (to finance public spending) and it would leave the more precarious workers in the precarious benefit schemes of structurally and economically precarious countries.

⁴ On the example of Austria, Schnetzer et al. (2020) stress the importance of social partners in negotiation, for the resulting effectiveness of

short-time work arrangements in the Covid-19 crisis.

Limiting EU solidarity to those workers whose jobs can be saved would raise questions. On the one hand, the number of unemployed is bound to rise simply because some businesses fall by the wayside. On the other hand, many people have temporary contracts and, in crises, most of these are simply not renewed, with the result that many people are added to the unemployment figures without being dismissed either de facto or de jure. Most of these people would be unlikely to be considered under STW schemes – as is also the case for self-employed and bogus self-employed workers in the platform economy. It is therefore particularly important that the SURE initiative is open to programmes designed for the self-employed. However, in its current form, it remains an exclusive support tool for labour market ‘insiders’.

2.2. The EU budget and a stabilisation function

The SURE instrument aims to make financial support available in the form of loans granted on favourable terms to member states that need to mobilise significant resources to alleviate the socio-economic impact of the pandemic through STW schemes or similar measures. Total loans could amount to a maximum of €100 billion. As of the end of August, 15 member states have been granted a total of €81.4 bn under SURE, including Italy (€27.4 bn) and Spain (€21.3 bn).

The legal basis proposed by the Commission is Article 122(1) and (2) of the Treaty on the Functioning of the European Union (TFEU),⁵ which enables the Union to support the member states financially in the light of “exceptional occurrences”.

SURE not only brings a new budgetary tool to the EU but also a new way of raising and providing resources. It does not require any upfront cash contributions from member states. Instead, to back the lending scheme, member states would commit irrevocable and callable guarantees worth €25 billion to the EU budget, with each guarantee calculated on the member state’s respective share of EU gross

national income (GNI). Such a system should ensure a high credit rating, enabling the European Commission to contract borrowings on the financial markets at favourable conditions, with the purpose of on-lending them to the member state requesting financial assistance.

Member states have until now had the possibility of financing 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 in stabilising employment (and the labour income that comes with that) for those whose jobs can be saved in a recession. At the same time, the Fund for European Aid for the Most Deprived (FEAD) provides EU support for those who lack the means to buy daily food for themselves. The missing element, however, remains the EU capacity to top up national unemployment insurance funds in the circumstances of a recession. While the rise of joblessness owing to Covid-19 can be massive, related funding will continue to rely entirely on national resources (Andor 2020).

Another downside of the SURE model is the zero per cent grant component. When borrowing under this scheme, the member state affected will have to cover administrative costs due to the need to organise the programme. The actual material help from the EU is therefore about delayed taxation. This may still make sense, but employers will only play ball if the benefits of organising STW schemes (in other words, keeping the entire workforce on board without changing contracts) exceeds the administrative and organisational costs which will anyway need to be shared within the country.

Volume is key for any stabilisation, and so is speed. The creation of SURE highlights this aspect, although in this case funds are disbursed following a procedure that involves the Council, and only on condition that certain criteria are met (that a short-time work

⁵ See D’Alfonso (2020).

arrangement or similar scheme is organised).⁶ Conditionality can be a good thing; it was rightly introduced for the ESF itself, which from the outset has been a structural fund, not a cyclical one.

For cyclical stabilisation, conditionality at the time of delivery causes delay and by definition makes the instrument weaker. However, in the case of SURE, some specific conditions setting minimum requirements for the scope, income replacement rate or period of benefits for the job-saving programmes would have been very helpful to guarantee the social impact of national schemes.

2.3. The capacity and limitations of SURE

One important flaw in the architecture of SURE is its legal basis. Referring to Article 122 (1) and (2) of the TFEU can be highly problematic in the long run because it builds on the presence of a – not clearly defined – emergency situation, but this legal basis is not viable for creating a permanent stabilisation mechanism. Nevertheless, the fact that the instrument is funded as a *European* instrument – and not an intergovernmental instrument – is still important. By not using the European Stability Mechanism (ESM) for this initiative, the Commission has, at least temporarily, avoided interference with the (divisive) debate on whether or not the ESM should be the vehicle for European solidarity in the Covid-19 crisis.

