

Recent trends and reforms in unemployment benefit coverage in the EU

European Commission – Social Situation Monitor: Seminar
on coverage of unemployment benefits

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Introduction (I)

Pre-crisis period: research on stepping stone vs dead-end function of non-standard employment (e.g. Anxo and O'Reilly 2000; Erhel et al. 2010; European Commission 2009; Gash 2008; Leschke 2009; Muffels 2008); relatively little focus on the access to unemployment benefits of non-standard workers (see Grimshaw and Rubery 1997; Talós 1999; Klammer and Tillmann 2001; Eurofound 2003; Leschke 2007, 2008; Schulze Buschoff and Protsch 2008):

- Studies show that non-standard workers tend to be disadvantaged in access to unemployment benefits; upon access they may receive proportionately higher benefits due to the progressive nature of some of the systems (e.g. low benefit ceilings, flat-rate schemes)

Comprehensive OECD indicators on net replacement rates but little emphasis on benefit coverage

With flexicurity agenda, more emphasis on unemployment benefit coverage though main focus on flexibility and employability rather than social security

At the national level, little deliberate attempts to improve situation of non-standard workers with regard to unemployment benefits

Introduction (II)

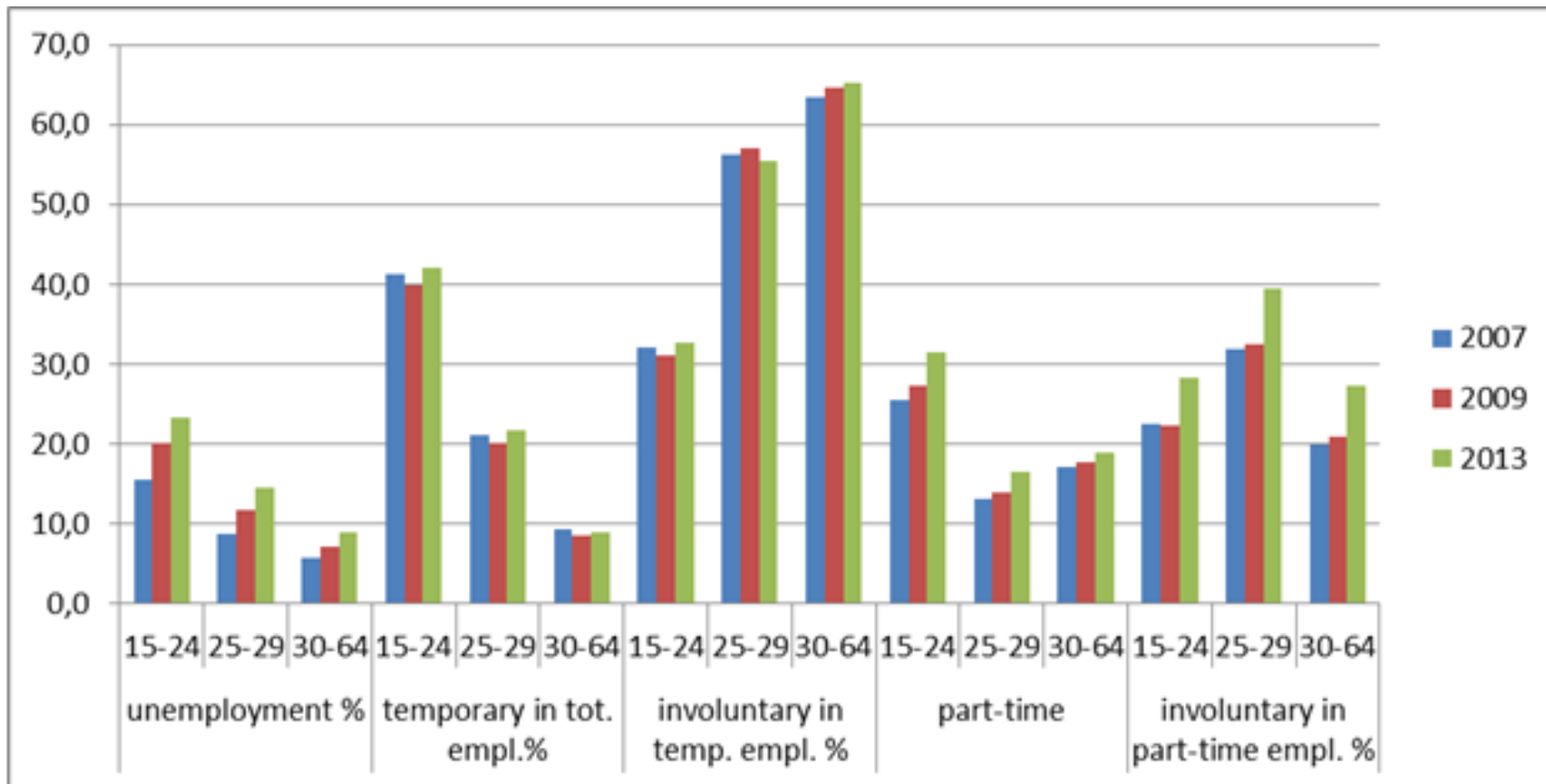
Shift in focus with the crisis → high unemployment among groups with short contribution histories emphasised coverage gap in unemployment benefits (e.g. Council of the European Union 2011; European Commission 2010a and 2010b; ILO 2010; OECD 2009b; Immervoll 2009 for the OECD).

