

CONFRONTATIONS EUROPE

A CALL FOR ACTION FROM A SLEEPY EU: ENACTING A EUROPEAN UNEMPLOYMENT MITIGATION SCHEME

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Introduction

One might wonder why now is the time to write, or indeed read, yet another article on a European unemployment scheme. It is not a subject that policymakers presently focus on even in France which has long supported the idea. The current European Commission, unlike the last one (European Commission 2020), has made no direct reference to further work on the subject, and although the European Monetary Union (EMU) is far from completed, details about a capital ('savings and investment') or banking union feature more prominently than those pertaining to a fiscal union (and associated stabilisation functions) in the ongoing discussions –with the exception of defence and armaments expenditure. Neither the work programme of the VdL II Commission nor the recent proposals for the next Multiannual Financial Framework (MFF) for 2028–2034 mention unemployment funding (European Commission 2025a). Furthermore, jobless rates are low in Europe and labour shortages, in part linked to ageing populations, often appear a bigger challenge than unemployment (Eurostat 2025; Euractiv 2024; Bergmann and Steinberg 2024) [3]. The Commission's increased focus on demography underlines that ageing, shrinking working-age cohorts and territorial imbalances will increasingly shape labour market risks across the Union.

However, the article in the FT (cited in footnote 1) might reflect a broader change in the perception in the EU of the possibility of major jobs losses in the near future. Already the Commission proposal for the MFF does propose a new mechanism to react to hardship and severe crises affecting the European Union (EU) or its Member States. Importantly, the recent communication on quality jobs (European Commission 2025b) underlines its relevance for addressing employment by stating that:

"The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) mobilised significant financial means to protect jobs and companies during the specific circumstances of the COVID-19 pandemic ... Under the next Multi-annual Financial Framework 2028–2034, the Commission proposed the introduction of a new extraordinary and temporary mechanism to respond to the consequences of severe crises, hardship or serious threats thereof affecting the Union or its Member States. A decision on the activation of this mechanism will be decided by the Council of the EU after obtaining the consent of the European Parliament. If activated, it will provide loans financed by EU borrowing and backed by an annual guarantee from the EU budget of up to 0.25 per cent of EU Gross National Income (GNI)

This suggests that such an instrument could be used to address a sharp rise in unemployment and social hardship.

The Draghi report on the Future of European Competitiveness (Draghi 2024), widely endorsed by European leaders, said that it is vital to make progress towards a fiscal union. Even if the motivation is less about transfers from the EU level to help countries protect their populations confronting crises, the report notes that ‘there is a serious risk that without Union level spending Europe under-delivers on its climate goals, fails to provide the security its citizens demand and loses its industrial base’. Europe, furthermore, is undergoing massive structural transformations. Technological developments, including the use of artificial intelligence (AI) and the changes to economies engendered by the need to cut CO2 emissions, bring a risk of huge disruptions. Sectors in Europe such as the automotive industry, which have been strong employers, risk significant job losses. Will AI transform parts of the services sector such as insurance or banking and finance, leading to large-scale lay-offs? Countries with economies with a heavy involvement in such sectors may face large job losses even if the EU as a whole faces labour shortages. Would all countries be able to afford the income support and costs of retraining large numbers of workers no longer able to work in these sectors? Given the high public sector deficits of many EU members, the answer must be no. Such changes are a major challenge not only from a social perspective: the deep legitimacy crisis (De Angelis 2017) faced by the Union after the Sovereign Debt crisis suggests that the EU needs to actively help Member States to address large-scale labour market crises. And although the Coronavirus Disease (COVID-19) and its negative impacts are now well in the past, it did spur the adoption of a temporary EU unemployment reinsurance scheme: SURE.

SURE is the one actual example of how such a scheme can work in practice. The COVID-19 pandemic showcased the critical role of EU-level instruments like SURE in mitigating unemployment risks through job retention schemes (JRS). During the pandemic, job retention schemes were deployed on an unprecedented scale. The Organisation for Economic Co-operation and Development (OECD) estimates that by May 2020, such schemes supported about 50 million jobs across the OECD, roughly ten times the scale seen during the 2008–2009 crisis. At EU level, the Commission’s ex-post evaluation of SURE estimates that SURE-supported national measures reached about 31.5 million people and 2.5 million firms in 2020, and that the supported schemes saved an estimated 1.0–1.6 million jobs in SURE beneficiary Member States in 2020. Though JRS might not be particularly appropriate for structural transformations due to climate change and technological advancements, embedding lessons from SURE into a permanent framework is an important issue to be explored.

We would thus argue that a European-wide unemployment mitigation instrument, and in particular a reinsurance scheme inspired by SURE, could make a major contribution to strengthening the economic performance and the social resilience of the European Union, in combination with the European Pillar of Social Rights (EPSR).

We would see an unemployment mitigation scheme covering unemployment benefits, job retention schemes and labour market activation measures in line with previous proposals. Such economic and social strengthening are all the more important as Europe confronts the huge challenges cited in the Draghi report, on both the demand and the supply side, brought about by global political instability and the associated economic and military threats, as well as by climate change.

The case for an EU-level unemployment mitigation reinsurance instrument should also be seen through the lens of Europe's capacity to act as a systemic economic stabiliser in an era of recurrent and overlapping shocks. In the broader debate on European sovereignty, social cohesion is not a residual policy objective but a precondition for resilience and democratic legitimacy: macroeconomic demand stabilisation requires adequate unemployment insurance and supporting labour market institutions, and collective fiscal capacity is part of the EU's ability to uphold its social contract (Andor and Huguenot-Noël 2026). An EU unemployment mitigation reinsurance (EUMR) scheme would therefore not only smooth consumption and limit divergence during downturns; it would also reinforce the political sustainability of the integration project by showing that the Union can protect households' income security when disruption hits.

This framing becomes especially salient as discussions on the post-2027 MFF increasingly prioritise competitiveness, flexibility and the expansion of loan-based instruments – potentially at the expense of predictable, earmarked social investment. Against that background, institutionalising a standing unemployment reinsurance mechanism would help ensure that the EU's stabilisation response is timely, rules-based and credible – rather than dependent on specific crisis politics.

This debate should also be situated in the longer trajectory of social Europe. While European integration has historically been characterised by an asymmetry favouring market-making over social protection, recent developments suggest that the space for EU-level social and labour market policy-making has widened, moving incrementally beyond soft coordination toward more substantive forms of positive integration (Schreurs 2025). From this perspective, the question is not only whether a European unemployment reinsurance instrument is economically desirable, but whether the current phase of social Europe can consolidate crisis-driven innovations into durable and institutionalised risk-sharing capacity.

This paper will begin by looking briefly at developments in proposals for an EU unemployment instrument. Section 1 will explore the economic rationale for EU-level unemployment insurance, the social case for some form of EU unemployment protection, and the legitimacy of action at a European level.

In Section 2 we will look at the experience of the federal unemployment scheme in the United States (US), in operation for the past 90 years, and the lessons the EU could draw from it. The third section will discuss the many possible types of European unemployment scheme and why the EU could focus on a reinsurance scheme among the various options. In this respect, the fourth section will examine the SURE programme and the takeaways for a (more) permanent scheme. The fifth and final section will propose two possible schemes, automatic or discretionary. Either of these would, we believe, if enacted, foster significantly greater resilience and well-being in the EU in the event of an unforeseen but almost inevitable employment calamity.

I - The history of and rationale for a European unemployment benefits scheme

The first proposals linked with European-level involvement to combat unemployment came in the late 1960s, within the existing ambitions for economic and monetary union and the forthcoming enlargement of the European Economic Community (EEC), or Common Market as it was then called, from six to nine (initially ten with Norway) Member States. These proposals were essentially about improving social protection rather than managing macroeconomic imbalances.

In the light of the impending enlargement, a summit meeting of the leaders of the Six was convened in The Hague in December 1969. It asserted the objective of working towards Economic and Monetary Union, and reflected on a number of key policy issues. The Summit Communiqué stated that ‘the Heads of State or Government acknowledge the desirability of reforming the Social Fund, within the framework of a closely concerted social policy’ (Brown 2013). On 25 October 1973, the Commission produced the draft Social Action Programme, including a proposed Council resolution for decision at the December meeting. A short introductory paper was accompanied by a 70-page document setting out the details of some 35 programmes and actions. The Social Action Programme was adopted by a Resolution of the Council of Ministers on 21 January 1974. The three main objectives were: the attainment of full and better employment in the Community, improvement of living and working conditions, and increased involvement of management and labour in the economic and social decisions of the Community and of workers in companies. It called for ‘the establishment of appropriate consultation between Member States on their employment policies and the promotion of better cooperation by national employment services’ as well as ‘gradually to extend social protection, particularly within the framework of social security schemes, to categories of persons not covered or inadequately provided for under existing schemes’. It also announced work on how ‘the Community could support the costs of national income support schemes for the unemployed’ (Council of the European Union 1974).

Even without an economic and monetary union, the Common (later the Single) Market, while broadly benefiting all Member States, certainly did not mean that social welfare would automatically increase for all. Different economic sectors and the regions they dominated could benefit more or less, and their workers' incomes and employment possibilities were likely to move in step. The more vulnerable members of society might face greater pressures and greater risks of exclusion from heightened economic growth. The low skilled were perhaps especially at risk from enhanced economic integration. Would income (and wealth) inequality within and between Member States increase as wages in competitive sectors powered ahead leaving others far behind? It was the lack of an automatic link between economic growth and social welfare increases that spurred the social (and regional cohesion) side of European policy. The Social Action Programme was the first sustained attempt at the European level to ensure progress in social welfare as well as economic wealth for all Europeans.

