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Towards a Re-Insurance Union? SURE as an EU response to preserve jobs in the Covid-19 pandemic

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Abstract:	Is the EU evolving towards a Re-Insurance Union? The creation of SURE, an EU financial tool to support national short-time work schemes in the midst of the pandemic, has revitalised debates on fiscal stabilisers as a means to counter economic downturns and protect jobs within the European Union. Drawing from document analyses and 17 interviews with EU and national stakeholders, this study explores the politics underpinning SURE's adoption following a decade of heated and unsuccessful debates on the European Unemployment Reinsurance Scheme (EURS). Through the lens of "purposeful opportunism", the article illustrates how the European Commission leveraged prior EURS insights and the emerging consensus on short-time work schemes to craft SURE in a way which addressed national concerns about EU-wide welfare harmonisation, while positioning the EU as a holding environment for national welfare states. Looking ahead, making SURE a permanent 'second line of defence' against macroeconomic shocks could contribute to further substantiating new, EU-wide, social rights codified in the European Pillar of Social Rights.

Introduction

Social Europe made an expected come-back during the Covid-19 pandemic. Yet it did not come from where we would have expected it the most: this time around, social policy innovation primarily came from the financial side. The most telling example of this development is the creation of the SURE programme, a support instrument aimed at mitigating Unemployment Risks in an Emergency. By granting close to 100 billion Euros of financial assistance to 19 Member States[1] to finance short time work schemes (STW) and similar measures[2], SURE helped preventing – according to the Commission estimates – 1.5 million people from becoming unemployed (European Commission 2023).

Since its proposal, SURE has been widely praised as an explicit sign of European solidarity (Vandenbroucke et al. 2020). SURE indeed reflects EU solidarity in its *financing*. The support to national STW schemes via EU borrowing indeed is backed by irrevocable, unconditional, and callable guarantees from member states, meaning that if one member state fails to honour a call on time, all the others will be called up. EU solidarity is also visible in the redistributive nature of the programme. SURE indeed benefits mainly two groups of Member States: first, high debt-to-GDP ratio countries (mostly Southern), which benefit from SURE's lower yields; second, small local debt markets (mostly from Central and Eastern Europe) that profited from the longer maturity of SURE bonds (Alcidi and Corti 2022).

Three years after its adoption, SURE is finally also regarded as a success story for its swift and effective implementation (European Commission 2023). At the end of 2020, the year of its adoption, EUR 90 billion of the SURE envelope had already been committed, while by May 2021 all requested loans (over 90% of the granted financial assistance) had been disbursed. Additional EUR 8.9 billion were

[1] Overall, a total of 98.4 billion Euros of SURE financial assistance was disbursed to 19 Member States, close to the maximum amount of 100 billion. The remaining 1.6 billion Euros cannot be requested for future use as the instrument has ended on 31st December 2023. Financial assistance was granted to Belgium, Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain.

[2] STW schemes are a type of job retention schemes. They cover benefits compensating for the loss of wage or salary due to formal short-time working arrangements, and/or intermittent work schedules, irrespective of their cause, and where the employer/employee relationship continues. For a broader discussion on typology and key characteristics of job retention schemes, see Müller et al. (2022).

requested by Member States[3] and investors' subscription of bonds of all maturities overrode by about ten times its supply. As a loan-based instrument, SURE also allowed beneficiary countries saving up to 9 billion Euros in interest payments, including 3.8 billion for Italy alone.

To appraise the novelty of the new instrument, SURE should be put in the broader debate on the political economy underlying reforms of the socio-economic governance of the European Union. In fact, SURE represents the very first step in the direction of a European central stabilization function with the explicit aim to support employment, and – as put by the Commission itself – the very first operationalization of a European Unemployment Reinsurance Scheme (EURS). The EURS has been long object of the academic and political debate, yet without ever materializing into a concrete policy proposal. To justify the lack of progress on the EURS, political economy scholars have pointed to the unconcealable positions of fiscal transfers' supporters and advocates of fiscal discipline, freezing camps both within the Council and the European Parliament (Lehner and Wasserfallen, 2019). Concerns on subsidiarity around the possibility of setting minimum standards on national unemployment schemes further added fuel to an EU scholarship which qualifies both budgetary and social prerogatives as 'core state powers' jealously safeguarded by national administrations (Genschel and Jachtenfuchs 2018). In yet another strand of the literature, public opinion scholars have hinted at the constraints brought about by the rise of a form of 'welfare Euroscepticism', a qualified opposition to the further supranationalisation of welfare policies at the European level (see introduction to this Special Issue). From these perspectives, the adoption of SURE, after years of unfruitful debate on the possibility to adopt any kind of European stabilization capacity, appears as particularly puzzling. The swift adoption of SURE thus questions why and how the EU decided to finally agree on a central fiscal stabilization function and opt for this specific kind of 'temporary quasi-automatic fiscal stabilizer'. How this instrument came about is the object of this paper.

[3] 11 of the 19 Member States that used SURE were ultimately granted top-up financial assistance: Belgium, Bulgaria, Cyprus, Czechia, Hungary, Greece, Croatia, Lithuania, Latvia, Malta and Portugal.

Building on the Multiple Streams Framework (MSF) literature, which emphasises supranational actors' reliance on both clear objectives and flexible means to advance an agenda of European integration in so-called 'critical junctures', we argue that, while the functional need to introduce an EU stabilization function gained in traction in the aftermath of the sovereign debt crisis, the adoption of SURE at the onset of the pandemic was made possible by the Commission's *ideological*, *political* and *technical* opportunism. To trace back the origins of this instrument, the article proceeds as follows.

