# LuxSE launches LGX Academy to boost sustainable finance education

**Sustainable finance experts from the Luxembourg Green Exchange (LGX), the world's leading platform for sustainable securities, on May 5, celebrated the official launch of the LGX Academy. The academy offers tailor-made lectures on a broad range of topics linked to sustainable finance, thereby allowing participants to enrich their knowledge in this field and gain a deeper understanding of sustainable finance market practices.**

With this initiative, LuxSE broadens the overall market understanding of the foundation of sustainable finance, promotes inclusive investment products and helps direct future capital flows towards sustainable investment projects. "Many financial institutions and investors would like to contribute to sustainable development, but they lack the necessary market knowledge. The LGX team has frequently been asked to share its knowledge and experience both at regulatory and practical levels. One of the missions of an exchange is to ensure investor protection and this starts with raising awareness and education. This is exactly what we intend to achieve with the LGX Academy," explained **Julie Becker** (picture), Deputy CEO of the Luxembourg Stock Exchange and Founder of LGX.

### Joining forces for education

The LGX Academy, as part of LuxSE, has been granted the status of 'Gestionnaire d'un Organisme de Formation Professionnelle Continue' by the Grand-Duchy of Luxembourg. To increase its scope and capacity, the LGX Academy has entered into a partnership with Luxembourg's House of Training in the field of executive sustainable finance education. The collaboration with House of Training marks an important milestone in both institutions' efforts to provide the market with innovative learning solutions in the field of sustainable finance.

"Together with LGX, we are very proud to help broadening the development of expertise in sustainable finance, one of the important contemporary challenges not only of Luxembourg's financial centre but also of the EU," commented Luc Henzig, CEO of House of Training.

### Tailor-made courses

The LGX Academy provides certified, tailor-made trainings to financial professionals and students seeking an in-depth understanding of the principles and foundations of sustainable finance, as well as its underlying drivers and related market practices.

In a first phase, three courses are available along with an in-depth glossary and knowledge sharing resource section: 1. Fundamentals in sustainable finance, 2. Products and Standards and 3. Taxonomies, Reporting and External Reviews. The courses are organised in small groups and are adapted to the level of understanding of the participants, which—regardless of background—share the ambition to contribute to a more inclusive and low-carbon economy.

### Sustainable finance education in high demand

Over the past months, the LGX Academy has worked with internationally recognised institutions such as the International Finance Corporation, Banque Internationale à Luxembourg and the University of Luxembourg to provide sustainable finance trainings on a national and international level, including previous trainings in Luxembourg and Stockholm.

As the world's leading platform for green, social and sustainability bonds worldwide, the LGX Academy lecturers are already in high demand for sustainable finance courses and presentations in Europe and beyond.

*For more information about the LGX Academy and available courses, go to www.lgxacademy.com.*

*The free webinar Green, Social and Sustainability Bonds in the context of COVID-19: Challenges and Opportunities will be held on 26 May at 15:00 CET. To register, go to https://lgxhub.bourse.lu/en/academy/webinar-thematic-bonds-in-the-context-of-covid-19*

# SURE: first step towards European unemployment re-insurance?

*By Frank VANDENBROUCKE, Professor at the University of Amsterdam**

**The European Commission proposes a European support system for national short-time work schemes, labelled 'SURE' (temporary Support to mitigate Unemployment Risks in an Emergency). SURE organizes support for 'job insurance' rather than unemployment insurance. However, it was presented as a kind of temporary and emergency implementation of a 'European unemployment re-insurance system'. Unemployment re-insurance means that countries hit by a severe economic shock would receive temporary budgetary support to cope with increased spending on unemployment benefits and reduced government revenues.**

Since the euro area crisis, unemployment re-insurance has been advocated by experts as an essential instrument to complete the Economic and Monetary Union (EMU), and it now features in the agenda of the von der Leyen Commission. Although unemployment re-insurance is seen as a solution for specific problems of the euro area, SURE is proposed to all EU Member States. The logic behind SURE is indeed applicable to the entire Single Market.

My argument is not that SURE or the re-insurance of unemployment benefit schemes can be the main component of the EU's response to the Covid-19 crisis. A much broader and massive intervention is needed. But risk-sharing in the domain of unemployment should be part and parcel of a more encompassing European relief initiative.