With SURE, the Commission proposes support in the form of loans to the member states that are in need. Support in the form of soft loans is certainly better than no support, but without a broader EU initiative that avoids sharply increasing levels of public debt in countries like Italy and Spain, soft loans will do little to reduce the looming risk of debt unsustainability in those countries. In essence, the roll out of new crisis response instruments needs to take place alongside a review of the fiscal rules of the EMU, if the austerity experience of the 2010-12 period is to be avoided (Vandenbroucke et al. 2020).

Despite its limitations, the added value of SURE has to be highlighted as European citizens look for help during this devastating pandemic. Nevertheless, it is also important not to oversell this tool. When the Youth Guarantee was introduced (following the December 2012 Commission proposal and April 2013 Council decision), the European Commission invested much effort in explaining what it can and what it cannot do. However, the intensive promotion and misinformation caused some damage, which is now a big risk.

For SURE to reach its goals, Balleer et al. (2020) stress the need for clear rules. Provided these are followed, SURE can be the starting point for a more ambitious European unemployment reinsurance system, eventually creating an effective automatic stabiliser for the EU (Vandenbroucke et al. 2020). If SURE is left to its own devices, however, its macroeconomic effect will not be robust.

The imperfect coverage of (bogus) self-employed and precarious workers in many member states underscores the urgent need to establish universal access to adequate social insurance, including unemployment insurance, for all workers in the EU, in whatever type of employment relationship, sector or activity they earn their living. This is one of the key principles of the European Pillar of Social Rights, which was proclaimed in 2017. A Council recommendation (in other words, a soft instrument of EU legislation) on access to social protection for all was agreed in 2019. What is needed today is its effective implementation. Implementing this principle in all member states – that is, through binding minimum requirements for national unemployment schemes, including coverage and income replacement rates – should feature prominently in a roadmap towards an effective euro area unemployment reinsurance scheme. Establishing SURE is an important step forward in the organisation of European solidarity, but it does not dispense us of making progress towards a fully fledged European unemployment insurance scheme.

⁶ Interestingly, Alcidi and Corti (2020) consider SURE unconditional, simply because a Memorandum of Understanding is not supposed

to be involved. However, since specific action has to be taken to access the EU funding, SURE can be classified as a conditional stabiliser tool.

3. Next step: real unemployment reinsurance

Within the short period of its genesis, SURE was introduced *in the context of* the debate about an unemployment reinsurance system, but there is a very important distinction to be made: SURE is *not* unemployment insurance, nor reinsurance.

Probably the best characterisation of SURE is that it is a *job insurance scheme* (Fernandes and Vandenbroucke 2020). It is a safety net for jobs, but not for the unemployed. This distinction is significant. In any existing unemployment insurance scheme, cash (and not a loan) is received by the unemployed individual. Neither element will apply here. Nevertheless, to the extent that SURE helps lower the number of actual unemployed, the national unemployment benefit schemes will cope better.

Hochscheidt et al. (2020) sum up the distinction between SURE and an unemployment reinsurance scheme: “SURE is entirely based on loans (instead of grants) and it merely protects already existing jobs (by backing national short-time work schemes). An unemployment reinsurance scheme, on the contrary, could act as a macroeconomic stabiliser when unemployment starts skyrocketing.”

3.1. The case for an unemployment-related stabilisation capacity

Establishing a minimalist monetary union in Europe, and especially one without a fiscal union, has always been controversial. Without the exchange rate mechanism – and in the absence of a lender of last resort, a central budget able to provide fiscal stimulus, or at least coordinated policies aiming to uphold aggregate demand across Europe through a revaluation in ‘surplus’ countries – economies experiencing balance of payments problems inevitably have to undertake an internal devaluation to regain cost competitiveness. This has adverse effects on employment and the social situation because it leads to unnecessary economic losses and has a devastating social impact.

The main rationale for setting up a stabilisation function for Economic and Monetary Union (EMU) is that national fiscal stabilisers might not be sufficient to smooth the cycle within individual countries, maintain economic convergence or deliver the optimal fiscal stance for the euro area as a whole. This has been the case in recent years when national budgets, even in countries with a sound underlying fiscal position, were overwhelmed in a very severe financial crisis, and when the lack of national fiscal stabilisation in turn harmed the whole euro area.