Macroeconomic considerations and specific action on unemployment benefits at the European level appeared just one year later. These issues were cited in a key report to prepare for economic and monetary union. The Marjolin report said that 'the means of redressing imbalances between Community countries should be considerably reinforced' and that 'the introduction of a community system of unemployment benefit would constitute an effective approach' (Marjolin et al. 1975). Interestingly, the Marjolin report went into quite some detail as to what the benefit scheme should look like. In the longer term, it foresaw a single standard Community system with harmonised provisions, but in the shorter term, national systems would continue to exist while a Community unemployment benefit fund could pay each unemployed person a fixed Community allowance (not proportionate to previous wages) with national schemes topping up as they saw fit. The Community fund could be financed by employer and employee contributions. Following this groundbreaking report, the MacDougall report was released in 1977 (MacDougall et al. 1977). The two were the first reports initiated by the European Commission to look at how fiscal integration (or its lack) would impact the planned monetary integration. They shaped the discussions among Member States in the years and decades to follow. Further, rather haphazard, proposals were made for some type of European unemployment benefits in the 1980s and 1990s (Strauss 2016).

But why should a monetary union need federal or supranational stabilisation instruments and why are unemployment benefits a useful tool? The primary reason is that without a separate and/or independent currency, a member country in a monetary union only has fiscal instruments to offset fluctuations in macroeconomic demand. In the EMU, not only do Member States not have separate interest rates and currencies, but they are also constrained by fiscal rules. Monetary policy making is centralised and delegated to the European Central Bank (ECB).

At the same time, fiscal policy is to be carried out within the boundaries of the Economic Governance Rules (EGR), the successor to the Stability and Growth Pact (SGP), which require Member States to avoid excessive deficits and to achieve a medium-term objective ensuring the long-term stability of public finances. This leaves little room for discretionary fiscal policy to absorb or counteract shocks. It has even been suggested that the fiscal rules promote pro rather than anti-cyclical outcomes (Fatas 2019). And recent research by the Directorate-General for Economic and Financial Affairs (DG ECFIN) has found that this actually occurs (DG ECFIN 2025) [4]. This means governments cut expenditure (or increase taxes) when they should be increasing spending (or reducing receipts) to offset a demand downturn. But even if the framework were different, in any currency union the member countries would be constrained in their capacity to carry out autonomous fiscal policy. Countries in the EMU facing a recession might well lack the ability to increase public spending or reduce taxation to offset the downturn in aggregate demand. Funds from other sources in the Union would help counteract the demand downturn [5]. Any increased public expenditure in a country facing recession will do something to offset it, but spending on unemployment benefits is one of the most obvious and frequently advocated. Unemployment and thus the need for benefits almost always increases in a recession, public spending to meet this need automatically increases and unemployed workers will tend to spend such benefits quickly and in their entirety, as they are likely to be the only income available for buying necessities outside personal savings. The boost to demand is efficient and effective. Furthermore, a monetary union requires a high degree of social cohesion and thus measures to promote social stability and welfare.

Even if a recession is generalised across the Union rather than only in one country, it is more efficient to finance some spending on unemployment benefits (and associated measures to reduce unemployment) centrally. Even in the EMU, some countries would find it more costly to borrow the funds or to increase taxation to pay for the needed increased benefits. Their fiscal capacities differ. Centralised funding should minimise the cost overall. Furthermore, the countries most needing to increase benefits because hardest hit might be those least able to fund the big increase in benefits. Not only do these countries suffer, but the other countries also suffer from reduced demand for their own output. And there is also the possibility that some countries might not take (enough) action to offset rising unemployment, thus free-riding on those countries that do, and effectively exporting their demand downturn by exporting more to them. Because it is more efficient and equitable to run unemployment benefits centrally, most federal countries do so, even if their regions have a large degree of fiscal autonomy. This is the case for Belgium, Germany, Canada and the US, to some extent (see next section).

Funding of unemployment benefits from federal or Union sources would demonstrate that the Union as a whole cares about the social situation of workers and their families, the rationale for the Social Action Plan of 1973. And it is not only the unemployed who benefit. Those still in work in the recession-hit country see more demand for the goods and services they produce, reducing the risk of them becoming unemployed; this is the classic Keynesian argument for increased government spending in a recession. But workers and enterprises in other countries in the monetary union also experience higher demand than otherwise for the goods and services that they export to the country receiving the funds. Not only are there domestic income multipliers from government spending, but also intra-Union multipliers.

At its outset the EMU, in operation with a single currency since 2002, appeared to be working well without a supranational fiscal capacity or instruments. However, the Great Recession, starting in 2008, and subsequent euro crises saw renewed interest in stabilisation schemes, frequently identifying unemployment benefits as the best way to stabilise economies in trouble. The year 2012 saw a resurgence of publications and proposals, with the European Commission's 'A Blueprint for a deep and genuine economic and monetary union' (European Commission 2012) and the Four Presidents' Report (Van Rompuy 2012) the most politically prominent. Work on and proposals for European unemployment insurance schemes (EUIS) continued as economies recovered from the crisis, with the very real risk it had posed to the euro keeping interest quite high (Andor et al 2015). The interaction between the macroeconomic and social policy areas of some form of EUIS was highlighted by the European Commission Communication 'Strengthening the social dimension of EMU' (European Commission 2013). Unlike prior to the Great Recession when it had been essentially only discussed among academics, the debate was highly political. Apart from the Commission, the European Council, national governments, the ECB and national central banks, the European and national parliaments, political parties, the trade unions and the International Monetary Fund (IMF) worked on aspects of possible EUIS. The French, German and Italian ministers of finance published positions in 2014 and 2015 (Strauss 2016). Two important French institutions made relevant contributions: the Haut-Commissariat la Strategie et au Plan 2015) saw a EUBS as part of strengthening solidarity across the Euro Area and as an automatic stabiliser while the French Finance Ministry's "an unemployment insurance scheme for the euro area" (France Tresor 2014), was a detailed proposal within the classic EMU stabilisation framing.

After 2015, while work on other aspects of reinforcing the EMU was pursued, work on an EUIS was less prominent at a European level. The new Commission President's report 'Completing Europe's Economic and Monetary Union' (Juncker 2015) did not cite an EUIS. Promoting investment became the key objective of the Commission. Economic reforms

were key to boosting European economies while the social aspects would be the focus of the EPSR. With the emphasis on EMU stabilisation and investment, there was a feature within the proposal for the MFF for 2021-2027 (European Commission 2018) named the European Investment Stabilisation Function. It would have resulted in eurozone countries which experienced an economic shock receiving loans and interest subsidies to finance public investment. In order to receive the proposed support, Member States would have had to, among other things, meet a 'one-year eligibility criterion', which required an increase in the unemployment rate of at least one percentage point. Member States did not accept the proposal but the legal underpinnings would go on to be used in SURE. And at a national level especially in France, Germany and Italy proposals for an EUIS continued. The Italian Finance Ministry had published a comprehensive insurance scheme (Ministero dell' Economia e delle Finanze, 2015) and a paper by Bank of Italy economists looked at the design of an EU unemployment scheme as a macro-economic shock absorber (Brandolini et al 2016). The paper published by 7 German and 6 French economists advocating EU transfers triggered by rising unemployment was widely noted (Benassy-Quere et al 2018). Somewhat later, in 2022 the French Nation Bank was publishing on whether permanent fiscal transfers were needed with an EUBS (Banque de France 2022).

There is actually quite some evidence that such schemes can have a real impact. For example, recent research has shown that if an EURI scheme had been in place in the past decades, 18 per cent of the income losses in deep recessions would have been absorbed on average, with a trigger of a 1 per cent rise in unemployment (Dolls 2024) (See Section 4 for an explanation of what such a reinsurance scheme is). The cushioning is made up of two aspects: an interregional and an intertemporal aspect. The same research has also confirmed that most if not all Member States would have had periods in the previous decades when they would have benefited directly from payouts from an EURI scheme. This is above and beyond the indirect benefits that they get from selling more to crisis-hit countries receiving payouts. Modelling by Dolls (2024), who also lists much of the literature on the impacts, using the trigger of a 1 per cent increase in unemployment, showed that 14 Member States could have received payouts. Using a different trigger of a 1 per cent reduction in total hours worked in the economy, a trigger designed to react to an economic slowdown with large-scale short-time working and perhaps less of a rise in actual unemployment, his modelling showed that all 19 Member States in the EMU could have received a payout in 2020. The modelling showed that during the period from 2000 to 2021, overall no Member States would have been permanent recipients or permanent contributors to the reinsurance fund – a result found also in several other earlier research papers (del Monte and Zandstra 2014).

Social policy, and especially spending on it, is often seen as essentially a national issue, particularly by the Member States. Social spending from the EU budget is dwarfed by national spending. However, this is not based on what people want the EU to be spending its money on. The latest Eurobarometer survey on social matters (Eurobarometer 2024) asked the question: How important is a Social Europe to you personally? The overall results were that 88 per cent consider a Social Europe important (unchanged since 2020); 43 per cent say it is 'very important' (plus 1 percentage point from 2020); only 10 per cent say it is not important (minus 1 percentage point since 2020). At a country level, the highest importance was given to it in Luxembourg and Portugal (97 per cent), and Spain, Ireland and Malta (95 per cent); the lowest but still high importance was attached to it in Romania (71 per cent), Czechia (74 per cent), Croatia (77 per cent) . A more recent Eurobarometer survey (Eurobarometer 2025) saw action at EU level on job creation ranked second as the policy area creating the most potential positive impact; employment and social affairs were considered to be the number one priority for the EU budget.

Apart from enhancing economic and social well-being, a further advantage of an EU unemployment scheme is that it brings about and demonstrates solidarity to European citizens. A scheme would show that anyone in any Member State who has the misfortune to become unemployed will get help to pay for necessities while looking for and hopefully finding another job. Just as the Regional and Social Fund projects show that the Union is much more than a single market that maximises economic efficiency, an unemployment scheme, especially if it paid the unemployed directly, would show that Europe cares, with actions and not just words.