Examples:

- Europe 2020 strategy emphasising adequate social security for workers on fixed-term contracts and self-employed (Council of the European Union 2010).
 - OECD Employment Outlook 2010: quality of part-time employment including focus on unemployment benefit coverage
- Numerous forms of discrimination of non-standard workers in access to unemployment benefits. Discrimination more likely in primary than secondary benefit schemes, but evident also in the latter.
- Lack in protection for non-standard workers of particular concern during an economic downturn

At the national level, several countries improved access of non-standard workers and/or young workers to unemployment benefits during the stimulus period; some countries also opened state-subsidised short-time working schemes to new labour market groups; several cut-backs during austerity period

Development in unemployment and non-standard employment over the crisis



Source: Eurostat LFS data, special extracts.

Access criteria for unemployment benefits

Benefit design features reducing access for non-standard employed:

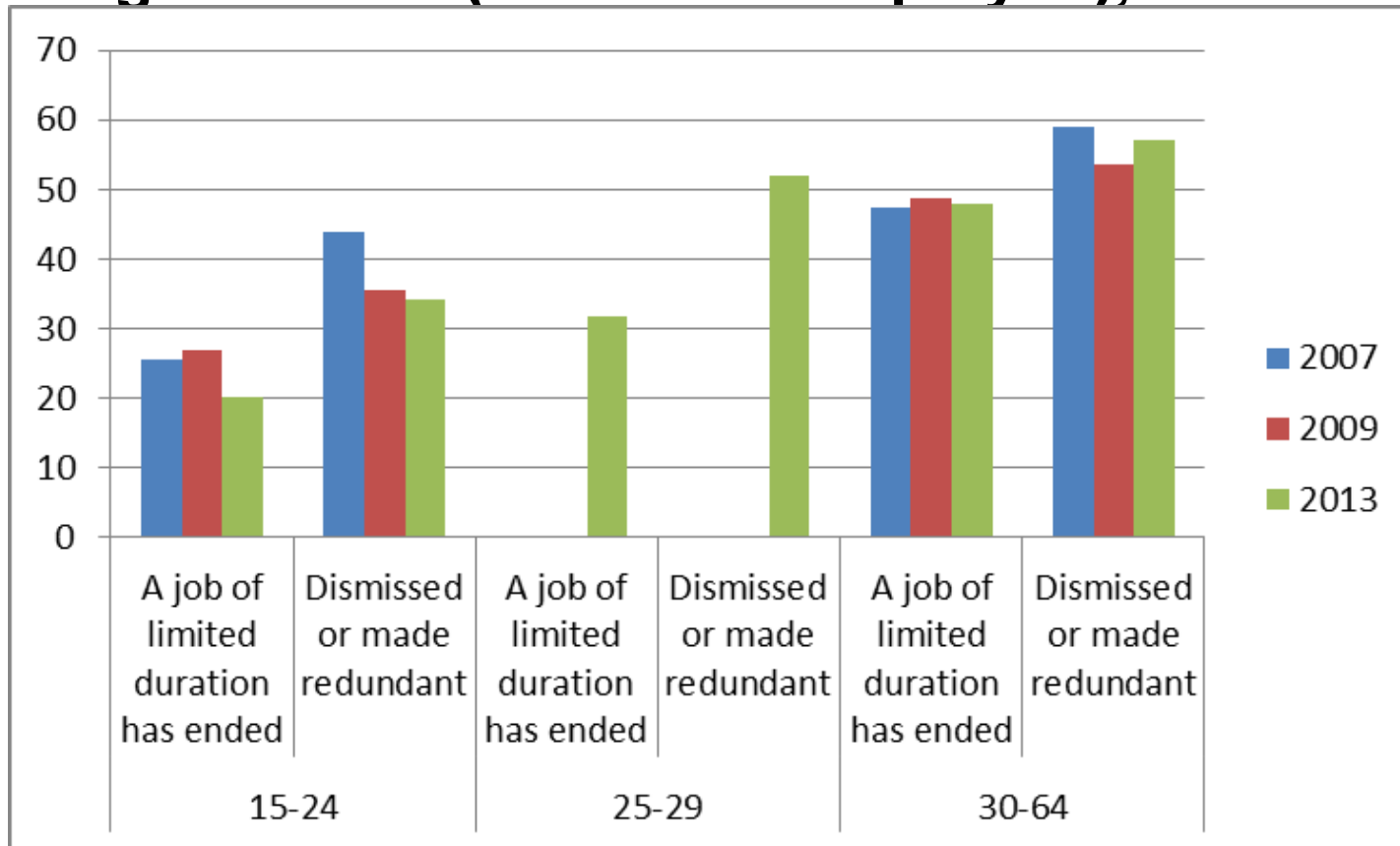
- Long contribution periods (in combination with short reference periods)
- Qualifying periods calculated in days or hours rather than months
- Earnings or hours' thresholds

Explicit and implicit disadvantages for youth:





- Age-criteria for entitlement (e.g. UK, IE, IT)
- Lower rates and shorter benefit duration for youth (e.g. IT, IE)