Section 2 take insights from the literature on MFS and in particular on 'purposeful opportunism' and proposes a new operationalisation of this framework, which identifies the analytical dimensions that guide our empirical research. Our empirical strategy proceeds in two steps: first, to assess the purpose of the European Commission, we analyse the political dynamics emerging from the putative set-up of a central stabilization function at EU level and retrace its narrowing down to the Von der Leyen Commission's consenting to propose a European Unemployment Reinsurance Scheme (EURS) (section 3). In a second step, we retrace the invention of SURE in the peculiar context of the Covid-19 pandemic by showing how the Commission deployed ideological, political and technical opportunism to propose an instrument which served the purpose of advancing its own agenda, i.e. bringing the Eurozone closer to serving as a (re)insurance union (section 4). By way of conclusion, section 5 summarizes the main findings and discusses how making SURE a permanent 'second line of defense' against macroeconomic shocks could contribute to further substantiating new, EU-wide, social rights codified in the European Pillar of Social Rights.

Purposeful opportunism: qualifying the resources of endogenous preference formation

In an article dedicated to the genesis of the European Pillar of Social Rights, Vesan and Corti (2021) provide rich evidence on the adoption process of the EPSR which they qualify as the result of an entrepreneurial strategy of the Commission, who was able – though acting in a highly politicized arena – to steer the existing functional and ideational demand for further integration. When looking at the adoption and design of SURE, the lens of social entrepreneurship seems to provide valuable insights to appreciate the broader motivations underlying the Commission's support for this policy in the post-crisis context. At the same time, SURE was not only a further step in terms of EU social integration, but it was an explicit step towards deepening the Economic and Monetary Union (EMU), with a clear element of organized fiscal solidarity in its financial construction – an element which could have exposed the Commission to a high degree of criticism. Why would the Commission subject itself to such political risks, especially in the midst of a pandemic?

Our theoretical starting point in this article is that the adoption of SURE can hardly be understood without appreciating the decade-long process of collectively puzzling on the possible designs of a technically feasible and politically acceptable EMU stabilization mechanism. SURE was surely not a rabbit suddenly pulled out of a hat. Rather, it should be seen as a refined version of a series of previously abandoned proposals drawn from a garbage can (Cohen et al. 1972) and as the outcome of a long series of (both positive and negative) policy feedbacks generated by a decade of political bargaining on the proposal to create a European Unemployment Reinsurance Scheme (EURS). Notwithstanding this, growing ownership around the need for a central stabilization function for the EU cannot alone explain the swift adoption of SURE. Beyond the support of political 'champions', significant reforms require smart policy brokers to usher them to completion. This article accordingly builds on insights from the public policy literature to further guide our inquiry on the specific role played by the Commission.

A leading framework in this genre is the Multiple Streams Framework (MFS). The MFS theory argues that policies are the result of coupling by policy entrepreneurs of three relatively independent streams – problems, politics, and policies – during politically opportune moments. Such moments, also called policy windows, open in the politics or problem streams and describe the specific context within which issues are debated and policies made. Policy windows constitute triggers that either delimit or help frame the way issues are debated. Admittedly, the pandemic, a crisis 'lifting expectations of community to the grand transnational scale in the name of solidarity' (Genschel and Jachtenfuchs 2021: 350), represented an opportune moment 'for advocates of proposals to push their pet solutions, or to push attention to their special problems' (Kingdon 1995: 203). SURE can be best traced back as such a pet solution. As the pandemic kicked in, the Commission was already internally working on proposals to 'operationalise the EURS'. It was therefore keen to present it as a solution to the problems both national policy makers and citizens wanted to address, namely protecting employment and supporting households' income amid this new shock. To do so, however, the Commission had to couple the problem and policy streams with the politics stream.

Navigating EU politics generally consists of three factors: the balance of Council member national and partisan affiliation; the ideological balance of parties in Parliament; and the European mood (Zahariadis 2008). The latter refers to the *zeitgeist* or 'climate of the times', the idea that important policy-makers, opinion leaders, and other politicos think along similar lines (Kingdon 1995: 148). Now, to understand the swift adoption of SURE further involves reconstructing *how* the Commission coupled problems, politics, and policies.

The concept of 'purposeful opportunism' (Cram 1994) provides here further analytical leverage. Building on MSF, purposeful opportunism (PO) argues that the Commission is 'an organisation which has a notion of its overall objectives and aims but is quite flexible as to the means of achieving them' (Cram 1994: 214). While not dismissing the role of national preferences and intergovernmental bargaining, PO maintains that EU institutions are still able to 'generate *endogenous* institutional impetuses for policy change that go beyond the usual representation of institutional mediation.' (Bulmer 1994: 372).

Starting with the '*purpose*', the literature on EU integration that recognizes the agency of supranational institutions generally depicts the Commission as an actor primarily driven by organisational interests, motivated by a desire of 'competence creep' threatening jealously safeguarded national prerogatives. When normative motivations of the Commission are acknowledged, the institutions' aims are often presented under a single frame of serving a pro-integration agenda without a specific political 'orientation' (Camisão and Guimarães 2017). When it comes to Social Europe, the Commission was portrayed during the sovereign debt crisis as contributing to the dismantling of domestic social rights by actively promoting a policy agenda focused on liberal market building at the expense of socially minded regulation (Crespy and Menz 2015). As the context evolved, a new scholarship emerged pointing to the Commission itself contributing to the Union's 'social rebalancing'. Attempts by the Commission to reform the Eurozone notably lead to important policy breakthroughs, including, for example, some relaxation of the SGP rules, a progressive reorientation of social and employment recommendations in the European Semester (Vesan et al. 2021), and the adoption of financial instruments directly targeting the long-term resilience of national welfare states (Hemerijck and Huguenot-Noël, 2022).