II - Lessons from the US unemployment insurance instrument

As discussed in Section 1, most federal states run their Unemployment Insurance (UI) scheme at the federal level, for a good reason: to strengthen macroeconomic and social stability. But the only such example that can really compare with the European Union in terms of size and diversity of the economy and the labour force is the US, with its Unemployment Insurance System. The US Federal State Unemployment Insurance Partnership is the only one comparable in size and degree of economic development with an EU scheme and therefore is of particular interest. The US scheme is based on interaction between the federal and the state level; it is not a centrally organised and run system and nor is it a mixture of independent states' systems. It was created, not surprisingly, as one central element in President Roosevelt's 'New Deal' following the Great Depression. In the following we briefly highlight some points of interest for the European debate (see O'Leary et al. (2020) which contains a comprehensive review of lessons from the US System).

As well summarised in 1955 by the then US Secretary of Labor on the occasion of the 20th anniversary of the programme's adoption, its three objectives were and still are:

- 1) To partially and temporarily replace workers' income during periods of unemployment as a right.*
- 2) To maintain purchasing power and stabilise the economy.*
- 3) To stabilise the workforce of enterprises and prevent the breakdown of labour standards during periods of unemployment.*

Unlike for the federal Social Security regime, the Roosevelt administration was not able to create a single federal system for unemployment benefits: interests were too diverse. For many, the overall advantage of a federal UI was clear and desirable and there was the fear that states that would not introduce UI could have a competitive advantage in terms of labour costs. At the same time, the states insisted on having a strong say in how UI was designed to work in their territory. So, a compromise was adopted centring on the funding side. The federal government introduced a federal payroll tax collected from enterprises, which is reduced by 90 per cent in states that comply with federal requirements concerning the administration and financing of the state scheme (note that the tax is experience-rated on layoffs by enterprises). The administration of the state schemes is financed at the federal level, as is 50 per cent of the 'extended benefits program' (an increase in benefit duration at state level triggered by an increase in unemployment). The federal government provides loans to states whose systems run into deficit. If states do not repay these loans, the federal government charges a supplementary tax on employers. States typically fund their benefit expenditure also through an employers' payroll tax and are obliged to use at least the federal tax base of a worker's annual income. As a result, the schemes are fairly similar in structure.

In addition to the extended benefit program, there are temporary, federally-funded emergency programmes that are not triggered automatically, as is the extended program, but decided upon as needed, ad hoc, by Congress when the economy moves into recession (e.g. the financial crisis) or situations when unemployment increases massively (e.g. COVID-19) (see Table 1).

While this looks like a sound system for normal unemployment situations, it has, over time, run into a number of difficulties that limit its capacity to meet the three main objectives of the federal UI system.

Table 1. Unemployment benefit reciprocity rates USA and selected states

	2006	2009	2015	2019	2020	2022
USA	35,2	62,4	27,1	27,6	77,1	24,8
California	40,4	58,3	32,9	40,1	95	42
New-York	41,8	70,7	34,6	28,3	102	34,8
Texas	19	44,2	29,6	24,1	66,5	17,4
Florida	29,4	50,5	10,9	10,9	42,8	11,6

Source : Unemployment Insurance Chart Book, US Department of Labor.

First, states have considerable discretion concerning eligibility, replacement levels and active measures. And indeed, provisions in this respect differ widely, driven by both the political views of the states' governments and elites on what 'the unemployed' or groups of unemployed 'deserve', and by business lobbying for low contributions. These differences translate into substantial variations in how the schemes seek to meet the first objective - replacement income for the unemployed - with consequences for the other two objectives, in particular the stabilisation function. Table 1 displays the huge and increasing differences in coverage of the unemployed with benefits in years outside of the massive recessions (2006, 2015, 2019 and 2022). The coverage differs in particular for workers with a non-standard employment history and due to variations in the duration of benefits.

Secondly, federal inactivity on updating the basic parameters (tax base, definition of triggers) has contributed to the growing divergence of outcomes. As just one example, the federal annual tax base is still at 7000 dollars; this might have been a serious funding source more than 40 years ago when it was last increased, but is now clearly totally inadequate to generate funds for more ambitious programmes or to be a serious penalty supplement when state funds run into deficits.

As there is wide discretion also on defining the triggers for extending duration, even marked increases in unemployment do not trigger the 'extended program', thereby contributing less and less to meeting the second – stabilisation – objective (Fischer et al. 2019).

Thirdly, as Congress and federal governments considered stabilisation through UI to be essential, extemporary federal action became the standard response to massive increases in unemployment. This was the case in the Great Recession, when the federal government programmes extended duration and softened eligibility. Studies (Fischer 2017) demonstrate that the massive increases in unemployment benefit reciprocity (the coverage of the unemployed by benefits) stabilise the income of population groups with a high propensity to consume, and, as a result, led to higher demand in the US economy. And there is evidence that the system helped to dampen the increase in poverty that would have happened without the strong increases in unemployment benefit reciprocity. The role of UI as an economic and social stabiliser in a situation of deep crisis or emergency was even more marked in the US response to the COVID-19 pandemic. Contrary to the EU SURE programme, action did not focus on job retention via short-time work, but on ensuring income replacement for those who lost their jobs. The federal intervention reached unprecedented levels in terms of funding, income support and of extending income support to those who would be typically excluded from UI receipt. This was possible as the different pandemic related programmes were not subject to the triggers of the state UI schemes and simply prolonged the duration of the programmes to 79 weeks. A separate programme ('PUA') extended coverage to the self-employed, to workers seeking part-time work and to those with short work histories. Federal measures including those authorised by President Trump introduced supplements to the state benefits, first 600 dollars per week and later 300 dollars per week. Most of these federal programmes expired in mid-2021 (Spadafora 2023). Since then, the US unemployment insurance system is once again determined by the priorities set by the states. Table 1 clearly displays the differences between situations when federal action is in place and when not. Reciprocity rates doubled in the Great Recession and tripled in the COVID-19 crisis (of course, partially due to the different structure of unemployment) and declined even further thereafter. Table 1 also shows the significant differences between the four most populous states, whereby Texas, and even more Florida, have reduced coverage to levels well below the levels before the crisis situations. This illustrates another feature of the US UI system: the federal interventions were sometimes made conditional on improvements to state requirements on eligibility and the duration of support. But as shown above, the divergence of state programmes returned fully when federal money stopped, and some states tightened their rules even further.

This shows perhaps the potential of federal funding for moving to a more homogenous system as long as it is in place, but also that lasting impacts are unlikely to be achieved.

It is well known that establishing or reforming UI is notoriously difficult. This is amply documented for the US. A major project on how to modernise the US UI system after the COVID-19 pandemic, led by the US Economic Policy Institute, states: 'One reason for the failure to modernize the [US] UI system is that federal policymakers tend to focus on UI only during economic downturns, legislating additional weeks of federally funded aid to address the immediate distress but doing little to reform the system as a whole.' Brian Galle (2012) emphasises this in his work on the concept of 'myopia' of the federal and state actors.

To summarise, four aspects provide lessons for an EU scheme:

- 1) The US federal-state unemployment insurance partnership has managed to establish UI systems across all the states, and has to some extent achieved similar structures. The biggest success is clearly that it proved to be a critical economic stabiliser during deep recessions and crises and reduced increases in poverty.
- 2) Federal funding can lead to retrenchment of UI activity at the state level, thereby not just shifting the funding burden to the centre, but also creating the risk of a 'race to the bottom'.
- 3) Attempts to make federal support conditional on improving state systems have partially succeeded, but only when states received massive funding. Typically, restrictive state policy returns when funding is phased out to low levels of protection and support.
- 4) The most important federal intervention is not automatically triggered by changes in labour market disturbance or hardship but requires ad-hoc decision making in Congress to be agreed in a short time span. While this seems to have worked in past periods of serious crisis, this might not always be the case, in particular if Congress is more and more deeply polarised.

III - What sort of unemployment benefits scheme for the EU ?

If a stabilisation scheme linked with paying unemployment benefits would be a good tool, particularly within the EMU, what sort of scheme could or should be envisioned? The work and proposals already looked at in Section 1 have tended to envisage some form of Union-financed unemployment benefits being paid directly to unemployed workers. This would be either a comprehensive EU scheme replacing national systems, or an additional payment on top of (presumably the existing) national schemes. As noted, the Marjolin report already envisaged a single Union-level scheme in the very long run, but with the Union providing only a top-up to national systems as a transitional measure.

There is also the possibility that the EU could just help fund national schemes and not pay unemployed workers directly. This would have the big advantage over a comprehensive scheme of not needing to design and agree on a new system, avoiding protracted negotiations between 27 Member States, each with their own existing scheme. Among several issues, the negotiations would need to decide: who is covered; how much should be paid; whether it should be proportionate to the previous wage, with a cap and if so how much; how long would benefits be paid and would they decrease; and what sort (if any) of activation would be required. Even for a top-up scheme, there would need to be negotiations on how much to pay, for instance, should it be the same in euros in all countries, or a share of the unemployment benefit or the average national wage? EU funding of a national scheme would only require agreement on a mechanism to ensure that the Member State concerned had the resources to combat unemployment, thus providing the macro-economic stabilisation and improved social welfare explained earlier.

Particularly if the EU scheme would just help national regimes, the next question would concern automaticity. If the transfer of funds to finance unemployment benefits is seen as a particularly useful stabilisation tool for a country hit by a demand shock, would or should such transfers be automatic? In a country, a recession will tend to bring about an increase in unemployment, and thus in the benefits paid out, combined with a decline in social contributions and income tax paid on the lost wages. These two phenomena, increased public expenditure and reduced public receipts, both act as automatic stabilisers. In a monetary union such as the EMU, whether or not such automatism exists on the benefits side depends on the design of the scheme to transfer the funds to recession-hit countries, or the benefits themselves. At one extreme, a decision would be required by all Member States to transfer funds to one or more of their members hit by rising unemployment. This is what happened for the SURE initiative: it was not automatic as it depended on the countries making a decision to transfer the funds. The other extreme would be a European-wide unemployment benefits system, funded at the level of the Union. Under such a system, a national-type scheme covering most if not all workers, namely those meeting certain eligibility criteria, ensures that they receive benefits if they become unemployed. The stabilisation afforded is as automatic as in a national scheme.