Hence, the question is to what extent SURE fits the bill in the short term and how it relates to further work on a European unemployment re-insurance scheme.

### Why unemployment re-insurance is on the agenda

In the aftermath of the banking crisis of 2008 we learned a hard lesson: EMU is a fragile construction. In a severe economic crisis, its Member States can be confronted with an escalating loss of trust in the financial markets on which they have to rely to issue public debt. To prevent such an escalating loss of trust, a euro area fiscal stabilisation capacity must be set up *ex ante* (rather than negotiated *ex post*, when a crisis has hit) and function in an automatic way. Its mere existence should change the expectations of all economic agents with regard to the fall-out of an economic shock, when a shock occurs.

At the level of individual Member States, unemployment insurance is an automatic economic stabilizer *par excellence*. It is therefore not surprising that it features prominently in the debate on the reform of EMU. In a nutshell - leaving aside the technicalities - the *ex ante* commitment of 'unemployment re-insurance' means that Member States are assured that they will receive budgetary support from a European fund when they are confronted with a sudden and severe increase in unemployment. Thus, their domestic automatic stabilizers can play their role.

### The role of short-time work schemes

Short-time work schemes provide a subsidy for temporary reductions in the number of hours worked in firms affected by temporary shocks. This allows employers who experience temporary drops in demand or production to reduce their employees' hours instead of laying them off.

Future hiring costs are avoided, production capacities and human capital networks are maintained and the loss of income for households is limited. Thus, the fall-out of a severe temporary shock is mitigated. The sharp contraction caused by the public-health response to Covid-19 is a textbook case for the use of short-time work: in this context, short-time work can be more effective than other forms of insurance such as unemployment insurance or universal transfers. In fact, rather than an 'unemployment (re)insurance system', the Commission's proposal is, in its first-order effect, above all a 'job (re)insurance scheme'.

In the context of this sharp contraction, the case for collective action at the EU level is also very strong. When economic disruption destroys existing matches of human capital and supply chains on a large-scale in some national economies, the external impact on other national economies can be huge. Such negative externalities play out fully when important trade and production links exist, as is the case in the Single Market.

The existence of effective 'job-insurance schemes' in all members of the Single Market is therefore a matter of common interest. This adds a strong argument to the case for European action, in addition to the arguments that apply specifically to the stability of the euro area. For all these reasons, the Commission's focus on short-time work and schemes that avoid lay-offs is well-taken.

### SURE's architecture and the responsibility of Member States

The scale of the effort is a key issue for stabilisation. SURE promises a significant volume (€100 billion). There is one limit to SURE's firepower: the share of loans granted to the three Member States representing the largest share cannot exceed €60 billion. An analysis of spending on unemployment benefits provides some indication to assess this figure. Over the last ten years, spending on unemployment benefits reached a record level of €193 billion in 2010 for the entire EU-27. In 2017, it stood at €174 billion. If we only consider Spain and Italy, their expenditure on unemployment benefits was equal to €58 billion in 2010 and fell to €49 billion in 2017.

The measures envisaged by SURE may be more costly than unemployment benefits, both because support for people on short-time work arrangements is often greater than conventional unemployment benefits and because the measures' scope of application may be broad, including groups which do not usually benefit from unemployment insurance in some countries, such as the self-employed. On the other hand, these unemployment expenditure data cover an entire year.

Yet, these figures show that, although the amount promised is significant, should the lockdown continue for many months, additional funding would probably be necessary. Through its legal basis and funding method, SURE is a true EU instrument and not an intergovernmental instrument, which is a major advantage. By not using the European Stability Mechanism (ESM) for this initiative, the Commission avoids interference with the divisive debate on whether or not the ESM should be the vehicle for European solidarity in the corona crisis. SURE will be able to borrow directly from financial markets; its underlying logic is therefore close to the functioning of the European Financial Stabilisation Mechanism (EFSM), but with almost double the firepower (€100 billion versus €60 billion).