An automatic stabiliser at the EMU level would help uphold aggregate demand at the right time, and would prevent short-term crises from unleashing longer-lasting divergence within the monetary union. It would constitute a mechanism that strengthens the autonomy of each member state precisely by stabilising the EMU, based on transparent rules.

Focusing fiscal transfers on the mitigation of asymmetrically distributed cyclical shocks means that over the long term all participating member states are likely to be both contributors and beneficiaries of the scheme. Indeed, a study by the Bertelsmann Foundation simulating the effects of an unemployment reinsurance mechanism for the years 2000-16 shows that every member state would have acted as a contributor for at least three years (Dolls 2018). Even if the balance is not exactly zero after a certain period, the capacity of the system to reduce the duration and depth of economic crises would provide a more stable macroeconomic environment for all, sustain aggregate demand and therefore improve growth perspectives for the whole area. Another interesting finding of the Bertelsmann study was the fact that even overall net contributors would on average have spent less than 0.1 per cent of GDP per year on the reinsurance scheme.

An EU unemployment fund is not a new idea. It was first outlined in the 1975 Marjolin Report and then supported by the 1977 MacDougall Report. These reports explored the fiscal and financial requirements for a sustainable European economic integration which would

also stretch to establishing a monetary union. While distant in time from the actual introduction of the single currency, the MacDougall Report highlighted the important link between monetary union and unemployment insurance.⁷

Those early documents of public finance analysis held it as self-evident that monetary integration requires unemployment insurance as a form of *de facto* solidarity. Unfortunately, the Delors Report (1989) and the subsequent Maastricht process introduced an incomplete form of monetary union which in practice, but not in essence, went beyond currency board arrangements. Political leaders decided to take a higher risk with an untested model: a single currency with neither common financial sector regulation nor fiscal stabilisation capacity.

3.2. Emerging expert consensus: from undercurrent to paradigm shift

Since the eurozone crisis of 2011-13, a great deal of analysis, including by the Commission itself as well as a host of think tanks and independent experts, has explored the issue of automatic fiscal stabilisers and has run simulations on this – all of which point to the overwhelming economic and social benefits of these stabilisers. In cooperation with the Bertelsmann Foundation, the European Commission held two public conferences in 2013-14 about the possibility of EU level unemployment insurance. Important inputs were provided by Prof. Sebastian Dullien, whose book on the subject has been published by Bertelsmann.

Subsequently, a research consortium led by the Centre for European Policy Studies delivered multiple simulations and analysis pointing towards the feasibility of a reinsurance mechanism. While a partial pooling of unemployment benefit schemes as

proposed by Dullien was understood to represent a more perfect form of integration, a US-inspired reinsurance model was seen as better matching the European way that respects subsidiarity but adds further layers if justified by clear added value. Had either of these insurance mechanisms existed in the EMU from the start of the single currency, all member states would have been beneficiaries. Countries experiencing a severe recession would have received fiscal transfers, helping them towards faster recovery and avoiding a perception that arbitrary fiscal targets are more important for the EU than democracy and social cohesion.

By mitigating a fall in GDP and a rise in poverty, automatic stabilisers would contribute to macroeconomic stabilisation and social cohesion at the same time. Beyond these basic functions, an EMU unemployment insurance or reinsurance system would also deliver institutional stabilisation. The EMU is based on rules, but the application of these rules has been the subject of academic as well as political debates. Member states agreed on tightening the rules but pragmatic considerations often point towards more flexibility – the cases of Spain and Portugal being the most significant controversy before the 2018 dispute over Italy. While some experts simply recommend ignoring the rules and giving up on them entirely, it is more likely that a *modus vivendi* could be found through the creation of stabilisation tools that would allow the reconciliation of uniform fiscal rules with the need to maintain national welfare safety nets and social investment capacities. The latter could be achieved by generally exempting future-oriented public investment (in other words, in the digital transformation and *Just Transitions* towards a sustainable economy) from the fiscal rules.