To assess the 'opportunistic' dimension involves analysing how the Commission uses policy windows to advance its own agenda. We argue that the Commission's strategy rested on three main vectors: ideas, political flair, and technique.

Ideological opportunism refers to the Commission's strategic decision to *frame problems* and develop policy solution in a way to gain the attention and support of a larger audience and *legitimize* a certain course of action. To advance its agenda, the Commission can seize the opportunities opened by crises, to construct consensus on an intervention in certain policy areas with specific objectives that are broadly considered legitimate and needed to overcome the consequences of the crisis itself (Baumgartner and Jones 1991).

Political opportunism refers to the choice of the Commission to design a new policy proposal in a way which reflects the *existing balance of power* necessary for a smooth approval. Effective policy change is also contingent on the (potential) proactive support of the main EU institutional actors. To advance its ends, the Commission can build on its privileged position of interlocutor with Member States and thus on access to asymmetric information which allow it to 'disguise winners and losers' to carry on its agenda (Cram 1994: 176).

Technical opportunism refers to the Commission's strategic decision to *design policies* in a way to exploit - as 'process manager' (Ross 1995) - its substantive expertise of the policy process and content to overcome financial and legal constrains that might in principle prevent the implementation or the adoption of a specific policy, and to strategically *affect the decision-making process* creatively using policy rules to overcome Member State resistance and promote policy development (so-called *treaty-based game* by Rhodes, 1995).

To sum up, the PO framework allows us to reconstruct the adoption of SURE at the purposeful and strategic agency of the Commission in the policy window opened by the outbreak of the pandemic. In the next sections, we first reconstruct the political debate linked to the creation of an EU automatic fiscal stabilizer to shed light on how the EURS entered into the Commission's agenda before the pandemic. Empirically, we rely on an extensive documents' analysis of the EC official documents, 44 national position papers submitted during the debate on the Commission's Five Presidents' Report, as well as 4 elite interviews. As a second step, we retrace the politics underlying the invention of SURE in the peculiar context of the Covid-19 pandemic. We show here how the Commission used the policy window opened by the pandemic to deploy ideological, political and technical opportunism to adopt an innovative instrument aimed at positioning the Eurozone as a (re-)Insurance Union. We rely here on official documents' analysis as well as on 13 elite interviews with EU and national policymakers (see Annex I).

In search for an EU insurance union: the multidimensional politics before SURE

The rationale for the Eurozone to become an Insurance Union for European welfare states has been subject to much debate in the European political economy literature (Hemerijck and Huguenot-Noël 2022: 91-120). Because it is composed of heterogenous economies, the European Economic and Monetary Union was long criticised for failing to meet the ideal type of an 'optimal currency area'

(Mundel 1961).[4] Turning this logic upside down, Waltraud Schelkle's (2014) ground-breaking work yet showed that the economic diversity of the Eurozone also presented major benefits, by allowing for risk sharing (reducing the overall vulnerability to a sudden shock) and facilitating shock absorption (e.g. by granting the possibility of transfer from non-affected to affected entities). However, because giving up monetary sovereignty and entering a single market with free movement of capital, labour, service and goods induced other risks, political economists long propelled the need for the EMU to dispose of a central fiscal capacity able to stabilize and reinsure national economies against new shocks (De Grauwe 2018). How did these arguments fare politically?

Proposals to create a European stabilization capacity can be traced back at least to the 1970s. An appeal to a community initiative in the unemployment field appeared in the Marjolin Report published in 1975, which proposed the creation of a community unemployment insurance fund, as an independent administrative body, managed together with social partners and financed by employers and employees' contributions. The debate revamped in the 1990s at the time of the creation of the EMU with the works of Majocchi, Rey, Italianer and Vanheukelen. Yet, this agenda only gained political visibility in the Commission in the early 2010s, initially under the leadership of the then Commissioner for Employment, Social Affairs and Inclusion (2010-2014) László Andor, and later with the publication of the so-called *Five Presidents' Report*. In the latter, the Commission endorsed for the first time the idea of EU automatic fiscal stabilizers to absorb large macroeconomic shocks (Corti 2022). What was, then, the Commission's view of an acceptable stabilizer?

Following the results of a consultation launched in 2015 on how to reform the EMU, the Commission concluded that automatic fiscal stabilisers were acceptable under three conditions: stabilisers should first be developed *within* the EU's legal framework, would, then, not undermine sound fiscal policies at the national level and, finally, not lead to permanent transfers. This position of the Commission was

[4] Economic efficiency, so the theory, would be augmented if countries shared certain traits, including labour market mobility, wage and price flexibility, and similar business cycles. Besides, achieving greater levels of (nominal) convergence would bolster the European Central Bank's capacity to react to shocks under a unified policy framework.

meant to be a compromise overcoming the significant divisions between Member States on the opportunity to create an EU fiscal capacity to absorb macroeconomic shocks. Back then some governments were supportive of the proposal to create a European fiscal stabilizer (Spain, Cyprus) and even explicitly endorsed a European Unemployment Reinsurance Scheme (Italy, Slovakia, Portugal, France). Others were skeptical but open to discuss the possibility to create a Euro area fiscal capacity to absorb asymmetric shocks in the long term and only under strict conditionality to avoid moral hazard (Austria, Belgium, Ireland, Slovenia, Czech Republic, Poland). Finally, whereas some countries were fiercely opposed to any such fiscal stabilization function (Denmark, Bulgaria, Estonia, Finland, Latvia, Lithuania, the Netherlands, Germany), others were not interested given the Eurozone scope of the proposal (Sweden, Croatia, Hungary, Romania).