- Benefit duration linked to length of contribution payments, punishing workers with shorter tenure (e.g. Austria, Bulgaria, Germany, the Netherlands)

BUT: Some countries have more relaxed qualifying criteria for youth (e.g. RO, FI)

Unemployment benefit receipt by previous contract type (temporary vs permanent*) and developments during the crisis (% of all unemployed), EU27



Reforming unemployment benefits during the crisis

(Temporary) modifications of	Direction of change	2008-2009	2010-2014
Eligibility (qualifying conditions)	Relaxed	Finland, Latvia, Portugal, Sweden(*), Italy*	Portugal, Slovenia(*), Spain*
	Tightened 	Ireland	Czech Republic, Romania, Hungary, Greece, Denmark* ¹ , Belgium*
	Explicitly opened to new groups of workers	Spain, Italy(*), France*	Slovenia, Czech Republic*, Italy*
Benefit level	Increasing	Belgium, Netherlands, Bulgaria, Czech Republic, Poland, Slovenia, Ireland	Belgium, Bulgaria, Slovenia
	Lump-sum/One-off payment	Greece, Italy, Spain, France*	Spain 
	Decreasing 	Ireland(*)	Greece, Spain, Ireland*, Romania, Latvia, Poland, Portugal
Benefit duration	Increasing	Finland, Romania, Latvia, Lithuania, Portugal, Spain	Denmark
	Decreasing 	Ireland, Czech Republic, Poland, France, Denmark,	Greece

Reform explicitly relating to youth. ()Parts of the reform explicitly relating to youth. ¹ Refers to social assistance

Reforms in unemployment benefits are complex: the example of Ireland

1. Development in Rates of Benefits

An increase in 2009, followed by two decreases in a row, in 2010 and 2011:

2008 - €197.80 per week.