Nobel Prize laureate Joseph Stiglitz endorsed this idea in his book about the single currency

⁷ The MacDougall Report states: "Apart from the political attractions of bringing the individual citizen into direct contact with the Community, it would have significant redistributive effects and help to cushion temporary setbacks in particular

member countries, thereby going a small part of the way towards creating a situation in which monetary union could be sustained".

(Stiglitz 2016) as well as in a public debate with the then Eurogroup president, Jeroen Dijsselbloem. If there be a consensus about the need for an EMU fiscal capacity and embedding it into the multiannual financial framework (MFF) with a stabilisation function, it is important to ensure that such an instrument allows for demand-side intervention, without major delays, and reaches a large number of citizens affected by adverse macroeconomic developments. Unemployment insurance, or reinsurance, satisfies these criteria and should be considered either linked to the MFF or as a stand-alone mechanism. Decision makers today can rely on a wide pool of research, analysis and simulations, and a near-complete expert consensus.

3.3 Unemployment insurance on the political agenda

In 2012, up against the risk of eurozone disintegration, various EU documents started to refer to a Banking Union, Fiscal Union, and even a Political Union.⁸ The 2013 October Commission communication on the social dimension of the EMU signalled a new chapter, at least in terms of how we should think about the social embeddedness of the single currency. To test the new approach, the Italian presidency of the Council of the EU organised debates in 2014 both in the Economic and Financial Affairs Council (ECOFIN) and in the Employment, Social Policy and Consumer Affairs Council (EPSCO). The latter generated much interest and support, while the mood in

ECOFIN in 2014 remained lukewarm, with Italy practically remaining alone.

The Italian finance minister Pier Carlo Padoan (2014-8) was patiently campaigning for an unemployment insurance fund embedded in the MFF. Two years later, the Slovak presidency of the Council of the EU relaunched the ECOFIN discussion and the picture among finance ministers was much more balanced. Subsequently, the European Parliament report by Pervenche Berès (French Socialist) and Reimer Böge (German CDU) confirmed the need for counter-cyclical fiscal capacity.

Documents produced by the Juncker Commission, including the 2017 Reflection Paper on the future of the EMU, highlighted the danger of economic and social divergence in the eurozone but in the absence of great political momentum, only very modest reform proposals were put forward, especially concerning risk sharing. In May 2018, Juncker proposed a new MFF which would have embedded facilities serving the EMU stabilisation function in the seven-year EU budget: a European Investment Stabilisation Function⁹ and a Reform Support Programme¹⁰, which between them would have been able to disseminate €55 billion. Neither the size nor the profile of these tools would be deemed satisfactory today.

Shortly after Padoan stepped down in Rome and Olaf Scholz took over the finance portfolio in Berlin (and also assumed the coordination of the centre-left in ECOFIN), Scholz came out with his own version of an unemployment reinsurance system, in an interview with *Der Spiegel* in June 2018. Although it might seem counterintuitive for a German finance minister to launch a campaign for a eurozone unemployment reinsurance system, this is

⁸ Most importantly, the Four Presidents' report, the Commission Blueprint for Deep and Genuine EMU, and the Thyssen Report of the European Parliament.

⁹ The European Investment Stabilisation Function was supposed to maintain the continuity of investment projects in times of crisis. However, this was not supposed to happen through transfers but loans, so as to compensate for the potential hike in interest rates in a turbulent period.

¹⁰ The Reform Support Programme was designed so support structural reforms within the member states in line with recommendations outlined in the context of the European Semester. Apart from offering a reform delivery tool and technical assistance, it also wanted to introduce a convergence facility to provide dedicated support to member states seeking to adopt the euro.



what has been happening. Scholz's proposal is based on loans rather than actual transfers, which risks presenting a more symbolic rather than substantial version of solidarity. Such aspects, together with interregional and intertemporal stabilisation effects, governance structures and the necessary degree of labour market harmonisation, still need to be discussed.

Following her nomination as EU Commission president in 2019, Ursula von der Leyen announced that during her mandate she would introduce an unemployment reinsurance scheme. This promise was then included in the

mission letter of two EU commissioners: Paolo Gentiloni (Economy) and Nicolas Schmit (Jobs and Social Rights). The German presidency of the Council of the EU (1 July to 31 December 2020) is equally committed to supporting a Commission initiative on an unemployment reinsurance scheme (Auswärtiges Amt 2020: 12). The proposal is also part of the trio presidency of Germany, Portugal and Slovenia. If successful, this would not only achieve a necessary next step in the slow motion reform of the Economic and Monetary Union (EMU) but also make the European Pillar of Social Rights more meaningful.