The conventional political economy and welfare Euroscepticism literatures commonly depict skeptical countries' opposition as being primarily motivated by 'moral hazard' concerns. An automatic stabilizer, these countries suggest, would risk incentivizing opportunistic behaviour, leading countries with structurally high unemployment rates to count of the (repeated) support of EU best performers. This 'loud cleavage' however risks overshadowing the inherently *multidimensional* nature of policy conflicts, which is best revealed by studying fault lines on the various dimensions of an instrument's design. In table 1 (scenario 1), we illustrate the common minimum denominator that results from the positioning of EU member states on the 2015 EC proposal. As we observe, policy conflicts at the heart of the *design* of an automatic fiscal stabilizer pertained to the type of support (grants or loans), the size of the shock to be absorbed (all amplitudes or only significant ones) and the preferred fiscal balance rules (no fiscal rule, annual balance or balanced over the economic cycle). Besides, additional concerns were related to the kind, if any, of conditionality to be attached to the financial assistance, how to finance the scheme (within or outside the EU budget) and who should be responsible for management (the Commission or the Member States).

Concerns of skeptical countries long shaped the Commission's view of what would be a 'second best solution' for a politically acceptable EURS. Yet, overtime, the agenda of the Commission evolved in ways which shifted its own positioning on what a desirable re-insurance union should look like. Despite Member States' overall skepticism, the Commission published in 2017 a Reflection Paper entitled *Deepening the Economic and Monetary Union*, in which, for the first time, three options were advanced: a *European Investment Protection Scheme*, which would protect investment in the event of a downturn; a *European Unemployment Reinsurance Scheme*, which would reinsure national unemployment schemes in case of macroeconomic shocks; and a *Rainy-Day* Fund, which could accumulate funds on a regular basis, the disbursements of which would be triggered on a discretionary basis to cushion a large shock (European Commission, 2017: 26).

Opposition to the proposed EURS proved yet unequivocal. The renowned '*Non-paper for paving the way towards a Stability Union*', shared by the then-German Finance Minister Wolfgang Schäuble, thus stated: '*A macroeconomic stabilisation function e.g. through a new fiscal capacity or unemployment insurance is economically not necessary for a stable monetary union. Countercyclical public spending is never in time and a Euro zone-wide unemployment insurance would have to deal with very different income levels in the Euro area.*' (Schäuble, 2017). Few months later, in March 2018, a group of eight Member States, known as the 'New Hanseatic League', led by the Dutch finance minister signaled that *'further deepening of the EMU should stress real added-value, not far-reaching transfers of competence to the European level'* and that *'the discussion on the deepening of EMU should find a consensus on the 'need to haves', instead of focusing on the 'nice to haves'*[5].

Despite the push-back of a large number of Member States, the Commission presented in May 2018 a legislative proposal for a European Investment Stabilization Function (EISF). Conceived as a financial assistance instrument providing back-to-back loans (up to EUR 30 billion) and 100% subsidies on interest rates, the EISF was intended to support public investment in Member States hit by major

[5] Available here: https://vm.fi/documents/10623/6305483/Position+EMU+Denmark+Estonia+Finland+Ireland+Latvia+Lithuania+the+Netherlands+and+Sweden.pdf/.

asymmetric shocks. Access to EISF assistance was not automatic: Member States would have to request help, and would only be able to do so once a year. The eligibility criteria would require compliance with decisions and recommendations under the Union's fiscal framework as well as the macro-economic surveillance framework. A 'double unemployment trigger' would further need to be met, based on the national unemployment rate compared with the past average, as well as the change in unemployment in the past year compared against a threshold. In terms of target, EISF loans would only support public investment advancing EU policy objectives, including e.g. social investment in education and training. Finally, to reduce risks of windfall effects, the government's general level of public investment would have to be on a par with its average public investment over the last five years. In Scenario 2 of table 1 below, we build on the EISF design to summarize the main characteristics of the Commission perspective.

Predictably, the proposal for an EISF was immediately rejected by the same member states that earlier positioned against any further EMU deepening. The original eight countries of the 'new Hanseatic League' mentioned above, which opposed wide ranging development of EMU in March 2018, had grown to twelve three months later (Scheinert 2019). In the meantime, however, a remarkable change in positioning emerged in the German government. In an interview for *Der Spiegel*, then newly appointed finance minister Olaf Scholz manifested its support for a 'European Unemployment Stabilisation Fund (EUSF)': *'I'm in favor of supplementing national systems for unemployment insurance with a reinsurance for the overall eurozone. A country in the midst of an economic crisis that is resulting in significant job losses and placing a heavy burden on its social-security system could borrow from this joint reinsurance fund. Once the recession is over, the country would pay back the funds it borrowed.'* (Scholz 2018)

Despite the formal rejection of the EISF proposal, the balance of power started changing in the Council. The new positioning of Germany materialized with the French-German Meseberg declaration issued in June 2018 where the government supported the creation of a counter-cyclical 'solidarity-based' reinsurance fund. An important step forward in the debate on a European fiscal capacity and stabilisation function, however, came with the 2019 European Parliament elections. In their campaigns, both the Party of European Socialists (PES) and the European Green Party included the creation of a European Unemployment Reinsurance Scheme (EURS) in their elections manifesto. And while the Greens/EFA parliamentary group initially did not support the Von der Leyen Commission, the Socialists & Democrats explicitly made their support to the new Commission President-elect conditional to the proposal for a '*fully-fledged and meaningful counter-cyclical stabilisation function in the form of a European unemployment re-insurance scheme'*[6]. On 16 July 2019, the EURS proposal figured among the priorities of the political guidelines of the candidate for the presidency of the European Commission, Ursula von der Leyen, with the objective to '*protect citizens and reduce the pressure on public finances during external shocks*'. Then Commissioners-elect for Jobs and Skills, Nicolas Schmitt, and for the Economy, Paolo Gentiloni, were tasked to design the EURS instrument in their mission letters, while a working group including Commission officials from DG ECFIN, DG EMPL and SECGEN was already created in the summer with the aim to present a proposal by the end of 2020. On 10 October of the same year, the European Parliament voted an amendment to the resolution on 'Social and employment policy in the Eurozone', which explicitly called on the Commission to *'present a European unemployment benefit reinsurance scheme to protect citizens and reduce the pressure on public finances during external shocks'* (European Parliament 2019).