2009 - €204.80 per week

2010 - €196 per week

2011 - €188 per week

2012 - €188 per week

2013 - €188 per week

2014 - €188 per week

Additional changes relating to specific young age groups:

2010: From May 2009, a rate of €100 euro per week is introduced for those under 20 years of age.

2011: €100 per week continues for those between 18 and 21 years of age, and new rate of €144 per week introduced for those aged 22 to 24 years. **Change to both age limit and rate.**

2014: **Change to age limit.** €100 per week for 18 to 24 yrs and €144 per week paid to those aged 25 and 26 yrs.

Case Study: Ireland

2. Duration of Benefit:

Reductions were enforced in 2009 and again in 2013

- 2008: 390 days. Limited to 312 if less than 260 weekly contributions have been paid since first entering insurance.
- 2009: 312 days. Limited to 234 if less than 260 weekly contributions have been paid since first entering insurance.
- 2013: 234 days. Limited to 156 if less than 260 weekly contributions have been paid since first entering insurance.

3. Qualifying Period

A change was implemented in 2009, which made the qualifying period far stricter

In 2008, the rule was 39 weekly contributions paid AND 39 weekly contributions paid or credited during the relevant contribution year preceding the benefit year OR 26 weekly contributions paid in each of the two relevant tax years preceding the benefit year.

In 2009 this was changed to: 104 weekly contributions paid AND 39 weekly contributions paid or credited during the relevant contribution year preceding the benefit year (of which 13 must be paid) OR 26 weekly contributions paid in each of the two relevant tax years preceding the benefit year.