Conclusions: the need for more safety nets

- Most member states made strong efforts to slow down job destruction and provide income guarantees amid the pandemic, relying on practices tested in earlier crises. **Short-time work or furlough schemes** have proven to be highly efficient in this regard. However, their capacity to save jobs depends on the success of anti-pandemic policies and the individual country's fiscal leeway to finance the schemes.
- The European Commission does well in strengthening member states' financial capacity to provide a first shock-driven safety net for European workers. By creating the **SURE instrument**, the Commission put forward a stabilising element at the European level, building on the best available practices from the member states. The size and innovative nature of SURE signal that the economic and social crisis responses have to go hand in hand. With SURE, the EU has started to support, and not only promote, solutions that limit the labour market effects of a shock.
- With clear conditionality that is linked to cyclicity, SURE delivers something that has been missing from the EU architecture: **a counter-cyclical fiscal capacity**. It can be seen as an initial step in the direction that eventually turns the MFF upside down and leads towards a proper stabilisation function at the EU level. SURE therefore requires deeper integration, creating a **window of opportunity** for progressive policies.
- SURE displays at least two important shortcomings: it is **limited to loans** (not grants); and it **only addresses jobs that can be saved**, ignoring jobs that will be lost throughout the crisis. In other words, SURE is about protecting employment, but it will not provide a stabilising function in the case of mass unemployment.
- Policymakers at both the European and national level should be careful not to mistake the steps thus taken with the introduction of SURE as satisfactory. Recovery needs to be followed by transformation. A second, more comprehensive safety net for European working families will be fundamental to lifting these families out of the bleak economic prospects that face millions. This second safety net needs to materialise in the form of a **European unemployment reinsurance scheme**, which was considered necessary as far back as the 1970s and which today is promised by Commission President Ursula von der Leyen. Together, this **double safety net** – SURE plus a European unemployment reinsurance scheme – could act as an automatic stabiliser for the EU, mitigating the effects of labour market shocks in times of crisis. Alongside this double safety net, the EU needs to coordinate the **improvement of existing national unemployment benefit schemes** (in their coverage, generosity, attached training services).
- While structural interventions, like SURE, can be important, they are no substitutes for the appropriate macroeconomic policies that need to be in place to ensure the fastest possible recovery. **The overall dynamics of unemployment will remain functions of the fiscal and monetary mix**, while structural interventions can have mitigating effects and an influence on working conditions. From this point of view, the EU can use the Covid-19 crisis to accelerate the transfer of better practices across member states and ensure that the positive effects of crisis response measures survive the period of emergency.
- This transformative agenda should also move us to debunk long-standing imbalances rooted in our labour markets. **We simply cannot grow accustomed to precariousness**. We should turn this crisis into an opportunity to rebalance our labour relations and fulfil the **promise of well-paid and stable jobs for European workers** in the aftermath of this unprecedented Covid-19 crisis.

References

Adrjan, P. and Kennedy, J. (2020) 'From Lockdown to Locked Out: Getting People Back to Work', *Indeed Hiring Lab*, 5 August. Available at: www.hiringlab.org/uk/blog/2020/08/05/state-of-labour-market-after-lockdown/

AIREF (2020) *Informe sobre la actualización del Programa de Estabilidad 2020-2021*, May. Madrid: Autoridad Independiente de Autoridad Fiscal.