Overall, three main findings emerge from this reconstruction of the political debate under the Juncker Commission. First, the idea of the EU as a re-insurance Union, notably through the creation of an EURS, was largely building up in the Commission agenda even before its inclusion in the von Der Leyen programme and progressively gained traction in the specific form of a central stabilization function. While national governments remained largely skeptical and divided on this idea, the change in positioning of Germany coincided with the acceleration of the debate in the EC. It is yet after the political bargaining following the 2019 European Parliament elections that EC administrators were

[6] Available here: https://www.socialistsanddemocrats.eu/sites/default/files/2019-09/SD.LetterUvdL.docx.pdf.

given the green light to operationalize the EURS. Second, the reconstruction of the pre-pandemic debate on an EU central stabilization function shows that the issues' complexity made it a particularly difficult terrain to navigate for any actor involved in the negotiations, providing a clear institutional advantage to the Commission as the single actor best acquainted with the technicalities, policy implications and the balance-of-power underlying each design option. Third, the reconstruction of the pre-pandemic debate shows that SURE is not just a '*minimalist option*', that is: one which could have been expected to result from the Commission acting as simple agent of national principles. By contrast, as illustrated in the last column of table 1 below, the design of SURE appears as an initiative building upon previous experiences, in particular the European Investment Stabilization Function. While this design certainly accounts for national preferences and reserves, we can observe that it also provides substantial novelty – in the direction of bringing the E(M)U architecture closer to the wished-for Re-Insurance Union. The next section analyses how the Commission managed to propose this social policy innovation in spite of the major political economy constraints highlighted in the introduction.

TABLE 1 – HERE

European Commission's 'purposeful opportunism' in action: the SURE proposal as a case example of ideological, political and technical opportunism

The link between SURE and the EURS are most clearly evidenced by the Communication on a coordinated economic response to the Covid-19 Outbreak of the 13 March 2020, in which the Commission explicitly states that it would *'accelerate the preparation of the legislative proposal for a European Unemployment Reinsurance Scheme aiming at supporting Member State policies that preserve jobs and skills'* (COM(2020) 112 final: 7). Shortly after the President of the Commission issued its mission letters, a working group was set up to define the contours of the EUR proposal. The Covid-19 pandemic yet hit Europe as EU officials were still debating the design and the target of the instrument [EMPL1]. The same group working on the EURS was thus tasked to develop the proposal for SURE [ECFIN1, ECFIN2, BUDG, EMPL2, ECFIN3]. When the SURE proposal was formally published on 2 April 2020, the Commission presented it as an 'emergency operationalisation of a European Unemployment Reinsurance Scheme (EURS) in the specific context of the Covid-19 crisis' (COM(2020) 139 final). In what follows, we present the key strategies adopted by the Commission to allow for a swift adoption of SURE in a context of time pressure, pandemic emergency, and conflicting political interests.

Ideological opportunism: Framing EU intervention as a necessary re-insurance

The Covid-19 pandemic context provided a particularly favorable ground for the Commission to act as an ideological opportunist. This crisis constituted an immediate existential threat to health in nearly every country, spurring a collective assessment of values and aspirations. But to achieve *transnational* solidarity required more than the reappraisal of the welfare state. Against alternative narratives (notably used by Dutch prime minister Mark Rutte), EU policymakers rapidly described the pandemic and the resulting lockdown as an external *exogenous* symmetric shock with asymmetric impact. The shock was first described as exogenous to the extent that little responsibility could be attributed to the (wrong)doings of EU member states: no reckless debtors nor reckless creditors this time around (Alcidi and Corti 2022). In March 2020, however, Italy and Spain had been more drastically affected than their neighbors. As our interviewees report, a high level of uncertainty prevailed in the Council on the distributional impact of the shock, leading member states to wonder: '*Is it only a Southern issue*?' [EFC-NL]. This question was of particular importance to the Council, where member states were aware of the need to avoid repeating the social distress observed in the financial crisis. Meanwhile, the Commission was not only keen to avoid new risks of political backlash linked to its association with the austerity response to the Great Recession; it also wanted to change its reputation as a politically rigid institution.

After struggling to keep up the pace with the multiplication of national health responses and the closing of borders, a 'policy window' opened for the Commission to jump on an idea in vogue and propel SURE as a *positive sum game* intervention relying on effects of scale [ECFIN3]. A critical factor in the genesis of SURE was the positive feed-backs triggered by the use of Germany's national short-time work scheme during the financial crisis [EFC-ES; EFC-EL, ECFIN3]. Unanimously appraised in both academic and policy circles for preserving jobs and domestic demand, the *Kurzarbeit* experience not only helps explain the German government support for establishing an EU instrument aimed at a re-insuring natIonal STW schemes [EFC-BE]. It also served as a reference for many other national responses. At the onset of the Covid-19 crisis, 15 EU countries immediately used short-time work schemes, six provided a wage subsidy scheme and six provided both (Müller et al. 2022). When the pandemic exploded, some member states amended the institutional design of existing schemes, by i) loosening conditions or enabling quicker access to the instruments, ii) raising subsidies (e.g. by increasing the replacement rate for workers, or reducing employers' costs), and iii) extending the maximum duration of job retention and protecting workers against dismissal after the exhaustion of the subsidy. In addition, several member states introduced new schemes to guarantee income support for self-employed and non-standard workers. The spread of STW schemes across most member states significantly facilitated the proactive support by EU institutions as it served as a justification for EU intervention across-the-board, where the Commission in the past feared being accused of favouritism [ECFIN1; EMPL2].