Between these two there are many varieties of schemes, with automatic or more or less discretionary mechanisms. Among possibilities are automatic triggering but discretion, i.e. Member State control, over the total volume of payment or over whether benefits and training are covered or the coverage of recipients. The key reason why economists advocate an automatic scheme is that discretionary policies usually require lengthy political decision-making processes. At a national level such decisions can be accelerated, but at the European level such processes are often long and, frankly, difficult.

The risk is that by the time a positive decision has been made, at the very least the unemployed will have been without adequate benefits for a long time and the demand downturn may have damaged the country as a whole and other members of the Union.

A further key element of any EU scheme, providing either direct or indirect unemployment benefits, is how it would be financed. A fully functioning EU scheme could be financed in the same way as most national schemes: through contributions from employers and employees, perhaps topped up from central funds. If the EU scheme is only a top-up payment, in addition to benefits from remaining national schemes, other means of financing would be needed to avoid workers and employers facing politically unpopular demands for additional payments.

The EU budget would be one obvious source of funding, but the EU treaties contain certain restrictions on what can be financed from the budget. This has often been used as an argument by the opponents of an European Unemployment Benefits Scheme (EUBS), citing the difficulty of getting agreement on treaty change. However, it is not clear that Treaty change is necessary for several different types of EUBS. Rapasi notes [6] “that a EUBS can be established within the boundaries of the existing Treaties. A Treaty change is only required for few of the ... options.” This view is echoed by the Italian Finance Ministry which said “A new European Unemployment Insurance Fund, established through national resources of the euro area countries could be administered by the Commission and placed in a separate line within the existing EU budget. The current Treaties empower the EU institutions with the legislative means to tackle such a situation.” [7] The work on the current MFF could in theory establish such a separate budget line for an unemployment mitigation instrument without treaty change. Presently the mentioned emergency scheme would only deal with deep crisis situations, require agreement of Council and the EP and could cover a wide range of measures not related to employment. Furthermore, the so called frugal countries and Germany are strongly opposed.

If needed, changing the treaties is quite a challenge but not impossible if all Member States share the goal of the change. Within the European Parliament there has, on several occasions, been support for changing the treaties to allow the financing of an EUBS (European Parliament 2023). The opponents of a EUBS, while probably genuinely wary of the political complexities, tend to have other reasons, the most common being an objection to what they call a ‘transfer Union’, where economically weaker members systematically receive payments from the stronger ones. The opponents would go on to say that not only does this mean that the population of a stronger country unfairly support that of the weaker one by transferring resources, but the transfers also discourage the weaker country from making the reforms necessary to improve its economy or reduce its unemployment.

In this, the opponents cite the moral hazard such benefits engender, whereby the policy has the perverse effect of perpetuating a problem. This is the moral hazard also associated with insurance policies, which are supposed to make the holders take less care to avoid the damage covered than if they had to bear its full cost. Hence insurance policies are often accompanied by regulation and measures that aim at anticipation of risks and prevention of damaging behaviour.

Conditionality has been a much-discussed aspect of an EU scheme. Put simply, the discussion concerns what conditions countries need to fulfill to receive funding from the EU for their unemployed. It has been thought that the reluctance of many to have an EU-level scheme was because the strong or rich would end up financing the weak or the poor, who because of such funding, moreover, would not make the necessary changes to their economy or perhaps over-generous or ineffective unemployment benefit systems. It is linked to arguments about moral hazard but of a somewhat different nature. Some authors have stressed that there is public support for helping to fund other Member States facing increased unemployment (i.e. cross-border risk sharing), but this support depends on perceptions about the EU or national scheme's adequacy, job search and training obligations (Vandenbroucke et al. 2018). However, the more conditionality there is, the greater the risk that needed income support (direct or indirect) is not given or not taken up.

An EU scheme could be linked to participation in the Union of Skills initiative launched in March 2025. This framework seeks to expand massively the opportunities for upskilling, reskilling, and skills portability across Europe, making learning and training a regular, accessible feature of working life. It does not impose conditionality in the sense used for unemployment benefit schemes; there are no requirements for individuals or Member States to fulfil certain conditions to access benefits or funding. Instead, it is a voluntary strategy focused on expanding access to skills development, training opportunities, skills portability and talent attraction across the EU. The governance framework involves recommendations and coordination with Member States and stakeholders rather than enforceable conditions tied to funding or access. However, the Union of Skills can be considered as a key framework in the event that a European Unemployment Reinsurance Scheme is set up. Linking such a scheme's conditionality to using Union of Skills measures would increase public and political legitimacy, by demonstrating a clear investment in workers' employability and not just income maintenance. It would help ensure that EU funding addresses both immediate needs (income security) and structural challenges (skills shortages linked with the digital and green transitions).

It would be a mistake to neglect the issue of conditionality, with the aim to encourage or push Member States to protect the unemployed in the easiest way.

Differences in the outcomes of UI systems between EU Member States are not so far away from the numbers reported above for the US. In 2022 in the EU, fewer than 40 per cent of those unemployed for less than one year received UI benefits or assistance. Huge differences existed between the percentages of such unemployed receiving UI benefits of assistance in the six most populous countries: Germany 57 per cent, France close to 50 per cent, Spain 37 per cent, Italy 28 per cent, Poland only 13 per cent, and Romania just 7 per cent (Eurostat 2026). The Draghi report emphasises the importance of adult education and training. Differences in performance between EU Member States are considerable: on average, 40 per cent of adults participated in such measures, but only 25 per cent of those who were unemployed. In Germany, the figures were 54 per cent of all adults and 23 per cent of the unemployed, in France 40 per cent and 36 per cent respectively, in Italy 30 per cent and 13 per cent, in Spain 34 per cent and 32 per cent, in Poland 20 per cent and 16 per cent, and in Romania 19 per cent and 5 per cent. For a European scheme to be fully effective across the whole EU, these numbers need to change. This is not only in the interest of the laggards, but of all countries (Draghi 2024). One option advocated by Luigjes et al. (2019) is to promote a European reinsurance scheme, together with efforts to define minimum requirements for 'the quality of UI and activation policies' via hard and soft law and benchmarking processes – some of which are already happening.

There is a myriad of possible schemes. One comprehensive study (Beblavý et al. 2015) looked at 18 different automatic EU benefit schemes. These were divided into what the study deemed to be either genuine or equivalent schemes, the direct or indirect schemes mentioned above.

A genuine EUBS pays out benefits directly to any eligible unemployed individual and collects contributions from employers and employees. Genuine EUBS function continuously. These variants would Europeanise the existing national schemes and thus require considerable harmonisation among them. Equivalent EUBS variants function very differently: all financial transfers would occur between the supranational fund and the Member States (which would only receive a pay-out when the EUBS is triggered). The equivalent EUBS would thus 'reinsure' the existing NUBS. Equivalent EUBS could leave a lot of flexibility to the Member States, but this crucially depends on the extent to which conditions are imposed on how governments can spend the funds received from the supranational fund and whether there are minimum standards for the NUBS (Beblavý and Lenaerts 2017).

The study identified 14 genuine schemes which involve direct transfers from a supranational fund to unemployed citizens. In genuine schemes, no trigger is required, as these schemes are activated for any eligible worker who becomes unemployed.

It identified four equivalent schemes involving financial transfers between a supranational fund, which manages the EUBS, and the Member States, triggered automatically by economic development. In these schemes, there are no direct transfers between the supranational fund and unemployed individuals. Transfers reach unemployed individuals indirectly, as the supranational fund pays the national state providing it, which in turn directs the funds towards its unemployed citizens. The main difference between the equivalent schemes is the design of the trigger (i.e. the threshold level that determines when the funds are disbursed). The main characteristics of the four equivalent schemes are, apart from the trigger, the presence of experience rating, the presence of a clawback mechanism, and the possibility for the supranational fund to issue debt. They are given the names of Stormy Day, Rainy Day with Debt, Rainy Day without Debt, and Reinsurance of National Unemployment Benefits Scheme (UBS).

In spite of only one being named a reinsurance scheme, all four equivalent schemes are a form of reinsurance. All insure national schemes against increases in employment, because countries pay into the scheme and only receive benefits if and when they need them to ensure that their national schemes have enough money to pay the increased number of unemployed. The four indirect or equivalent schemes are differentiated by: the trigger which sets off a payment to a Member State; whether there is experience rating; whether there is clawback; and whether the supranational fund can issue debt. In a system with experience rating, the countries paying into the system contribute to a different degree depending on their past experience with unemployment. Clawback is a mechanism that reduces a potential, long-term negative (positive) net contribution by a Member State by increasing (decreasing) the amount that the Member State has to pay into the supranational fund on the basis of past receipt of Union money. The Stormy Day scheme is triggered when the short-term unemployment rate in a given quarter is one per cent or more over the national average in the last ten years, with no experience rating: it has clawback, and no debt. The Rainy Day funds are triggered when national unemployment is 0.1 per cent or more over the 10-year average: they have both experience rating and clawback, and are either with or without the possibility to issue debt. The Reinsurance of NUBS scheme is triggered by an increase of more than two per cent of the average unemployment rate, with experience rating but no clawback mechanism and no possibility to issue debt.

All these reinsurance schemes are automatic and all are intended to cover the payment of funds to finance increased unemployment, although as money is fungible, the Member State receiving the funds could use them for other purposes, presumably linked to increased unemployment.

