Social protection statistics - unemployment benefits

Social protection benefits are transfers, in cash or in kind, made to relieve households and individuals of the burden of one or more social risks or needs. This article presents statistics on social protection benefits intended to address the risks and needs associated with unemployment. This covers not only unemployment benefits paid to unemployed persons but also other cash benefits such as partial unemployment benefits, early retirement benefits for labour market reasons, vocational training allowances and redundancy compensation, as well as benefits in kind such as mobility and resettlement benefits, vocational training, placement services and job search assistance. The data are collected annually through the European system of integrated social protection statistics (ESSPROS).

Unemployment-related expenditure in 2014

In 2014, the EU-28 as a whole spent 198 325 million EUR on unemployment-related benefits, amounting to 1.4% of GDP. The level of spending varied between Member States, ranging from over 2.5% of GDP in Belgium, Spain, Ireland and Finland to less than 0.3% in Poland and Romania (see Figure 1). In non-EU countries (Iceland, Norway, Switzerland, Serbia and Turkey), the amounts spent stood between 0.9% and 0.2% of GDP.

Figure 1 - Expenditure on unemployment-related benefits, 2014(% GDP)Source: Eurostat (spr_exp_sum), (nama_10_gdp)

Expenditure on unemployment-related benefits at EU level amounted to 5.1% of all expenditure on social benefits, with the proportion varying from more than 10% in Ireland, Belgium and Spain to less than 2% in Hungary, the United Kingdom, Poland and Romania (see Figure 2). In non-EU countries, the share of unemployment-related benefits ranged from 3.6% in Switzerland to 1.3% in Turkey.

Source: Statistics Explained (https://ec.europa.eu/eurostat/statisticsexplained/) - 04/02/2019
However, the proportion of social benefit expenditure allocated to unemployment does not necessarily provide a particularly useful basis for comparison between countries because of differences in the design of social protection systems. Expenditure on unemployment-related benefits is linked not only to the relative generosity of the system in terms of the types of benefits available and the level and duration of benefits provided but also to the way it is targeted and the size of the corresponding target groups.

Bearing in mind that expenditure is, at least in part, related to the number of unemployed persons, a more meaningful comparison of expenditure on unemployment-related benefits may be to consider expenditure per unemployed person (according to the ILO definition\(^1\)). The comparison is made in purchasing power standards (PPS) to eliminate price differentials (see Figure 3).

Expenditure on unemployment-related benefits in 2014 amounted to 7 994 PPS per unemployed person at EU level but varied considerably across countries. The amount spent was highest in the case of Luxembourg (almost 34 800 PPS) and Belgium (just over 29 300 PPS). In the former case, the high result is, at least in part, linked to the fact that just over 40% of the amount spent relates to benefits targeting employed persons who are not part of the denominator used to measure per capita expenditure. Similarly, in the latter case, it is, at least in part, linked to the payment of unemployment allowances as a “pre-pension” for people below the official retirement age who have withdrawn either fully or partially from the labour market. This group, which is also

\(^1\)People who are without work, currently available for work and seeking work. See Glossary:Unemployment

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**Figure 2 - Expenditure on unemployment-related benefits, 2014(% of expenditure on social benefits)**

Source: Eurostat (spr_exp_sum)

**Figure 3 - Expenditure on unemployment-related benefits per unemployed person, 2014(PPS and EUR)**

Source: Eurostat (spr_exp_sum), (lfsa_ugan)
excluded from the denominator, represents 20-25% of the regular unemployed in Belgium. Elsewhere in the EU, amounts spent in 2014 ranged from more than 20 224 PPS per unemployed person in Austria to 699 PPS per unemployed person in Romania. Meanwhile, among non-EU countries the figures ranged from 14 467 PPS in Norway to 709 PPS in Turkey.

It is important to be aware that, as is the case for Belgium and Luxembourg, the observation of expenditure per unemployed may not be comparable because of differences in the population receiving benefits. Indeed, as mentioned in the introduction, the unemployment function in ESSPROS covers not only unemployment benefits providing income replacement to unemployed but also a range of other benefits targeted to wider groups, including people that may be employed. An example is partial unemployment benefits, which are paid to employees of enterprises implementing reduced working time or temporary suspension of work due to economic, climatic or other difficulties. The data also cover benefits in kind such as placement services and job search assistance, which are usually made available to anyone seeking work, including those who are already employed and those who are inactive.