The last feature of the Commission's ideological opportunism also relates to the scope of the proposal and the selection of target beneficiaries. When the crisis erupted, the debate was still open within the Commission's EURS working group on whether the central stabilization function should support national *unemployment* benefit schemes or mainly protect employment situations [EMPL2]. As stressed in the introduction, insuring unemployment systems via transnational solidarity mechanisms remained a highly controversial issue both for the publics in some countries and for some members of the Council [EFC-ES]. It is in this context that the Commission advanced that, to protect European workers from unemployment and income loss, a *collective* instrument was required, funded by and provided to *all* EU countries. To limit the scarring effects of the crisis, the Commission yet stressed that SURE would act as a '*second line of defense*', that is: not infringing upon national prerogatives (European Commission 2020). Contrasting with previous exchanges on the EURS, no country in the Eurogroup raised any concerns about the opportunity to strengthen short-time work scheme and similar measures [Eurogroup]. And if different policy responses were actively discussed (including using the European Stability Mechanism without conditionality or introducing a more fully-fledged EURS), interviewees from the Council (including those advocating for most radical alternatives [EFC-ES, EFC-NL] emphasise the Commission's astuteness in opting for a consensual proposal in a context where a swift response was required.

Political opportunism: internalizing divides and preparing a compromise

Growing consensus on EU's legitimacy in acting as a second-line of defence did not yet discard risks of political deadlocks. A wide variety of positions were held in the Council in terms of the content of measures to be supported, the nature of the guarantee required for the EU to raise funds, and the means whereby which an effective use of the funds would be monitored. Besides a 'traditional' divide between contributors and recipients linked to the duration of the programme and the nature of financial guarantee, some member states (such as Hungary) wished for support to specifically target healthcare needs rather than mere job-related issues [EFC-NL], others stressed the importance to respect the rule of law and EU values (Finland), when still others stressed the importance of avoiding any kind of harmonization or interference with existing STW schemes' implementation practices. How did the Commission deal with national concerns susceptible to block a swift adoption of SURE?

Many of the constraints had in fact been preemptively *internalized* by supranational actors, who themselves stressed the importance of proposing a design aimed at overcoming political opposition known to exist in the European Parliament while reaching a large enough consensus among member states [EMPL2, BUDG1]. The Commission's political opportunism emerged in the choice for a loans-based instrument that would not touch upon national schemes design and administration. To accommodate concerns of a 'transfer Union' among SURE main contributors, a sunset clause was introduced in negotiations with the Council on the 31st December 2022. Article 122 yet also left open the possibility to extend the period of availability should the severe economic disturbance persist. Similarly, to cover as many national schemes as possible, the Commission quickly renounced the idea to provide accompanying guidelines on the design of national STW schemes and similar measures. As stressed by McDonnell et al. (2022), one of the sources of success of SURE was its scope, which was not based on a rigid institutional definition, i.e. it was not limited to a narrow type of instrument, but was '*purpose-based, i.e. supporting job retention*'*.* In an initial phase of the debate, some member states had advanced the possibility to attach to EU financial support a 'light conditionality' consisting in guidelines on how national job retention schemes should look like. These provisions notably referred to the contexts under which national or EU supported could be activated, the criteria or qualifications an individual (employee) must meet in order to be eligible for benefits or participation in the scheme or the level of protection granted. Such possibility was however quickly dismissed as the Commission realized that such guidelines would require finding an agreement on 'minimum standards' – a red line raised by a majority of member states raising subsidiarity concerns (EFC-BE).

The Commission yet most significantly served as an able 'compromise broker' on the controversial issue of 'moral hazard'. To protect the use of EU funds, countries known as 'fiscal hawks' first proposed to condition SURE disbursement on the fulfilment of EU fiscal and other macroeconomic objectives [EFC-NL; EFC-BE], as per the so-called 'macroeconomic conditionality' provisions in force under cohesion policy (Huguenot-Noël 2023). Yet unusually siding with Southern countries, especially Italy who explicitly rejected the introduction of European Stability Mechanism-like tools with financial assistance linked to structural reforms, the Commission did *not* require EU financial assistance to be made conditional on the undertaking of economic reforms (Croonenborghs 2022). Instead, the disbursement of SURE was *de facto* solely conditioned on the funds being used for the only purpose of financing STW schemes and similar measures. Meanwhile, as some member states, notably the Netherlands, feared that creating an instrument solely targeting employment-related measures would resemble too much the (domestically rejected) EURS, the scope of the programme was extended to also include heath measures at the workplace (interviews DG EMPL, EFC-ES, EFC-HU, EFC-NL).

Technical opportunism: Beyond the legal base game

In its pursuit to transform the EU into a 're-insurance union', it was yet the Commission's managerial and technical prowess that emerged as the most distinct feature of its purposeful opportunism.