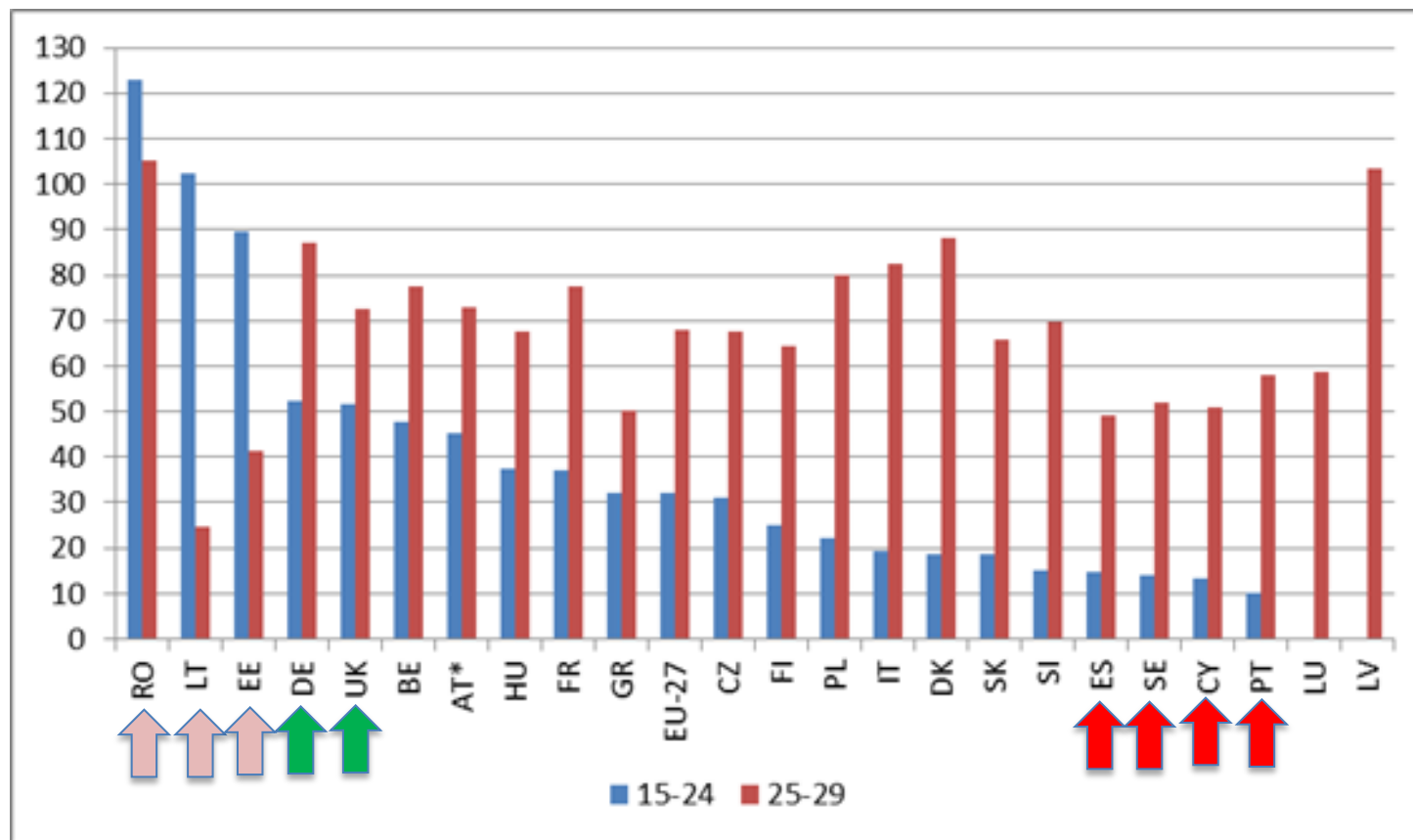
Coverage with unemployment insurance or assistance benefits as share of all unemployed, adults (30-64) 2013

<20	Italy, Malta, Romania
<=20<35	Bulgaria, Lithuania, Poland, Slovakia
>=35<50	Cyprus, Estonia, Greece, Hungary, Luxembourg, Latvia, Portugal, Sweden, Slovenia, United Kingdom
>=50<=65	France, Austria, Czech Republic, Spain
>=65	Belgium, Germany, Denmark, Finland

Source: Eurostat LFS, special extracts. Benefit duration: 1-2 months.

EU27=44.7%

Relative benefit coverage of youth (15-24 and 25-29) as share of adults (30-64) by country, 2013



Source: Eurostat LFS, special extracts. Benefit duration: 1-2 months.