Some methodological issues that need to be taken into account when comparing data on unemployment-related benefits between countries include:

- Registered unemployed: Access to certain types of unemployment-related benefit is often conditional on being registered as unemployed with the public employment services (PES). The above comparison of expenditure per unemployed person (see Figure 3) is based on data from the EU Labour Force Survey\(^2\) on numbers of unemployed according to the ILO definition, which refers to people who are without work, currently available for work and actively seeking work. The population of unemployed measured in this way does not necessarily correspond with those registered as unemployed with the PES and, therefore, potentially eligible for unemployment benefits: some unemployed (ILO definition) do not register with the PES, while some of those registered may – depending on the rules in each country - have a small part-time job or not be immediately available for work and would therefore not be counted as unemployed according to the ILO definition. The extent of the overlap between the populations of ILO unemployed and registered unemployed varies between countries depending on the national (or regional) regulations establishing the criteria for registration as unemployed. As a result, observations of expenditure can vary quite significantly depending on the denominator used (see Figure 4). For example, expenditure per registered unemployed person is noticeably lower in countries such as Ireland, Italy, Finland and Ireland but higher in countries such as Denmark, Estonia and Malta.

Figure 4 - Expenditure on unemployment-related benefits per person unemployed and per person registered unemployed, 2014(PPS)Source: Eurostat (spr_exp_sum), (lfsa_ugan), (lmp_rjru)

- Structure of unemployment: Certain unemployment-related benefits are provided only for a limited duration. For example, the most generous (in terms of relaxed eligibility criteria and/or levels of income replacement) unemployment insurance benefits are usually time-limited. After exhausting their entitlement to such benefits, people that remain unemployed are typically transferred to a means-tested unemployment assistance benefit or minimum income allowance, depending on the system in place in each country. The former would still be recorded in ESSPROS as an unemployment-related benefit but the latter would

\(^2\)See [http://ec.europa.eu/eurostat/web/lfs/overview](http://ec.europa.eu/eurostat/web/lfs/overview)
usually be recorded as expenditure to counter the risk of social exclusion\(^3\), immediately creating differences between countries when comparing data by function. Further, the time limit for receipt of unemployment benefits varies between countries so that the expenditure recorded as being unemployment-related (both in absolute terms and per unemployed person) is impacted not only by the design of the benefit system, but also by the structure of unemployment. Paradoxically, a country with high numbers of long-term unemployed could have relatively low expenditure on unemployment-related benefits, particularly when measured on a per capita basis. This issue highlights the need for better data on the numbers of recipients of unemployment-related benefits.

- Family/children supplements: In principle, supplements for dependent children granted with respect to unemployment-related benefits should be split off and reported separately in the family/children function. However, this is often difficult in practice so that the value of such supplements remains in the unemployment function. As a result, countries that implement a universally available family allowance and do not use supplements may appear to have a lower expenditure on unemployment-related benefits than countries which implement a more restricted family allowance and rely on supplements to top up the income of families confronted by unemployment.

- Impact of the fiscal system: With the exception of payable tax credits, unemployment-related benefits provided through the fiscal system are not taken into account in the data. For example, tax exemptions, tax credits and higher tax free allowances provided to the unemployed may reduce taxes paid by recipients but are not taken into account in the expenditure recorded by the ESSPROS core system. Similarly, taxes and social contributions deducted from unemployment-related benefits and recouped by the government are not taken into account so the gross expenditure data do not necessarily reflect the contribution of such benefits to the disposable income of beneficiaries. Indeed, expenditure net of taxes and social contributions is more than 15% lower than gross expenditure in Denmark, Italy, Luxembourg, the Netherlands, Finland and Sweden (see Figure 5).