The technical opportunism of the Commission emerged first in the legal construction of SURE. Provisions of the Treaty on the Functioning of the European Union (TFEU) contained several options for the Commission to propose the lending component of SURE, notably including the articles 175 or 352 TFEU. Choosing instead to use Art. 122.2 as the legal base of the SURE programme now conferred the Commission with several advantages. First, article 122.2 allowed the SURE Council Regulation to be voted by Qualified Majority Voting, thus avoiding the unanimity requirement (needed for Art. 352) which had long constrained the adoption of the EURS. Second, Art. 122 TFEU granted the possibility for the file to be adopted without the involvement of the Parliament under the ordinary legislative procedure (needed for art. 175), which would have not only delayed (and possibly threatened) the adoption of the file, but would have also significantly slowed down the implementation of SURE. Finally, by contrast to other financial instruments, like the European Stability Mechanism, Art. 122 TFEU did not require the funding to be linked to macroeconomic conditionality, which helped guarantee a higher uptake of the funds by its potential beneficiaries.

With respect to the financial construction of SURE, a clear innovation regards the original establishment of a guarantee-system based on Article 122.1 TFEU underpinning funds borrowed by the EU to provide financial assistance to Member States. When SURE was prepared, the EU budget margins to be used to cover the contingent liabilities and allow the Commission borrowing on behalf of the Union were almost entirely used for already existing financial assistance programmes, like the Balance of Payments or the European Financial Stability Mechanism. Under these circumstances, a mere ‘agent’ acting on behalf of member states’ principals could reasonably have been expected to drop the proposal. And indeed, as stressed by our interviewees, options to scale down on original ambitions were quickly considered, such as limiting the size of SURE financial assistance to stay within the payment appropriations margins [EFC-NL; Eurogroup]. Yet, the Commission eventually succeeded in securing enough support for its national-guarantees system proposal. To do so, the Commission not only used its technical knowledge as ‘process manager’ but also opportunistically built on the asymmetric information on the actual margins available under the ceilings of the EU budget [EFC-NL, BUDG1, ECFIN1, ECFIN2].

Most notably, the Commission strategically referred to external pressure from the credit agencies to make the case for the 25 billion Euros guarantees. To do this, it argued that guarantees were not only needed to provide sufficient funding capacity to SURE but also necessary for the loans to be granted a AAA credit rating on international capital market – ensuring in turn low interest rates and longer maturities. At the end of the negotiations, member states not only consented to the required guarantees. Creditors also agreed to leave the Commission the complete discretion and responsibility to decide whether to draw on national guarantees or on the margin available under the own-resources ceiling for payment appropriations (Art. 11.4 SURE Regulation), after having first advocated for the Commission to shift this roll-over possibility from the national guarantees to the EU budget.

Conclusion and discussion

By providing EU financial support for national governments to set up and update national short-time work schemes in the Covid-19 pandemic, SURE contributed to preserve jobs and income across the continent. While differing in design from previous attempts to establish European automatic fiscal stabilisers, SURE stands out as a major EU social policy innovation, advancing fiscal solidarity in more ambitious ways than any previous intergovernmental arrangement proposed thus far. How was this social and fiscal policy breakthrough made possible?

In the wake of the sovereign debt crisis, the Juncker Commission highlighted the need for Eurozone members to 'fix the roof while the sun is shining'. If the proposal to introduce a central stabilization tool for the EU failed to materialise then, continuous work on a technically feasible and politically acceptable instrument lead the European Unemployment Reinsurance Scheme to be progressively supported by a wider community of EU macroeconomic actors and eventually culminated in Von der Leyen consenting to the EURS becoming part of the Commission's programme. When the pandemic hit, the Commission opportunistically exploited the opportunity to propel the idea of an EU serving as a 're-insurance union' for national welfare states, used work on the EURS to inform discussions on a new support mechanism, and finally jumped on the newly emerging consensus around short-time work schemes to craft SURE as a policy solution addressing challenges of its time. The policy design of SURE was strategically designed to bypass opposition on the contested issue of transnational *unemployment* support, while carefully accounting for the political red lines posed by some member states on key dimensions of a European fiscal stabilizer. Overall, SURE appears as a pragmatic move not only initiated by the Commission, but shaped by the purposeful activity of DG ECFIN, DG BUDG, and DG EMPL working to exploit different windows of opportunities (legal base and fiscal room uncertainties, shared concern for a swift EU response, epistemic consensus on short-time work schemes) opened by the pandemic pressure for supranational solidarity.

As a first step towards a genuine European stabilization function, SURE opens the debate on what to make of this instrument now that the period of availability has run out. We distinguish between three interlinked lines of reasoning.

The first relates to EU politics. In her contribution to this Special Issue, Eick convincingly argues that support for European social integration is not only issue specific, but changes depending on socio-economic groups, and is stronger among those that may potentially benefit from those measures. As a financial assistance instrument that support traditional social protection buffers, SURE largely benefits those groups with lower socio-economic as well as educational background in wholesale and retail trade, accommodation and food services and manufacturing sectors[7] that are considered by the bulk of the literature as traditionally more Eurosceptic. As such, the maintenance of such an instrument could represent a venue to increase political support for further social integration and a way to legitimize the EU action in the social field.

The second layer is policy oriented. As argued by Vandenbroucke (2023), between the mid 1980s and 2008, there was no common 'shock' to the European economies threatening wide-spread, massive unemployment.[8] In an intellectual environment marked instead by fears of moral hazard, the insurance paradigm accordingly lost in popularity, leaving the EMU to act instead as disciplinary mechanism for national welfare states. As we highlighted in section 3, by acting as an Insurance Union during the pandemic, EU institutions propelled a shift away from this conception, to now take up the role of a 'holding environment' not only acting as a lender of last resort, but also entailing new elements of Keynesian stabilization in the form of fiscal and social backstops. Even though SURE is a temporary instrument, its successful implementation provides the evidence that EU level stabilisation can be established politically and works effectively, against the fears of moral hazard.