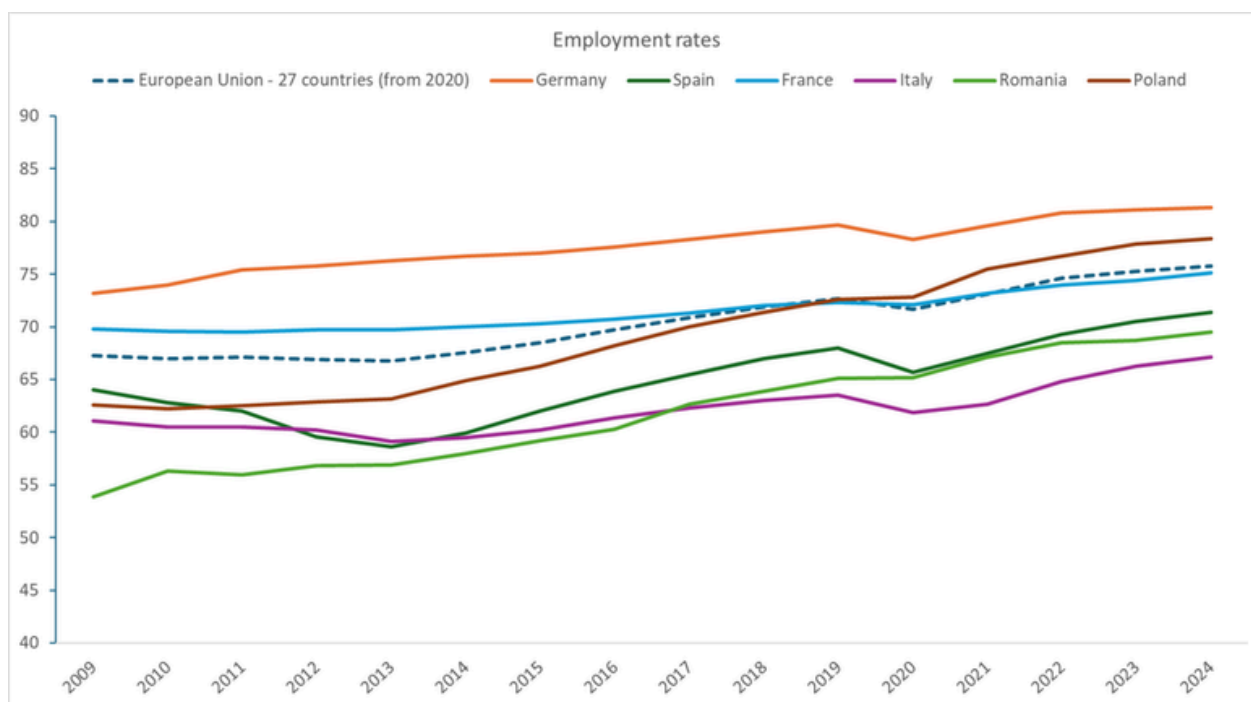
IV - The Support to mitigate Unemployment Risks in an Emergency (SURE) instrument

SURE, the one EU-level scheme that has actually been implemented, is a reinsurance scheme. In the preceding section it would be seen as somewhat similar to a Reinsurance of National UBS scheme, as debt was issued although with no trigger, no experience rating and, above all, no automaticity. Furthermore, it was not supporting classical unemployment benefits; the scheme was intended principally to finance short-time working and other job retention measures, rather than to provide financial assistance to countries, enabling them to provide benefits to those already unemployed.

SURE was established on 19 May 2020 and it was created to help Member States protect workers' jobs (and thus income linked to them) during the COVID-19 pandemic. It provided loans with favourable conditions, with a budget of up to 100 billion euros, to help finance Member States' short-time work schemes, or similar measures, aimed at protecting employees and the self-employed and, as an ancillary, health-related measures in the workplace (McDonnell et al. 2021) [8]. Not all Member States took up the offer of loans from SURE. The 'northern/western' countries with access to government borrowing at very low interest rates had no financial incentive to do so. Of these, only Belgium applied for and received SURE funding for its employment support measures. The 19 countries that did use SURE typically got access to funds at lower rates or better repayment terms than they would have had to pay to increase government borrowing. All EU Member States had some form of short-time working arrangements or job retention scheme in place (Drahokoupil and Müller 2021).

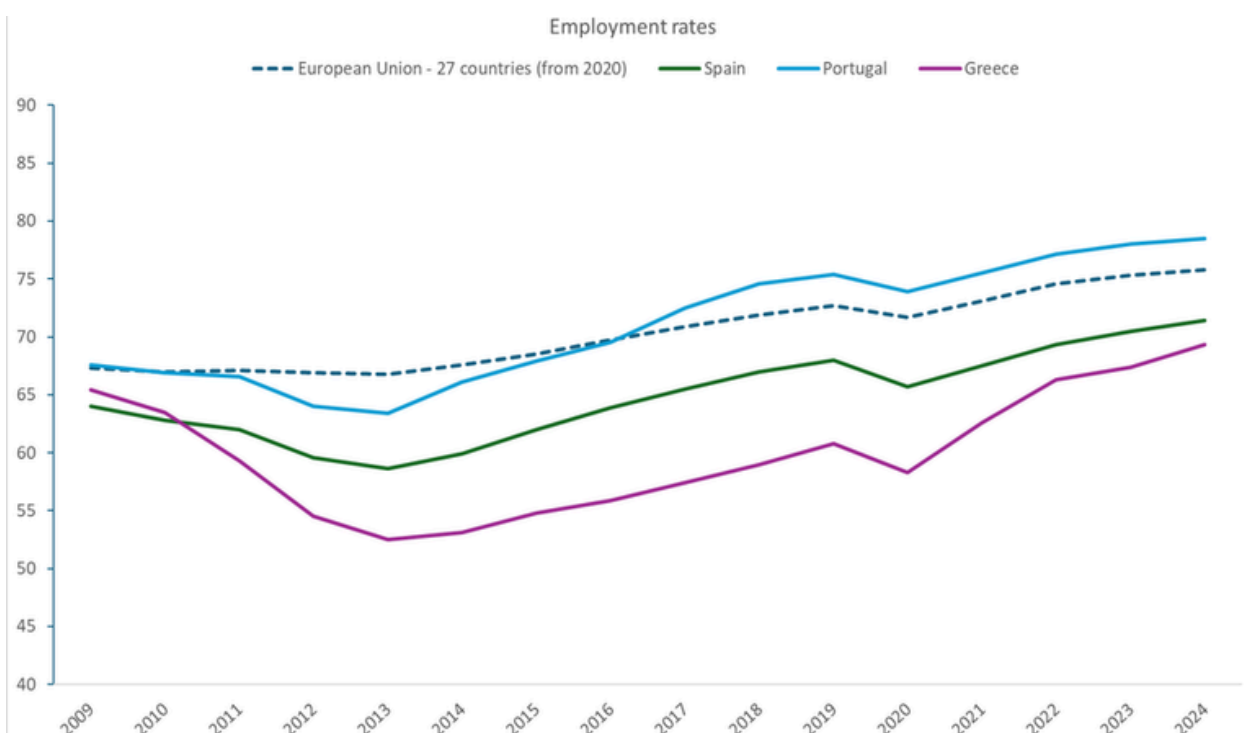
The labour market impacts of the pandemic were very different from those experienced in the financial crisis. Despite the fact that employment and total hours worked declined at the sharpest rates on record between February and October 2020, unemployment in the euro area only increased by a modest 1.2 percentage points to 8.4 per cent. Figures 1 and 2 show the employment rates for the EU27 and nine Member States. The difference between the two events is especially marked for Spain, Portugal and Greece (Figure 2). Overall, the countries using SURE saw little difference in unemployment rates compared to non-SURE countries during the pandemic unlike the much greater increases they experienced during the global financial crisis (see Figure 3).

Figure 1. Evolution of employment rates in the European Union and six selected countries (2009-2024)



Source : Eurostat (2025)

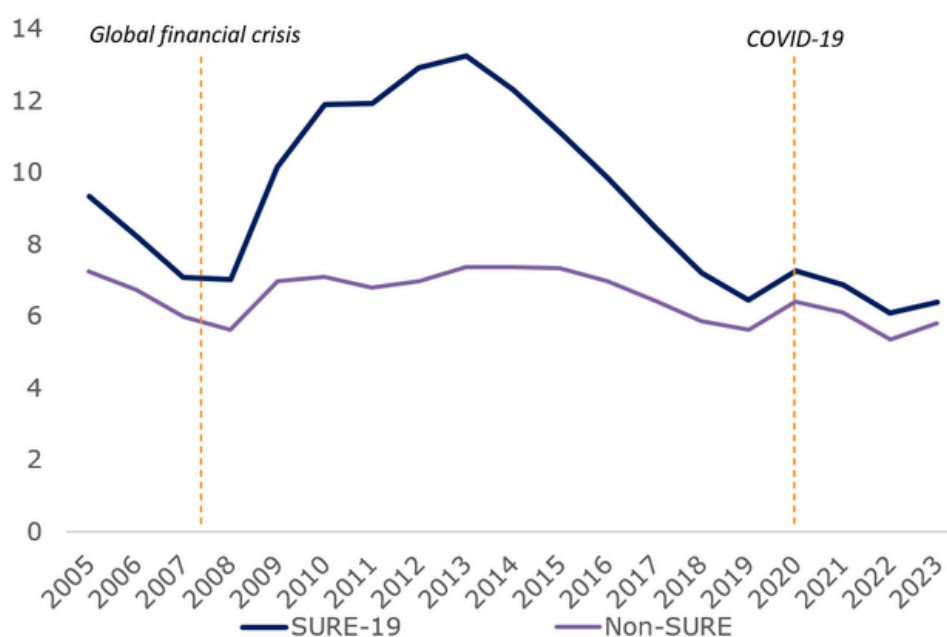
Figure 2. Evolution of employment rates in the European Union and Spain, Portugal and Greece (2009-2024)



Source : Eurostat (2025)

Widespread use of short-time working schemes (Corti et al. 2023), often supported by SURE, were a major factor in the small rise in unemployment. In the Great Recession, between 2008 and 2009, EU Gross Domestic Product (GDP) fell by 4.2 per cent, although the aggregate figure conceals marked variation: Germany and Italy recorded year-on-year falls in the range of 6–7 per cent, whereas in Poland growth remained positive, while Estonia and Latvia suffered GDP declines of 15 and 20 per cent respectively. The labour market effects of the Great Recession also varied. Both Ireland and Spain experienced increases in their unemployment rates of around 7.5 percentage points while Germany's unemployment rate actually fell and employment rate increased as jobs were sustained by the country's short-term working (Kurzarbeit) programme (Figure 1). However, by 2010, around 23 million individuals in the EU were unemployed, which represented close to 10 per cent of the working-age population (Ingham 2022).