Figure 5 - Expenditure on unemployment-related benefits per person unemployed, 2014(Net PPS and Gross PPS)Source: Eurostat (spr_exp_sum), (lfsa_ugan), (spr_net_ben)

**Unemployment-related expenditure between 2000 and 2014**

EU expenditure on unemployment-related benefits (in constant prices) rose by 14.9% between 2000 and 2014 (see Figure 6) and therefore did not keep up with the increase in numbers of persons unemployed, which rose by 20.6%. The increase in unemployment-related expenditure is less than half of that for all social benefits (34.0%) but similar to the growth in GDP (18.0%) over the same period. This meant that the share of social benefit expenditure associated with unemployment fell from 6.0% to 5.1% over the period. Indeed, its contribution declined every year between 2001 and 2014 with the sole exception of 2009 when the economic crisis hit, the numbers of unemployed rose dramatically, and GDP in constant prices declined 4.4%.

\(^3\)Minimum income allowance is reported in the expenditure on social exclusion in ESSPROS rather than that on unemployment unless specific provisions are made for unemployed.
The increase in EU expenditure on unemployment was underpinned by increases in two thirds of the Member States for which data are available (17 of 26). In fact, increases of more than 50% over the period 2000 to 2014 were observed in ten countries – Estonia, Ireland, Greece, Spain, Italy Cyprus, Lithuania, Luxembourg, Malta and Portugal (see Figure 7).

While numbers of unemployed persons rose in the majority of these countries over the period, in some the numbers actually fell. Most notably, in the case of Estonia, expenditure on unemployment benefits rose by 321% while the number of unemployed fell by 45.7%. This rise in expenditure was mainly driven by a rise in expenditure on unemployment benefits over the period although an important portion of the gain also stemmed from rises in expenditure on vocational training. The rise in the former, despite declining numbers of registered unemployed persons appears to be associated with two changes to the system of unemployment benefits in

Figure 6 – Expenditure on social benefits, expenditure on unemployment-related benefits, GDP and numbers of unemployed, EU-28, 2000-2014(constant prices, index 2000=100) Source: Eurostat (spr_exp_sum), (spr_exp_fun), (lfsa_ugan), (nama_10_gdp)

Figure 7 - Change in expenditure on unemployment-related benefits and numbers of unemployed(% change between 2000 and 2014)Source: Eurostat (spr_exp_fun), (lfsa_ugan), (nama_10_gdp)
Estonia: (1) an increase in the rate of unemployment allowance and (2) the introduction of unemployment insurance benefits in 2002.

However, the overall change between 2000 and 2014 hides important fluctuations in expenditure on unemployment-related benefits during that period (see Figure 5). For the large part, the fluctuations follow changes in the number of unemployed. This is primarily due to the fact that the majority of unemployment-related expenditure relates to unemployment benefits received by unemployed. However, between 2009 and 2014 opposing trends can be observed as expenditure on unemployment-related benefits declined by 8.5% while the number of unemployed rose by 21.4%. There may be several reasons for this.

First, unemployment benefits, which constitute the majority of unemployment-related expenditure, usually become less generous (in terms of amounts and/or coverage) as the duration of an unemployment spell increases. Between 2009 and 2014, numbers of long-term unemployed grew while numbers of short-term unemployed fell such that the proportion that were long-term unemployed increased from 33.3% to 47.3%\(^4\), thereby reducing the proportion of all unemployed eligible to receive benefits that are exclusively unemployment related.

Second, redundancy compensation is not strictly linked with unemployment but if a person does become unemployed as a result of redundancy, the compensation can be expected to be granted before, or soon after, becoming unemployed. For this reason, expenditure on redundancy compensation is likely to correlate with the inflows into unemployment but not with the total numbers of unemployed, particularly when the proportion of long-term unemployment is high.

Third, policies may have been introduced to reduce government spending on unemployment-related benefits in response to the sovereign debt crisis.

### Composition of unemployment expenditure in 2014

#### Distribution by type of benefit

Just over three quarters (77.5%) of expenditure on unemployment-related benefits at EU level was disbursed in the form of periodic cash benefits, 16.4% as lump-sum cash benefits and just 6.1% as benefits in kind (see Figure 8).

![Figure 8](image-url)  
**Figure 8** - Expenditure on unemployment-related benefits by type, 2014(% of expenditure on unemployment-related benefits)Source: Eurostat (spr_exp_fun)

Periodic cash benefits constituted the majority of expenditure on unemployment-related benefits in all but two EU Member States – Greece and Cyprus – where lump-sum cash benefits were more important. Benefits in kind, which include, for example, vocational training for the unemployed and placement services, accounted for less than 20% of expenditure on unemployment in all but six countries – Denmark (21.6%), Estonia (27.3%), Malta (25.5%), Austria (23.5%), Sweden (25.1%) and the United Kingdom (25.8%).