The decision-making process for SURE's adoption and implementation nevertheless includes one risk. The adoption of the regulation which creates SURE only requires qualified majority voting by the Council. However, for the instrument to become available, all Member States must take part, on a voluntary basis, in a national guarantee system to support the EU budget and increase the instrument's financial capacity. Unanimity is therefore required to make the instrument financially operational. National contributions, which will be provided in the form of 'irrevocable, unconditional and on demand guarantees' to the EU budget, will account for 25% of the total amount of loans (therefore €25 billion out of the €100 billion).

The amount of guarantees to be allocated by each State will be decided according to the relative share of each State in the EU's gross national income. Although voluntary, the participation of all Member States in the guarantee system is highly desirable from a credit rating perspective (in order to guarantee lower interest rates). A risk of veto cannot be ruled out, however, even if this would be clearly in breach of the principle of solidarity on which the EU is founded. Hence, Member States have a key role to play in the financial construction of this new instrument and must shoulder their responsibilities in order to ensure that it enjoys the necessary firepower.

SURE will not be an automatic instrument; once the system of national guarantees will be in place and SURE will be available, the decision on granting a loan to an applicant Member State will be adopted by qualified majority voting in the Council, upon proposal by the Commission.

### SURE: short-term limits and medium-term perspectives

While there are good reasons to support the core features of SURE, the proposal also has its limits. In a longer-term perspective, a true European unemployment re-insurance system should overcome such limits.

First, the Commission proposes support to Member States in the form of loans rather than grants. Support in the form of soft loans is preferable to no support: it addresses immediate funding needs and ensures that the countries in need benefit from low interest rates. However, without a broader EU initiative that avoids sharply increasing levels of public debt in countries like Italy and Spain, soft loans will do little to reduce the looming risk of debt unsustainability in those countries.

Second, it is understandable that the Commission does not try to impose detailed conditions on how short-time work schemes supported by SURE are to be implemented. Discussing and imposing relatively detailed conditions will imply delays, which one cannot afford in this emergency context. The Commission rightly allows a broad range of measures. On the other hand, in the course of the process, it would be useful to learn from national best practices in order to provide guidance to Member States. In the longer term, any mutual assistance scheme needs both delineation and conditionality, based on best practice, in order to be maximally efficient and politically sustainable.

Third, schemes that avoid lay-offs for a certain period of time cannot be the only solution in the domain of unemployment. Inevitably, workers are already and will be laid off: hence, in all Member States, there should be sufficiently generous unemployment insurance for the laid-off and for those ineligible for short-time work. The number of unemployed is also bound to rise given the significant number of people with temporary contracts in many of the affected sectors: if these contracts are not renewed, people end up in unemployment without being dismissed either *de facto* or *de jure*.

On a more general note, the lacunae in the coverage of self-employed workers and precarious workers in many Member States underscore the urgent need to establish universal access to adequate social insurance, including unemployment insurance, to all workers in the EU, in whatever type of employment relationship, sector or activity they earn their living. This is one of the key principles of the European Pillar of Social Rights, which was proclaimed in 2017. A (non-binding) Council Recommendation on access to social protection for all was agreed in 2019; its effective implementation is badly needed. Implementing this principle in all Member States should feature prominently in a roadmap towards an effective unemployment re-insurance scheme.

Fourth, SURE will be operated on the basis of requests by Member States and the disbursement of support will depend on bilateral agreements and discretionary decision-making in the Council; in contrast, a European unemployment re-insurance scheme, for it to function well and have impact on expectations, must be based on *ex ante* solidarity and entail as much automaticity as possible. In a sense, SURE can be seen as a complement to 'normal' unemployment insurance: it adds 'job insurance' in the context of a specific temporary emergency, created by a large-scale and exogenous disaster. So conceived, it might one day be a specific 'plug-in' to an encompassing European unemployment re-insurance scheme, ready to be installed immediately in the context of such exceptional emergencies, not only for the euro area but for the entire Single Market.

### No time to lose

SURE is not merely a timely initiative. For it to be able to play its role and have maximum impact, it must be implemented as soon as possible. Reticent Member States must be aware that additional hesitations will only increase the damage to be repaired. At the same time, SURE must be a lynchpin for the development a true European unemployment re-insurance system.

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