Figure 3. Compared evolution of the average unemployment rate between SURE and non-SURE EU countries.



Source : McDonnell (2021)

SURE responded to an emergency need that was both social and economic in nature. Amid the uncertainty at the outset of the pandemic, it was crucial for policymakers to take concrete steps to avoid long-term social and economic scarring, due to a shock that there were strong reasons to assume (correctly, as it turned out) would be of a temporary nature. The social aspects of this goal were emphasised by the issuance of social bonds by the EU for the first time. Accordingly, the scope of SURE was not based on a rigid institutional definition, but was purpose-based, namely supporting job retention.

It was not a narrow type of instrument that was only a means to an end. These measures included support for self-employed workers and wage subsidy schemes (which are not calculated in terms of hours not worked, but rather as a lump sum or a share of the wage bill). Other measures included various reductions in indirect labour costs (related to job retention), sick leave and special leave benefits, and other specific measures to extend the activity of atypical workers (e.g. intermittent or seasonal workers).

SURE's success was underpinned by its flexibility and inclusiveness, as it supported a variety of JRS, including short-time work (STW) and wage subsidies (WS). It explicitly aimed to protect both employees and the self-employed. While the regulation did not specifically mention temporary workers, they were considered to fall under the general term 'employees' (Schoukens et al. 2024). The instrument's design gave Member States significant freedom to support existing STW schemes and also 'similar measures', which facilitated the inclusion of the self-employed (Elia and Bekker 2023, Jara and Simon 2024) [9]. Many Member States introduced crisis-specific income replacement schemes for the self-employed during the pandemic (Spasova and Regazzoni 2022; Schoukens et al. 2024). Importantly, these schemes protected women, who comprised 63 per cent of involuntary part-time workers in sectors like hospitality (Corti et al. 2023). This shows that central funding can have a big impact on the national institutions, combating job losses.

In Belgium, the SURE funding was used for its Crisis Bridging Rights programme, which provided replacement income to the self-employed. It also introduced special parental leave, available to various employees, including those on fixed-term contracts and temporary agency workers. In Cyprus, new measures were created to support the self-employed, providing subsidies to small enterprises and self-employed individuals who experienced turnover reductions. In Poland, the Anti-Crisis Shield included a downtime benefit for the self-employed and those on civil law contracts who experienced an income decrease. A separate scheme was also established for working parents, which covered non-standard workers and the self-employed. Spain reformed its 'Expediente de Regulación Temporal de Empleo' scheme to cover the self-employed (Elia and Bekker 2023; for a full overview of measures for the self-employed, see Spasova and Regazzoni 2023).

Although SURE rules allowed support for employees (including non-standard work) and the self-employed, the extent to which such workers actually benefitted varied markedly across Member States depending on national coverage provisions. Overall, some 30 per cent of recipients were self-employed, and over 2.5 million firms (primarily SMEs in contact-intensive sectors) accessed wage-subsidies and similar measures (European Commission 2023; 2025d).

The Commission's and Eurofound's ex-post reviews concluded that while all Member States ran job-retention and self-employed support schemes in 2020-2022, only some transformed them into permanent institutions. Of the SURE-supported countries, this was notably Spain and Belgium, while Italy broadened its ordinary STW and made a self-employed benefit permanent. Most of the schemes for the self-employed were stopped (European Commission 2025d) [10].

Research shows that there is a strong correlation between the design of these schemes and the actual take-up. For instance, for workers on temporary contracts, the take-up rates increased significantly between the two recessions, to levels often close to or above take-up rates for workers on open-ended contracts (Corti et al. 2023). However, examples also show that formal inclusion does not always lead to a higher take-up, and the replacement rates for the self-employed have been generally low (Eurofound 2024a and b). The pandemic disproportionately affected non-standard workers, women, foreigners and those in micro-enterprises; STW schemes, supported by SURE, were crucial for these vulnerable groups, as they often have less access to traditional unemployment benefits (Elia and Bekker 2023).

Flexible scheme design allowed Member States to tailor support to their labour-market structures, yet this same flexibility produced uneven coverage. The 2025 Commission evaluation confirms this disparity: it notes that national uptake of SURE for non-standard workers depended primarily on pre-existing labour-market institutions and political will, rather than on any prescriptive EU condition (European Commission 2025d).

On the financing side, for SURE to become available, all Member States agreed to guarantee the risk borne by the EU. All voluntarily provided irrevocable, callable, unconditional guarantees to the EU for the loans to Member States totalling 25 billion euros, or 25 per cent of the total SURE budget. These guarantees enabled the Commission to expand the volume of loans it could provide to Member States on behalf of the EU, while also ensuring a prudent financing of the SURE instrument and preserving the EU's high credit rating.

Under SURE, the Commission borrowed on capital markets by issuing bonds to finance cheap back-to-back lending to Member States. After the requests for financial assistance from Member States were granted, the Commission began borrowing, on behalf of the EU, by issuing bonds in October 2020, and then disbursing the proceeds to Member States [11]. SURE is the first instance of the EU issuing social bonds. Social bonds are assets compliant with the principles defined by the International Capital Market Association (ICMA), which offers investors assurance that the proceeds of the loans are used to fund targeted social policy measures.

The EU adopted and published an EU SURE Social Bond Framework to facilitate this commitment, in particular requesting issuers to report certain information to ensure transparency, specifically on the allocation and impact of proceeds.

Overall, many observers think that SURE was a success; it was quickly agreed, it effectively and efficiently used up (nearly all of) the money it raised, and showed that the Union cared about people facing difficulties. The European Commission believes that there are three key aspects to this success: its social and economic purpose, its governance and its financial construction (McDonnell et al. 2022). SURE served a real purpose, responding to a strong need to retain workers in employment, to protect their incomes and mitigate the economic and socio-economic damage of the pandemic. In terms of governance, SURE showed the merit of the EU method, combined with light conditionality and flexible national implementation. It was initiated by the Commission following the EU Community method, rather than the intergovernmental approach [12]. This ensured accountability and solidarity among Member States, while helping to reduce any stigma. The Commission proposed light conditionality under SURE: the only condition was that Member States should have faced a severe and sudden increase in spending on short-time work schemes and similar measures due to the pandemic. Together with the purpose-based scope of SURE, this light conditionality allowed Member States to retain ownership of the types and design of measures they implemented nationally, with SURE acting as a second line of defence. The SURE instrument was underpinned by a robust financial construction. SURE came into existence based on a guarantee system provided by Member States. All Member States, including the eight that did not benefit from SURE, provided a total of 25 billion euros of guarantees. These guarantees were provided voluntarily, and, once granted, became irrevocable, unconditional and on-call. This guarantee system is financially robust (while also a clear expression of solidarity through the EU budget). This system made SURE bonds highly credible to markets and credit rating agencies, paving the way for the strong investor demand that has materialised. The popularity of SURE, amongst both Member States and investors, has reduced the risk of stigma attached to the use of financial assistance by any particular Member State.

The SURE experience revealed a fundamental tension between regulatory flexibility and universal coverage. Light-touch conditionality enabled rapid deployment, but it did not require Member States to (i) adopt clear eligibility rules extending to all employment types; (ii) report disaggregated beneficiary data; or (iii) streamline administrative procedures for atypical workers (European Commission 2025d).

We would highlight that though ad hoc, initiated at very short notice and not automatically triggered it was nevertheless quickly agreed in Council.

No Member State had any real problem agreeing with the scheme, probably because it took the form of loans that would be almost certainly be repaid by the country receiving the funds. And no potentially reluctant Member State linked agreeing to SURE to another outstanding issue it wanted agreed by a proponent. The basic legal framework was already in place and this framework, Article 122 of the Treaty on the Functioning of the European Union (TFEU), did not need the agreement of the European Parliament, which even if likely to have been in favour would have added some delay. However, it still required all countries to agree, as it was not subject to qualified majority voting. One might ask whether such unanimity would be readily available without a crisis of the magnitude of COVID-19?

The risk of short-time work schemes is that they stay in place too long and they actually impede necessary restructuring of the economy. If the jobs are only lost temporarily, keeping people in them and ready to restart quickly is socially and economically efficient. If the jobs are never going to come back and are in 'zombie' firms, job retention is economically costly, both because the money used could be better spent on activating the unemployed, but especially because it slows down labour and other resources going to sectors that do have a better future. It seems unlikely that SURE slowed down necessary adjustment because it only operated for a short time. EU-level support ended quickly. When considering use of an EURI to help countries cope with job losses in sectors hit by technological change, it is important to note that job retention schemes for these sectors are unlikely to be warranted unless they are linked to schemes that help workers, still with their firms, to move to new, more productive and future-oriented employment.

SURE substantially increased the inclusivity of unemployment schemes. It did so in Member States ensuring that standard workers, non-standard employees and the self-employed all benefited from short-time work schemes. SURE was inclusive both regarding the type of work done but also regarding the gender and age of the worker. The Commission's report states that 'the participation of women and youth in short-time work increased during the COVID-19 crisis'. And SURE was also inclusive in terms of the Member States helped: the southern countries were not significantly harder hit, as they had been in earlier crises.