\(^4\)LFS - Eurostat (online data code: lfsa_urgan)
Among non-EU countries, periodic cash benefits were the main component of expenditure on unemployment. Norway was the only case in which benefits in kind accounted for more than 15% of expenditure on unemployment (30.1%), exceeding the level observed in any of the Member States.

Distribution by detailed benefit type

ESSPROS distinguishes five types of periodic cash benefits:

1. Full unemployment benefits,
2. Partial unemployment benefits,
3. Early retirement benefits for labour market reasons,
4. Vocational training allowance and
5. Other cash benefits.

Full unemployment benefits are by far the most important type, accounting for almost two thirds (64.1%) of expenditure on unemployment-related benefits in the EU-28, thus explaining why periodic cash benefits are the most important form of disbursement (see Figure 9). Indeed, full unemployment benefits are the most important type of benefit in all but four of the Member States (Greece, Cyprus, Luxembourg and Hungary). Other cash benefits account for the largest part of expenditure on unemployment in Luxembourg and Hungary. In the former, the expenditure is associated with a series of labour market measures which serve to (re-)integrate individuals into work while in the latter it relates primarily to a minimum income support benefit for unemployed whose entitlement to unemployment benefit has been exhausted.

Figure 9 - Expenditure on unemployment-related benefits by detailed benefit type, EU-28, 2014(% of expenditure on unemployment-related benefits)Source: Eurostat (spr_exp_fun)

Similarly, ESSPROS distinguishes three types of lump-sum cash benefits:

1. Vocational training allowance,
2. Redundancy compensation,
3. Other cash benefits.

Redundancy compensation, which accounts for 14.0% of expenditure, is the most important type of lump-sum benefit and the second most important unemployment-related benefit after full unemployment benefits. Indeed, redundancy compensation accounts for the largest part of expenditure on unemployment in both Greece and Cyprus, even exceeding that on full unemployment benefits. Other types of lump-sum benefits are relatively unimportant at EU level, accounting for below 2.5% of expenditure on unemployment-related benefits.

Lastly, benefits in kind can be broken down into four detailed benefit types:

1. Mobility and resettlement benefits,
2. Vocational training,
3. Placement services and job search assistance and
4. Other benefits in kind.
None of these are particularly important in terms of expenditure on unemployment-related benefits. At EU level, expenditure on vocational training accounts for 3.8% of expenditure while all remaining categories each account for less than 1.5%. Nevertheless, benefits in kind account for more than a fifth of expenditure on unemployment-related benefits in six Member States (Denmark, Estonia, Malta, Austria, Sweden and the United Kingdom).

### Composition of unemployment expenditure between 2000 and 2014

#### Distribution by type of benefit

At EU level, expenditure on unemployment-related benefits at market prices increased for all forms of disbursement over the 2000-2014 period. However, when measured in constant prices (see Figure 10), expenditure rose for periodic cash benefits (+9.6%) and lump-sum cash benefits (+79.2%), but declined for benefits in kind (-14.9%).

![Figure 10 - Expenditure on unemployment-related benefits by type of disbursement, EU-28, 2000-2014(constant prices, index 2000=100)](source: Eurostat (spr_exp_fun), (nama_10_gdp))

This meant that the contribution of lump-sum cash benefits rose over the period (from 10.5% to 16.4%) while the contribution of periodic cash benefits and benefits in kind declined (from 81.2% to 77.4% and from 8.3% to 6.1% respectively). In fact, the increased expenditure on lump-sum cash benefits accounted for 56.0% of the rise in unemployment-related benefits between 2000 and 2014.

Expenditure on lump-sum cash benefits followed a completely different trend to other types of benefit. This is because the amounts concerned are relatively small in many, but not all, countries and changes in benefits in countries where they are relatively important can have a significant impact. Expenditure on lump-sum benefits rose each year between 2000 and 2009 reaching a peak 151.1% higher than in 2000. Subsequently, it declined each year between 2009 and 2014, ending at 79.2% above the 2000 level.