The success of SURE will give to the idea of the EU as an Insurance Union some leash on the future, both politically and intellectually. Turning SURE into a permanent mechanism should be the first logical step in that direction. The discussion on a permanent SURE, however, cannot be decoupled by an in-depth reflection on the need of common EU standards on job retention schemes. The stabilization capacity of job retention schemes varies across Member States depending on the design of the schemes (i.e. inclusiveness, generosity, financing system and temporal nature) (Corti et al. 2023). A badly designed job retention scheme not only has a lower stabilization capacity but also risks leading to resources misallocation (i.e. by supporting firms and workers beyond the actual period of economic downturn) and adverse selection (i.e. subsidising firms and workers that are no longer in

[7] For more details see European Commission (2023).
[8] Vandenbroucke notes nonetheless that, over these three decades, individual European countries have instead been confronted with different episodes of economic recession; in particular, liberalisation measures directed at the former communist countries resulted in significant economic and social burdens.

need of the support). Common EU standards would therefore not only serve to avoid unfair EU competition between EU Member States based on lower social standards but would also increase national welfare states' stabilization capacity and increase allocation efficiency.

Finally, the adoption of SURE also opens a wider discussion on the possible pathways to Social Europe. So far, the literature on social standards in the European Union has focused on the limits of the *social acquis* by pointing to the asymmetric treatment of economic freedoms vs. social rights. While EU social regulations plummeted after the adoption of the Social Pillar (Huguenot-Noël & Corti 2023), legal scholars emphasized the need to enhance the *enforcement* of social rights. But the EU's response to the Covid-19 pandemic points to another less appreciated, avenue for EU social integration. With the adoption of the Youth Guarantee and the Child Guarantee, EU institutions had first ventured into a new terrain by positioning the EU as a co-guarantor of social citizenship. Another step was yet reached with the adoption of SURE and the RRF, where EU institutions de facto entered into the *co-production* of new social rights, be them job and income maintenance or access to childcare. While less debated, the creation of new social rights by means of fiscal backing represents a new pathway to *substantiating* the Social Pillar. More, by disconnecting rights from their exclusive national foundations, these developments may open space to the strengthening of a genuine, EU social citizenship, which is tangible to European people.

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Table 1: Controversial dimensions and policy options for EU central stabilisation tool before the pandemic under three different scenarios

Dimensions	Design options	Scenario 1: Member States perspective	Scenario 2: Commission perspective	SURE Regulation
Target	Unemployment systems / Investments	Investments	Investments, including social investment	Short time work schemes
Size of the shock	All amplitudes/Only significant shocks	Only significant shocks	All amplitudes	Only significant shocks
Type of support	Grants/Loans	Loans	Loans/Grants	Loans
Conditionality	Macroeconomic conditionality/Social conditionality/Minimum standards	Macroeconomic conditionality	Macroeconomic conditionality	Social conditionality
Fiscal balance	Annual fiscal balance/ Fiscal balance over the cycle/No fiscal balance	Annual fiscal balance	Fiscal balance over the cycle	Fiscal balance over the cycle
Duration	Temporary/Permanent	Temporary	Permanent	Temporary
Financing	EU budget/Outside the EU budget	Outside EU budget	EU budget	EU budget (via External Assigned Revenues)
Activation	Automatic/Discretionary	Discretionary	Semi-automatic	Semi-automatic

Source: Authors' own elaboration
Note: Scenario 1 builds on the 2015 consultation with Member States on Five Presidents' Report. Scenario 2 builds on the 2018 EC proposal for a European Investment Stabilization Function.

Appendix 1: List of Interviews

1. COMM, Commissioner for Employment, Social Affairs and Inclusion (2010-2014), 07/02/2019, Brussels (face to face).
2. EMPL1, European Commission, DG EMPL, 04/03/2019, Brussels (face to face).
3. EMPL2, European Commission, DG EMPL, 08/02/2022, Brussels (MS Teams)
4. EP1, Member of the European Parliament, Rapporteur EP Report on Eurozone Budgetary Capacity, 02/04/2019, Brussels (face to face).
5. IT PARL, Minister of Economy and Finance (2014-2018), 21/02/2019, Brussels (face to face).
6. ECFIN1, European Commission, DG ECFIN, 17/02/2022, Brussels (MS Teams)
7. ECFIN2, European Commission, DG ECFIN, 22/02/2022, Brussels (MS Teams)
8. ECFIN3: European Commission, Cabinet Commissioner for Economy (2019-2024), 18/02/2022, Brussels (MS Teams)
9. BUDG: European Commission, DG BUDG, 25/02/2022, Brussels (MS Teams)
10. Eurogroup: President of the Euro Working Group and of the European Financial Committee (2020-present), 14/02/2022, Brussels (WebEX)
11. EFC-GRE, Economic and Financial Committee member for Greece, 15/02/2022, Brussels (MS Teams)
12. EFC-ESP, Economic and Financial Committee member for Spain, 16/02/2022, Brussels (MS Teams)
13. EFC-HUN, Economic and Financial Committee member for Hungary, 17/02/2022, Brussels (MS Teams)
14. EFC-NL, Economic and Financial Committee member for the Netherlands, 22/02/2022, Brussels (MS Teams)
15. EFC-BE, Economic and Financial Committee member for Belgium, 08/09/2023, Brussels (MS Teams)
16. MEP1: Assistant to MEP, ECON-BUDG Committee, 20/01/2022, Brussels (face to face)
17. MEP2: Assistant to MEP, EMPL Committee, 22/01/2022, Brussels (face to face)