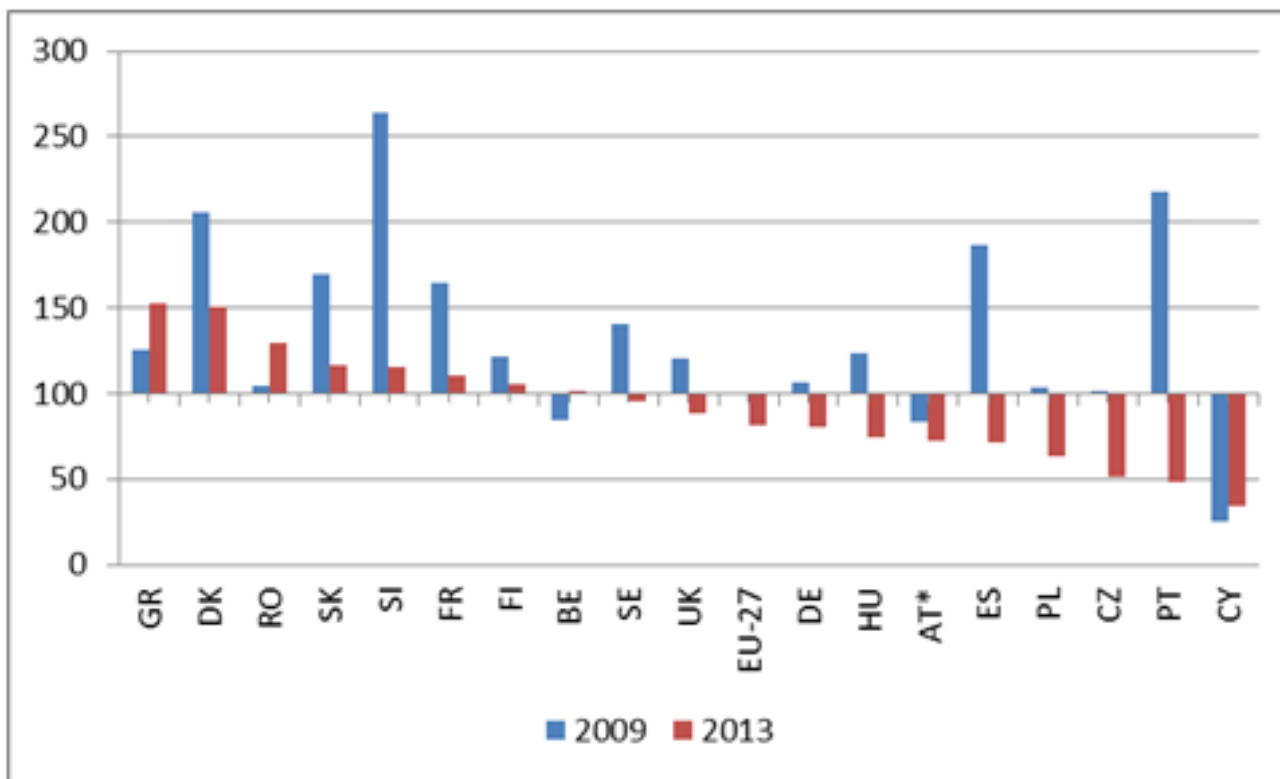
Interpretation of figure

Access to unemployment benefits of young (15-24 yrs) and older youth (25-29 yrs) relative to adults (30-64 yrs) (adults==100)

Time Periods: Pre-crisis (2007), stimulus (2008-2009) and austerity period (2010-2014, latest available data 2013)

- In the majority of countries, youth are considerably less likely to receive unemployment benefits than adults; large variation across countries
- On EU27 average: coverage about 30% of adult level for young youth and 70% of adult level for older youth
- Romania, Lithuania and Estonia display high relative coverage also for young youth though at relatively low overall coverage level
- UK and Germany: comparatively high coverage for young and older youth, illustrating that universal basic schemes as second tier schemes work relatively well, despite being means tested and not very generous
- Most of the countries with low relative benefit coverage of youth (ES, SE, CY, PT) have disproportionate shares of temporary workers emphasising problems in unemployment benefit design for non-standard workers
- No data on either Ireland or Netherland available from Eurostat

Relative development in benefit coverage for youth (15-24) by country over the crisis (stimulus and austerity period), 2007=100



Source: Eurostat LFS, special extracts. Benefit duration: 1-2 months.

Note: Italy not shown due to graphical limits (exponential change from minimal level).