SURE proved that Europe can play an important role in addressing a massive crisis in a socially acceptable manner. This success was perhaps in the minds of those at a workshop cited in the final evaluation report on SURE: 'Participants explored the potential for a permanent EU-level unemployment insurance scheme, drawing lessons from the SURE initiative. They considered its role could extend to mitigating the impact of asymmetric shocks within the EU (e.g. geopolitical shocks)' (European Commission 2025c). In 2021, it was already being argued that SURE should be made a permanent instrument to avoid a situation in which in the (unfortunate) case of future crises, the EU will not have a similar tool

to provide immediate support to countries in need' (Corti and Alcidi 2021). As Huguenot-Noël and Corti (2024) state, SURE is 'an unfinished business opening new pathways to Social Europe'; its successful implementation has provided evidence that EU-level stabilisation can be established politically and work effectively against the fears of moral hazard. As highlighted by the authors, labour market disruptions caused by economic recessions are increasingly seen as having a negative impact on other EU countries. Inequality between countries results from the differential (or asymmetric) impact of a recession or economic 'shock', as illustrated by the surge in (youth) unemployment, exacerbated by austerity policies, in Southern Europe in the aftermath of the 2008–2010 financial and debt crisis. These problems have fuelled the argument that there is a need for a stabilisation instrument at EU level, capable of providing temporary support to countries hit hard by economic crises. However, the idea of financial 'solidarity' is a functional imperative.

V - Advocating a European Unemployment Mitigation Reinsurance Scheme

The experience and success of SURE convince us that a reinsurance scheme is politically the best way forward to install a European unemployment stabilisation mechanism. Its achievement of greater inclusiveness within and between countries in the face of an economic and social emergency underpins the need for such a European instrument to confront other employment crises that are bound to arise. This is recognised by the European Commission, as mentioned earlier. Reinsurance does not need complex and inevitably lengthy discussions on an EU-wide, direct (so-called 'genuine') benefits scheme. Similarly, a reinsurance scheme that is triggered only during severe shocks should reassure those who fear perpetual cross-subsidization between countries with structurally high and (structurally) low unemployment rates. And it as national governments remain responsible for standard unemployment insurance, they remain incentivized to prevent fraud.

Such a scheme would give macroeconomic support for countries in recession, or facing a massive sectoral shock, and help provide workers with income improving their social welfare. The Union as a whole would also benefit, as aggregate demand is boosted through such measures and its social dimension reinforced (Andor 2022). It would however also have limitations exactly because unemployment support as such remains a national responsibility. The big differences in UI coverage rates and participation in training and active measures indicates that country preferences in UI support differ widely and hence the effectiveness of stabilisation will vary. The SURE experience however suggests that a simple reinsurance scheme did reduce the gaps in coverage and inclusiveness for a certain period. We discuss later how a gradual approach on conditionality could be helpful in reducing these differences more permanently.

The two main variants of a reinsurance scheme are an automatic or discretionary scheme. If it is automatic, a trigger has to be selected. We would propose further exploring an automatic and a discretionary scheme as two options.

As our preferred first option, we would advocate an automatic scheme, with the trigger being a one per cent rise in the unemployment rate. We are, however, quite supportive of using a secondary trigger of a reduction in hours worked (as referred to in Section 2 and used by Dolls in his modelling); this could come into play even when unemployment is not rising significantly, because of the use of short-time working schemes or preventive active labour market measures including skills development. A further reason to look at hours worked is if the scheme is to intervene in, say, climate-related employment losses, for instance a 10 per cent decline in sectoral hours, to capture a heat-induced downturn in the construction sector. The trigger proposed of, for example, a one per cent increase above the long-term unemployment rate is a relatively small change (as in the Rainy Day scheme). It would allow a Member State to receive funds even if not undergoing a very substantial rise in overall unemployment, for example if only one important economic sector was hard hit. The unemployment rate in the sector could be increasing much more, but the effect on the economy might be, for instance, a little over one per cent. The key advantage of an automatic reinsurance scheme is that it comes into effect quickly, not needing a decision from Member States. This guarantees that the problem of higher unemployment (or fewer hours being worked) is confronted immediately and the economic and social damage mitigated, minimising harm and eliminating the risk of the measures being so late that they are unnecessary. Given that the cause of increased unemployment could be either on the supply or demand side, this is vital.

As a second option, if it is too politically fraught to agree on an automatic scheme, a discretionary scheme could be trialled, rather like SURE, with no automatic trigger but with a mechanism needing Member States to agree to payouts. This would enable those Member States suspicious or reluctant to approve measures linked to any rise in unemployment without knowing the cause to vote against the provision of funds at the time they are to be disbursed. The Coalition Agreement in Germany, which explicitly rules out support for a European unemployment scheme, suggests, at least, that the German government would not favour an automatic scheme.

Whether the automatic or discretionary option is taken up, payouts from the fund to Member States would, in our view, finance broadly defined employment-related support measures – these would include unemployment benefits but also short-time working and active labour market measures.

Europe, as opposed to the US, favours short-time working over steep increases in unemployment and the ensuing benefits, believing that workers kept attached to their jobs can more easily restart when the crisis is over and will probably benefit mentally from not simply being thrown out of work. However, it would be important to ensure that short-time working or similar job retention schemes do not impede necessary restructuring. When used, they should be time-limited to cope with a cyclical crisis. Short-time work with some exceptions might be an inadequate policy tool to address the impacts of massive technological change or adjustment to climate change, but this does not mean that unemployment benefits are the only instrument that a European scheme should fund. Member States should, as said earlier, also be able to use funds to help labour market transitions of large numbers of redundant workers, with active labour market instruments which will typically include an income replacement component. The coverage of the scheme should be wide to include atypical workers, including contract workers and the self-employed without employees, who might be particularly vulnerable to structural change. This would maximise the stabilisation effect, both macro-economically but also in terms of income, social wellbeing and inclusiveness.

Should the scheme have strong conditionality? As noted previously, this is a tricky issue. The public, when asked, seems to favour conditionality, but the risk is that strict rules concerning national systems could seriously reduce the take-up of the support. We would tend to favour less conditionality in the scheme itself, to ensure maximum effectiveness to stabilise economic and social well-being. One could and should pursue the EU-level definitions of minimum standards on UI, concerning broad coverage and adequacy as well as placement and job-finding support, training and activation, but not rigidly linked to access to funding from a EURI fund. This should be and is already a task for the EU economic and social policy coordination efforts. Participation in Union of Skills-type activation and training measures, would see conditionality take the form of investment in employability rather than restrictive access criteria.

We would propose that neither option would, ideally, be financed by debt in the way that SURE was. SURE required not only agreement from all Member States, but also a funding commitment from them all. We would propose that members would contribute to an initial fund on the basis of Gross Domestic Product (GDP) or payroll, as a basis for debt financing in crisis periods. Again, if this is politically too difficult, we could also foresee a trial discretionary scheme financed in a similar way to SURE with common debt. Financing could blend Member-State contributions and EU debt issuance, mirroring SURE's social bond model. A permanent EURI fund could be capitalised during economic upturns, with payouts triggered during downturns.

Certain authors propose that any successor to SURE must embed stronger inclusiveness safeguards from the outset (Elia and Bekker 2023). There could be across Member States a minimum replacement rate for all beneficiaries, regardless of contract type or sector. Such a floor would prevent lower-paid self-employed or temporary workers from being left adrift in severe downturns. The risk of such strict conditionality is that it might never be agreed, resulting in non-participation, resistance, and delay of implementation. It is therefore vital that the EU policy coordination processes should encourage Member States to improve their unemployment insurance and labour market policy systems and make them both more inclusive and pro-active, also in periods of less labour market disturbance. If an emergency system is used more frequently pressure will perhaps mount to codify some of the basic features of national unemployment insurance and labour market policy systems agreed in the political coordination such as inclusive coverage, employment (including reskilling) and placement support and job search requirement.

It has also been suggested that beyond income support, the next generation of crisis instruments should integrate upskilling components. Each beneficiary, irrespective of employment status, could receive a 'learning voucher' to enroll in certified micro-credentials or short courses in high-demand fields – digital literacy, green technologies or care services – thus transforming short-time work schemes into dual instruments of social protection and workforce resilience (Eurofound 2024a) [13]. This would dovetail with the efforts underway to meet the Porto targets of an employment rate of 78 per cent, 60 per cent of adults in annual training, and reducing those in poverty by 15 million. Reinforcing the EPSR chimes with the view that strong social partner engagement is seen as an important condition for accessing EU funds. Encouraging trade unions and employer associations to co-design and monitor any EURI scheme implementation will help, for example, tailor outreach to non-standard workers – often hard to reach through conventional channels – and safeguard equitable treatment across all employment relationships.

The EU will need such instruments [14] to support people – our most important productive potential – and not to risk another collapse of social convergence, as seen in the aftermath of the Great Recession. One can hope that the EU has learned the lesson that such instruments are necessary complements to the large-scale transformations our economies and societies are undergoing. And indeed, the MFF proposal contains a crisis instrument. The new MFF hardship mechanism could be the framework to embed the lessons from SURE: it can replicate the guarantee-backed, social-bond financing model and translate temporary crisis solidarity into a permanent budgetary facility for labour-market shocks. The governance of the new MFF crisis mechanism will be decisive: if access to its resources is left entirely to discretionary Council decisions, stabilisation will again depend on crisis politics; if, instead, unemployment-linked triggers are embedded into its activation rules, the MFF can host a genuinely automatic EUMR window.