Alcidi, C. and Corti F. (2020) 'Will SURE Shield EU Workers from the Corona Crisis?', *CEPS In Brief*, 6 April. Available at: www.ceps.eu/will-sure-shield-eu-workers-from-the-corona-crisis/

Andor L. (2018a) 'Resources for a Prosperous Europe', *WISO DISKURS* 18/2018. Available at: www.fes-europe.eu/fileadmin/user_upload/WISO-Diskurs_ProspereousEurope-EN_RZ-Web_18-09-27a.pdf

Andor L. (2018b) 'Scholz's choice', *Encompass*. Available at: <https://encompass-europe.com/comment/scholzs-choice>

Andor L. (2020) 'Europe's half-empty sandwich', *Euractiv*, 15 April. Available at: www.euractiv.com/section/economy-jobs/opinion/europes-half-empty-sandwich/

Andor L. and Pasimeni, P. (2016) 'An unemployment benefit scheme for the Eurozone', *VoxEU.org CEPR Policy Portal*, 13 December. Available at: <https://voxeu.org/article/unemployment-benefit-scheme-eurozone>

Auswärtiges Amt (2020) 'Together for Europe's recovery. Programme for Germany's Presidency of the Council of the European Union'. Available at: www.eu2020.de/blob/2360248/e0312c50f910931819ab67f630d15b2f/06-30-pdf-programm-en-data.pdf

Balleer, A., Gehrke, B., Hochmuth, B. and Merkl, C. (2020) 'Guidelines for cost-effective use of SURE: Rule-based short-time work with workers' consent and aligned replacement rates', *VoxEU.org CEPR Policy Portal*, 7 April. Available at: <https://voxeu.org/article/guidelines-cost-effective-use-sure>

Business Impact of COVID-19 Survey (BICS) results (2020), Office for National Statistics. Available at: www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults

Corti, F. and Crespy, A. (2020) 'SURE: A quick fix to be welcomed in the search for long-term solutions', *FEPS Covid Response Papers*, 17 April. Available at: www.feps-europe.eu/resources/publications/723-sure-a-quick-fix-to-be-welcomed-in-the-search-for-long-term-solutions.html

D'Alfonso, A. (2020) 'Temporary support to mitigate unemployment risks in an emergency (SURE)', *European Parliamentary Research Service Blog*, 16 April. Available at: <https://epthinktank.eu/2020/04/16/temporary-support-to-mitigate-unemployment-risks-in-an-emergency-sure/>

Dolls, M. (2018), *Stabilisierungs- und Verteilungseffekte einer Arbeitslosenrückversicherung für die Eurozone*. Gütersloh: Bertelsmann Foundation. Available at: www.bertelsmannstiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/EZ_Zusammenfassung_Studie_Rueckversicherung_2018_DT.pdf.

Dombey, D. (2020) 'Spain signals furlough scheme will stretch to year-end', *Financial Times*, 5 July.

Eurofound (2020) *COVID-19: Policy responses across Europe*. Luxembourg: Publications Office of the European Union. Available at: www.eurofound.europa.eu/publications/report/2020/covid-19-policy-responses-across-europe

European Commission (2020A) 'European Economic Forecast. Summer 2020 (Interim)', Institutional Paper 132, July. Available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip132_en.pdf.

European Commission (2020B) 'Spring 2020 Economic Forecast: A deep and uneven recession, an uncertain recovery', Press release, 6 May. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_799

Feigl, G., Schultheiß, J. and Schweitzer, T. (2020) 'Budget 2020: Schritte zur Überwindung der Corona-Krise', *A&W Blog*, 7 May. Available at: <https://awblog.at/budget-2020-schritte-zur-ueberwindung-der-corona-krise/>

Fernandes, S. and Vandenbroucke, F. (2020) 'SURE: A Welcome Lynchpin for a European Unemployment Re-insurance', Policy Paper No.251, Jacques Delors Institute, Paris. Available at: <https://institutdelors.eu/en/publications/sure-un-catalyseur-bienvenu-pour-une-reassurance-chomage-europeenne/>

Gómez, M.V. (2020) 'Spain approves guaranteed minimum income scheme for vulnerable families', *El País*, 29 May. Available at: https://english.elpais.com/spanish_news/2020-05-29/spain-to-approve-guaranteed-minimum-income-scheme-for-vulnerable-families.html

Hacker, B. (2020) 'A fiscal bazooka from Brussels?', *International Politics and Society*, 21 July. Available at: www.ips-journal.eu/regions/europe/article/show/a-fiscal-bazooka-from-brussels-4524/

Hochscheidt, L., Wixforth, S. and Vorbach, J. (2020) 'Rethinking economic reconstruction in Europe', *Progressive Post*, 23 June. Available at: <https://progressivepost.eu/no-category/rethinking-economic-recovery-in-europe>