Interpretation of figure

Relative developments in benefit coverage over the crisis period for **young youth** using **2007 as a baseline**. Data for **2009 (peak of the stimulus period)** and **2013 (austerity period)** are presented

- Most countries with available information saw an increase in UB coverage for youth during the first part of the crisis (the blue bars). These were most pronounced in Italy (not shown), Slovenia, Portugal, Denmark and Spain
- Italy, Spain and Portugal, among others, had relaxed eligibility criteria or explicitly opened their schemes to new groups of unemployed. **The aggregate data does not allow to separate reform effects from characteristics of newly unemployed** (e.g. more men and standard employed becoming unemployed during the crisis)
- Comparing 2013 (the austerity period) with 2007, positive trend only visible in a small number of countries. Most pronounced in Greece, Denmark and Italy (latter not shown)
- ES, PT and CY, among others, display lower access in 2013 than in 2007: problematic as very low relative coverage coupled with very high unemployment rates of youth. Both Spain and Portugal had initially reacted to this and had temporarily increased unemployment benefit coverage of youth

Relative change in access to unemployment insurance and assistance benefits to 2007 in stimulus (2009) and austerity (2013) period

		Substantial decrease in access	Substantial increase in access	missing data	EU27 (rel)	EU27 (abs)
15-24	2009	CY	GR, SE, FR, SK, ES, DK, PT, SI, IT	IE, NL, BG, EE, LT, LU, LV, MT	99	-0.1
	2013	CY, PT, CZ, PL, ES, AT (2012), HU	RO, DK, GR, IT		81	-3.3
25-29	2009	GR	PL, UK, PT, CY, ES, SI, IT, RO	IE, NL, BG, EE, LT, LU, MT	100	0.1
	2013	GR, SE, AT (2012)	UK, PL, RO, SI, IT		85	-5.4
30-64	2009	LU	IT, PT, BG, LV, ES, EE, LT, MT	IE, NL	102	0.9
	2013	MT, RO	UK, ES, IT		104	1.7

Conclusions

Unemployment benefit design geared to standard workers leads to lower coverage of youth compared to adults (the same holds for women though differences with men are less pronounced)

Stimulus period: ‘youth unemployment crisis’ turns focus from supply-side measures to income security

Improvement in access of youth and non-standard workers to UB

- relaxing qualifying criteria, using one-off or lump sum payments and increasing benefit levels
- both expansion and cuts in benefit duration

Austerity period: decreasing eligibility (6 countries) and levels (7 countries) but still some expansion particularly with focus on youth

- Some reforms target youth directly (often with conditionality on participation in education and training) others more indirectly
- LFS data illustrates these trends: coverage of youth (and adults) improving during stimulus period; both young and older youth (in contrast to adults) worse off in 2013 than in 2007 on average