Surprisingly, the largest annual increase occurred between 2006 and 2007 (42.9%), surpassing that observed when the economic crisis struck between 2008 and 2009 (20.3%). This unexpected rise is in fact due to a break in the series in the data for Italy. Severance pay (Trattamento di fine rapporto) is reported in the old age function between 2000 and 2006 but between 2007 and 2014 it is split between the old age function and the unemployment function and accounts for, on average, 30.5% of EU expenditure on unemployment-related lump-sum benefits (at market prices) during that period.\(^5\)

#### Distribution by detailed benefit type

Expenditure at EU level increased between 2000 and 2014 for five of the twelve detailed types of unemployment-related benefits (see Table 1) – full unemployment benefits (31.3%), partial unemployment benefits (97.9%), redundancy compensation (77.6%)\(^6\), other lump-sum benefits (98.3%) and other benefits in kind (117.9%).

\(^5\)Work to review the time series data for severance pay is planned for 2019.

\(^6\)The increase in expenditure on redundancy compensation reported here is liable to be overstated due to the above-mentioned break in the series for severance pay in Italy.
Increases in the first three types are expected as the economic crisis brought increases in the numbers of unemployed, persons whose working time had been temporarily suspended or reduced and workers affected by redundancies. Indeed, important increases in expenditure at EU level were observed between 2008 and 2009 for all three of the categories associated with these groups (see Figure 11) - full unemployment benefits (36.1%), partial unemployment benefits (271.9%) and redundancy compensation (20.9%). This trend held in the vast majority of the Member States where such benefits exist. Since 2009, expenditure on each of these types of benefit has declined but remains well above levels observed in 2000.

Table 1 - Expenditure on unemployment-related benefits by type, EU-28, 2000 and 2014 (market prices, constant prices and % unemployment-related benefits)

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<tr>
<th>Type of Benefit</th>
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The overall increase in expenditure on unemployment-related benefits between 2000 and 2014 was primarily driven by rises in expenditure on full unemployment benefits and redundancy compensation, while much smaller contributions were made by partial unemployment benefits, other lump-sum benefits and other benefits in kind.

Expenditure at EU level declined between 2000 and 2014 for the seven remaining detailed types of unemployment-related benefits (see Table 1) – early retirement for labour market reasons (-49.5%), periodic and lump sum vocational training allowance (-59.7% and -58.1% respectively), other periodic benefits (-1.6%), mobility and resettlement benefits (-19.3%), vocational training (-23.5%) and placement services and job search assistance (-9.8%).

The decline in expenditure on early-retirement benefits for labour market reasons is not unexpected since
European employment policy is strongly focused on extending working lives and encouraging older workers to remain active in the labour market rather than facilitating their premature withdrawal. Early-retirement benefits are therefore out of line with policy objectives and are generally being used less. Indeed, expenditure on such early-retirement benefits fell in two thirds of Member States where such benefits exist.

However, the most dramatic decline in expenditure (in absolute terms) concerned vocational training allowances provided in the form of periodic cash benefits which fell by 59.7%. The vast majority of this decline is associated with a reduction in expenditure in Germany where expenditure on such allowances fell by almost 90% over the period.

Source data for tables and graphs

- Social protection statistics - unemployment benefits - graphs and tables

Data sources

All data presented in this article are from the European system of integrated social protection statistics (ES-SPROS), mainly the core system. These data are collected from national statistical institutes and/or ministries of social affairs in each country and are generally compiled from administrative sources.

Regulation (EC) No 0458/2007 of the European Parliament and of the Council provides the legal basis for the collection of this data and a series of Commission Regulations provide further specifications for the implementation of this Regulation.

Context

The Europe 2020 strategy for smart, sustainable and inclusive growth sets targets to lift at least 20 million people out of the risk of poverty and social exclusion and to increase employment of the population aged 20–64 to 75%.

The organisation and financing of social protection systems is the responsibility of each of the EU Member States. Nevertheless, the European Commission provides support to help reach these targets through flagship initiatives of the Europe 2020 strategy, including the Platform against Poverty and Social Exclusion and the Agenda for New Skills and Jobs. Furthermore, the European Commission provides guidance to EU Member States to modernise their welfare systems through the Social Investment Package.

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