Höfgen, M. and Ehnts, D. (2020) 'Warum die Eurozone auf dem Weg aus der Corona-Krise eine Jobgarantie braucht', *A&W Blog*, 1 July. Available at: <https://awblog.at/warum-eurozone-jobgarantie-braucht/>

John, G. (2020) 'Beschäftigungswunder oder Jobkiller: Was die Viertagewoche bringt', *Der Standard*, 12 July. Available at: www.derstandard.at/story/2000118644278/mehr-jobs-mehr-freizeit-oder-ein-jobkiller-was-die-viertagewoche-bringt

Küstner, K. (2020) 'Heil plant Kurzarbeitergeld bis März 2022', *ARD-Tagesschau*, 23 August. Available at: www.tagesschau.de/inland/kurzarbeit-127.html

Leinfellner, P. (2020) '4 Gute Gründe für eine 4-Tage-Woche: Kürzere Arbeitswoche hat viele Vorteile für Beschäftigte', *ÖGB*, 29 June. Available at: https://www.oegb.at/cms/S06/S06_0.a/1342632664738/home/4-gruende-warum-eine-4-tage-woche-die-zukunft-der-arbeit-ist

Lenoël, C., Macqueen, R. and Young, G. (2020) *Prospects of the UK economy*, National Institute of Economic and Social Research. Cambridge: Cambridge University Press. Available at: www.niesr.ac.uk/publications/prospects-uk-economy-37

Maqueda, A. (2020). 'España pide 20.000 millones al fondo europeo para financiar los ERTE', *El País*, 3 August.

Marín, P. (2019) *Aumenta la tasa de temporalidad en España, la más elevada de la UE*. BBVA. Available at: www.bbva.com/es/aumenta-la-tasa-de-temporalidad-en-espana-la-mas-elevada-de-la-ue/

Mazohl, M. (2020) 'Stabilisator Kurzarbeit', *Arbeit & Wirtschaft Magazin*, 19 March. Available at: www.arbeit-wirtschaft.at/stabilisator-kurzarbeit/

Mcneil, C., Jung, C, and Hochlaf, D. (2020) *Rescue and Recovery. Covid-19, Jobs and Income Security*. London: Institute for Public Policy Research.

Nekoei, A. and Weber, A. (2020) 'Temporary layoffs as a measure of firms' forecast of the future', *VoxEU.org CEPR Policy Portal*, 1 July. Available at: <https://voxeu.org/article/temporary-layoffs-measure-firms-forecast-future>

OECD (2020), *OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis*. Paris: OECD Publishing. Available at: <https://doi.org/10.1787/1686c758-en>.

Oliver, L. (2020) 'Coronavirus: What does 'furlough' mean and how will it affect workers worldwide?', *World Economic Forum*. Available at: www.weforum.org/agenda/2020/04/covid19-furlough-employers-workers-support-global/

ORF (2020) 'Kurzarbeit wird um sechs Monate verlängert', *News orf.at*, 29 July. Available at: <https://orf.at/stories/3175404/>

Pickles, C. (2020) 'Job Retention Scheme 2.0', *Reform*, 7 May. Available at: <https://reform.uk/the-reformer/job-retention-scheme-20>

Piergiovanni, L. (2020) 'Trabajo aboga por prolongar los ertes más allá de septiembre en ciertos sectores', *El Periódico*, 23 July.

Portes, J. (2020) 'The furlough scheme will end soon. What next?', *Prospect*, 11 August.

Roßmann, R. (2020) 'Mit Wumms aus der Corona-Krise', *Süddeutsche Zeitung*, 3 June. Available at: www.sueddeutsche.de/politik/corona-konjunkturpaket-mehrwertsteuer-koalitionsausschuss-1.4926581

Schnitzer, M., Tamesberger D. and Theurl, S. (2020) 'Mitigating mass layoffs in the COVID-19 crisis: Austrian short-time work as international role model', *VoxEU.org CEPR Policy Portal*, 7 April. Available at: <https://voxeu.org/article/mitigating-mass-layoffs-covid-19-crisis-austrian-short-time-model>