Anchoring a European unemployment reinsurance scheme in the next MFF as part of a broader demographic and skills strategy would ensure that crisis-time income protection, activation measures and long-term human capital investment are treated as mutually reinforcing pillars of Social Europe. If the Union confines the new MFF crisis instrument to ad-hoc geopolitical or defence-related uses, it risks confirming the image of a 'sleepy EU' that reacts to layoffs and social hardship only after the damage is done. Integrating a permanent EU unemployment mitigation instrument into the next MFF, alongside EU-level skills and activation initiatives, would help align fiscal stabilisation with the demographic and skills challenges now at the core of the EU agenda.

Industrial employment in Europe, with a strong reliance on exports, faces a triple challenge: US tariffs, declining exports to and increasing imports from China (perhaps accelerated by those US tariffs) (Lagarde 2025) [15]. It is impossible to foresee the job impacts of geopolitical developments. Will energy prices surge? Will supply chains including computer chips be severely interrupted? As noted earlier, there are deep structural shifts in European industries, most obviously for the production of motor vehicles, not only in Germany but also in central and eastern Europe (CEE) (Jakóbski and Oertel 2025). Job losses in one sector can be replaced somewhere else, but this will take time and can result in spikes in unemployment. Then there are the broader technological shifts, notably AI in sectors and for competencies considered until recently as the sources of new jobs. Will robot delivery vehicles and self-driving taxis destroy the many new jobs in the gig economy? In any case, there may be substantial lay-offs and a need for income support, together with upgrading competencies and perhaps geographical relocation.

At the moment, neither an EU-UI nor macroeconomic stabilisation within the EMU are explicitly on the agenda of the EU institutions. This presumably reflects the change in priorities of European policy-making towards security and defence, as well as continuing with trade and competitiveness, although it may also explain why an emergency instrument along the lines of SURE is provided for in the MFF proposal. The new priorities certainly do not invalidate the lessons from the past as to why some employment-related emergency instrument might be important. Quite the opposite: in a period of growing uncertainty and multiple threats, social stability is an asset that it would be entirely counterproductive to weaken or give up. Emergencies are rarely foreseeable, but we know that they can happen, and when they do they develop quickly. Only very few predicted or knew that a major recession might be in the making in 2008, and the size of the downturn and the impacts in terms of job losses and unemployment were uncertain even when it first occurred. This uncertainty is why unemployment support is typically organised as 'social' insurance.

There were even more unexpectedness and uncertainty about outcomes when the COVID-19 pandemic started. In this case, the EU was able to create an emergency labour market instrument in a short time, but we have serious doubts as to whether responses to future emergencies could be managed in the same way. It would be a mistake not to learn from experience and be prepared for such events.

Whatever the future brings, there will be economic crises hitting the EU as a whole, such as the pandemic, or some parts (sectors, regions, groups of workers) of the Union more acutely than others.

Embedding unemployment risk-sharing in a standing mechanism would shift the Union from improvised ad-hoc crisis solidarity to solidarity by design: a predictable stabiliser that reduces asymmetric vulnerability, limits divergence dynamics, and makes the protective promise of Social Europe tangible when disruption hits.

The experience with emergency instruments demonstrated that EU-level risk sharing can be operationalised rapidly and at scale, but it also exposed the fragility of relying on one-off political bargains each time. A permanent EUMR scheme – with clear triggers, rapid disbursement and an architecture that avoids pro-cyclical tightening – would strengthen EMU by protecting both household incomes and aggregate demand when shocks are deep and when they are asymmetric limiting the divergence dynamics that repeatedly test the Union's cohesion.

Embedding such a stabiliser into the EU's wider political economy is also part of the 'sovereignty' agenda: if strategic autonomy rests on the strength of Europe's social contract, then unemployment protection is a central pillar of collective resilience, not a discretionary add-on (Andor and Huguenot-Noël 2026). And if the next MFF further shifts towards broad envelopes, reprogramming flexibility and loan-based instruments, a standing unemployment reinsurance mechanism can provide the predictable, counter-cyclical backstop that social stabilisation requires—precisely because it is designed to function automatically (or near-automatically) when labour market hardship materialises.

In that sense, a permanent EUMR instrument would complement the EU's social investment turn: if social investment is meant to build capacities for transition, a stabiliser is the protective counterpart that prevents transitions from turning into legitimacy crises when shocks hit and national fiscal space is weakest. A European macroeconomic shock absorber is more efficient than 27 separate ones.

A EUMR instrument would also help the ongoing work on completing EMU in the area of capital markets in two ways: first it would provide fiscal stabilisation without going into fiscal federalism as such, and secondly it would show that EMU is not only about money but also about people. – thereby providing legitimacy to this important effort.

An emergency instrument to help confront unemployment is useful both economically and socially, and thus politically. The frankly dreadful outcomes of the Great Recession and euro crisis showed the costs Europe could face: social costs, economic costs and political costs. All European countries benefited directly or indirectly from the financial support provided by SURE to many Member States. All countries would benefit from financial support from the Union to finance unemployment schemes of one sort or another. If the EU takes the commitments expressed in the EPSR and the related targets seriously, an emergency labour market instrument that provides support when it is most needed is a necessity. It should wake up to the very real threats and act now to create an instrument to mitigate them promptly and effectively.

Footnotes :

[1] This title is inspired by an article on impending job losses published by the Financial Times in June 2026 (Financial Times 2026)

[2] This paper is a revised version of a paper published by the OSE earlier this year. The authors would like to thank László Andor for insightful comments on an earlier draft and other participants at a presentation of that paper at a joint seminar hosted by FEPS and OSE in June 2026 as well as Jean-Robin Huguenot-Noel afterwards. 20

[3] Eurostat's latest Labour Force Survey estimates put the seasonally adjusted unemployment rate at 6.0 per cent in the EU and 6.3 per cent in the euro area in November 2025. In parallel, labour demand has remained comparatively tight, with the job vacancy rate at 2.0 per cent in the EU and 2.1 per cent in the euro area in the third quarter (Q3) of 2025, consistent with the continued salience of recruitment bottlenecks and skills mismatches.

[4] 'The size of consolidations tends to be larger (smaller) when the output gap is negative (positive). The reverse is true in the expansion regression ... the fact that downturns tend to increase the size of consolidations reveals the occasional existence of an issue of procyclicality over the cycle, with (some) countries facing increased fiscal pressure during downturns, forcing them to enact (procyclical) consolidations.'

[5] Such financial resources for a country needing them could be in the form of loans to be paid back later or grants not requiring repayment. They could either come from a fund that has been paid into in advance by all members of the Union for just such a case, or sourced from revenue raised contemporaneously from other members' government sources or from private capital markets.

[6] See Rapasi (2017).

[7] See Italian Ministry Economy and Finance (2015) p.3

[8] Parts of this section draw substantially on McDonnell et al. (2021).

[9] Recent distributional micro-simulation evidence underlines why this inclusiveness matters. Jara and Simon (2024) find that a European unemployment benefit can meaningfully reduce coverage gaps and poverty risks among atypical workers, and that extending eligibility to the self-employed further improves income protection – highlighting that eligibility design is central to social value-added.

[10] The Delphi survey conducted for the Commission revealed an overall positive assessment of coverage for the self-employed, with 29 out of 45 respondents rating it as good or very good. This favourable view is reflected in the fact that 13 of the 19 beneficiary Member States introduced dedicated measures for self-employed individuals, and stakeholders have observed that explicitly mentioning the self-employed in the SURE Regulation helped ensure broader coverage during the pandemic. By contrast, the coverage of other non-standard workers – such as gig, temporary and part time workers – was seen far less favourably: only 16 of 45 respondents deemed their support good or very good, underscoring a perceived gap in protection for these groups (European Commission 2025d).

[11] The first seven bond issuances were very successful, raising EUR 75.5 billion from October 2020 to March 2021. The bonds were issued with maturities ranging from 5 to 30 years, resulting in loan disbursements to Member States with an average maturity of 14.2 years, close to the maximum average maturity – 15 years. The issuances were significantly over-subscribed by investors, 10 times on average, resulting in favourable pricing terms, including negative yields on all but one of the bonds with maturities of 15 years or less. SURE was primarily used to finance short-time work schemes. These are public programmes allowing businesses experiencing economic difficulties to temporarily reduce the hours worked by their employees, who are provided with public income support for the hours not worked. Out of the 19 Member States that were granted SURE support, 15 Member States

that were granted SURE support, 15 Member States did so in order to help finance short-time work schemes. In the majority of cases, the supported short-time work schemes were new schemes set up in response to the COVID-19 pandemic.

[12] The Community method is characterised by the roles of the EU's supranational institutions: the European Commission's right to initiate and execute legislation, with some exceptions; the European Parliament and the Council of the European Union as co-legislators, adopting legislation on an equal footing; and the use of qualified majority voting in the Council. This method stands in contrast to the intergovernmental method of operation, used in decision-making mainly on the common foreign and security policy and some aspects of police and judicial cooperation. This method has the following salient features: the Commission's right of initiative is shared with the EU Member States, or is confined to specific areas of activity; the European Council often plays a key role; the European Parliament is involved in the decision-making process to varying degrees; and the Council generally acts unanimously and adopts the acts.

[13] This report recommends that job retention schemes should also incentivise workers and employers to use available downtime productively, for example for training.

[14] The CDU/CSU/SPD (Christian Democratic Union/Christian Social Union/Social Democratic Party) coalition agreement, however, rejects an EUI, which is perhaps surprising given the supportive position of the previous SPD-led government. Important to note, however, that Chancellor Scholz supported a European reinsurance scheme and that even the present Chancellor signed in 2018 a letter by several at the time not active important German political figures on the need to strengthen German involvement in European affairs that included among many others a European defense force and a EU-UBs(though he distanced himself later from the EU-UBS).

[15] In a speech at the Hertie School, Christine Lagarde said the following: 'All else equal, this fracturing can pose risks for Europe. Our economy is deeply integrated into the global trading system, with exports accounting for close to one-fifth of our value added and supporting 30 million jobs. Any change in the international order that leads to lower world trade or fragmentation into economic blocs will be detrimental to our economy'.

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