Seguridad Social (2020) 'Los trabajadores incluidos en un ERTE se sitúan por debajo del millón de personas a principios de agosto', 12 August. Available at: <https://revista.seg-social.es/2020/08/12/los-trabajadores-incluidos-en-un-erte-se-situan-por-debajo-del-millon-de-personas-a-principios-de-agosto/>

Stahl, S. (2020) 'Kurzarbeit: Verdi-Chef warnt vor Armutsgefahr für Millionen Menschen', *Augsburger Allgemeine*, 18 April. Available at: www.augsburger-allgemeine.de/wirtschaft/Kurzarbeit-Verdi-Chef-warnt-vor-Armutsgefahr-fuer-Millionen-Menschen-id57247091.html

Statistik der Bundesagentur für Arbeit (2020) 'Monatsbericht zum Arbeits- und Ausbildungsmarkt Juli 2020', *Blickpunkt Arbeitsmarkt*, July. Available at: www.arbeitsagentur.de/datei/arbeitsmarktbericht-juli-2020-ba146587.pdf

Stiglitz, J.E. (2016) *The Euro: How a Common Currency Threatens the Future of Europe*. New York: W.W. Norton & Company

Theurl, S. and Tamesberger, D. (2020) 'Jobgarantie, damit COVID-Arbeitslose von heute nicht Langzeitarbeitslose von morgen werden', *A&W-Blog*, 25 August. Available at: <https://awblog.at/jobgarantie-covid-arbeitslose/>

Tamesberger, D. and Woltran, I. (2020) 'Corona-Krise erfordert Erhöhung des Arbeitslosengeldes', *A&W Blog*, 16 April. Available at: <https://awblog.at/corona-erhoehung-arbeitslosengeld/>

Tomlinson, D. (2020) 'The Government is not paying nine million people's wages', *Resolution Foundation*. Available at: www.resolutionfoundation.org/publications/the-government-is-not-paying-nine-million-peoples-wages/



Torsten, B., Gardiner, L. and Tomlinson, D. (2020) 'Getting Britain working (safely) again', Briefing note, Resolution Foundation. Available at: www.resolutionfoundation.org/publications/getting-britain-working-safely-again/

Vandenbroucke, F., Andor, L., Beetsma, R., Burgoon, B., Fischer, G., Kuhn, T., Luigjes, C. and Nicoli, F. (2020) 'The European Commission's SURE initiative and euro area unemployment re-insurance', *VoxEU.org CEPR Policy Portal*, 6 April. Available at: <https://voxeu.org/article/european-commission-sure-initiative-and-euro-area-unemployment-re-insurance>

Wixforth, S. and Hochscheidt, L. (2020) 'Mehr Geld – weniger Zusammenhalt: Wettbewerb der Subventionen', *WSI Blog*, 14 July. Available at: www.wsi.de/de/blog-17857-mehr-geld-weniger-zusammenhalt-wettbewerb-der-subventionen-25053.htm

Young, G. (2020) 'NIESR Analysis Ahead of the Summer Statement: Keep Doing 'Whatever it Takes'', National Institute of Economic and Social Research, London, 8 July. Available at: www.niesr.ac.uk/publications/niesr-analysis-ahead-summer-statement-keep-doing-%E2%80%98whatever-it-takes%E2%80%99

ABOUT THE AUTHORS



László Andor

László Andor is the secretary general at FEPS. He is a Hungarian economist, and former EU commissioner for employment, social affairs and inclusion (2010-2014). After stepping down from the Commission, he became the head of department of economic policy at Corvinus University (Budapest), senior fellow at Hertie School of Governance (Berlin) and a visiting professor at ULB (Brussels) as well as at Sciences Po (Paris).



Fernando Rejón Sánchez

Fernando Rejón has recently joined FEPS as a trainee. He is a student at the School of Slavonic and East European Studies, UCL, where he is studying for a BA in History, Politics and Economics. His main fields of interest include progressive politics, social policy, and the politics of eastern Europe and the post-Soviet space.



Lukas Hochscheidt

Lukas Hochscheidt is a research assistant in the Department of European and International Trade Union Policy at the German Trade Union Confederation (DGB). He is currently studying for an MA in European Affairs at Sciences Po Paris. His research interests include European social and labour market policies, as well as public health governance.