Challenges

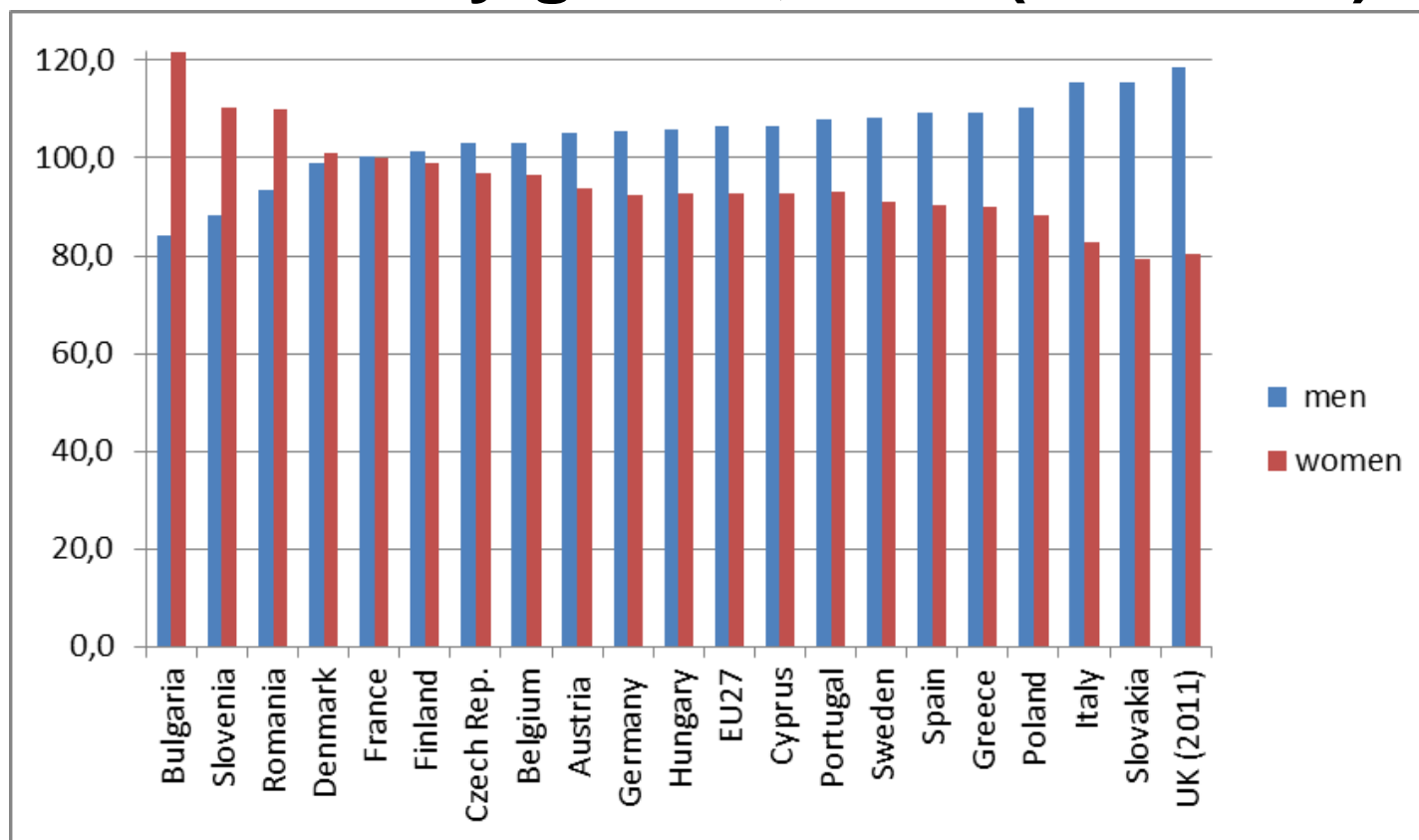
- We show relative developments in access to UB within countries as some question on comparability of absolute figures as available in LFS
- With (aggregate) LFS data not possible to distinguish between unemployment insurance and unemployment assistance
- Can't disentangle compositional effects on benefit coverage and effects on coverage due to reforms to eligibility (more possibilities with the micro-data)
- Challenging to capture full complexity of UB using MISSOC, LABREF and existing publications. Needs detailed country-specific analysis.
- Short-time working item in LFS does not contain information about financial compensation (linking with item on benefit receipt while employed not successful)

Choice of References

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- Leschke, J & Finn, M. (2015) Tracing convergence in flexibility and income security for youth during the economic crisis, Paper to SASE Mini Conference “Inequalities in Youth Labour market transitions”, London LSE 2-4 July 2014.
- OECD (2010b), “Detailed description of part-time work regulations and unemployment benefit schemes affecting part-time workers”, supporting material for chapter 4 ‘How good is part-time work?’ of the *2010 OECD Employment Outlook*.
- **Data sources**
 - Eurostat (2015) Labour Force Survey data, special extracts.
 - LABREF (2015) “LABour market REForm database”, European Commission: <https://webgate.ec.europa.eu/labref/public/>
 - MISSOC (2008 – 2014) “Comparative Tables on Social Protection”, European Commission: <http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOCDATABASE/comparativeTableSearch.jsp>
 - OECD: Benefits and Wages: OECD indicators: www.oecd.org/els/social/workincentives

ADDITIONAL SLIDES

Comparison of registered short-term unemployed in receipt of insurance or assistance by gender, 2010 (total=100)



Data source: Eurostat, online database.

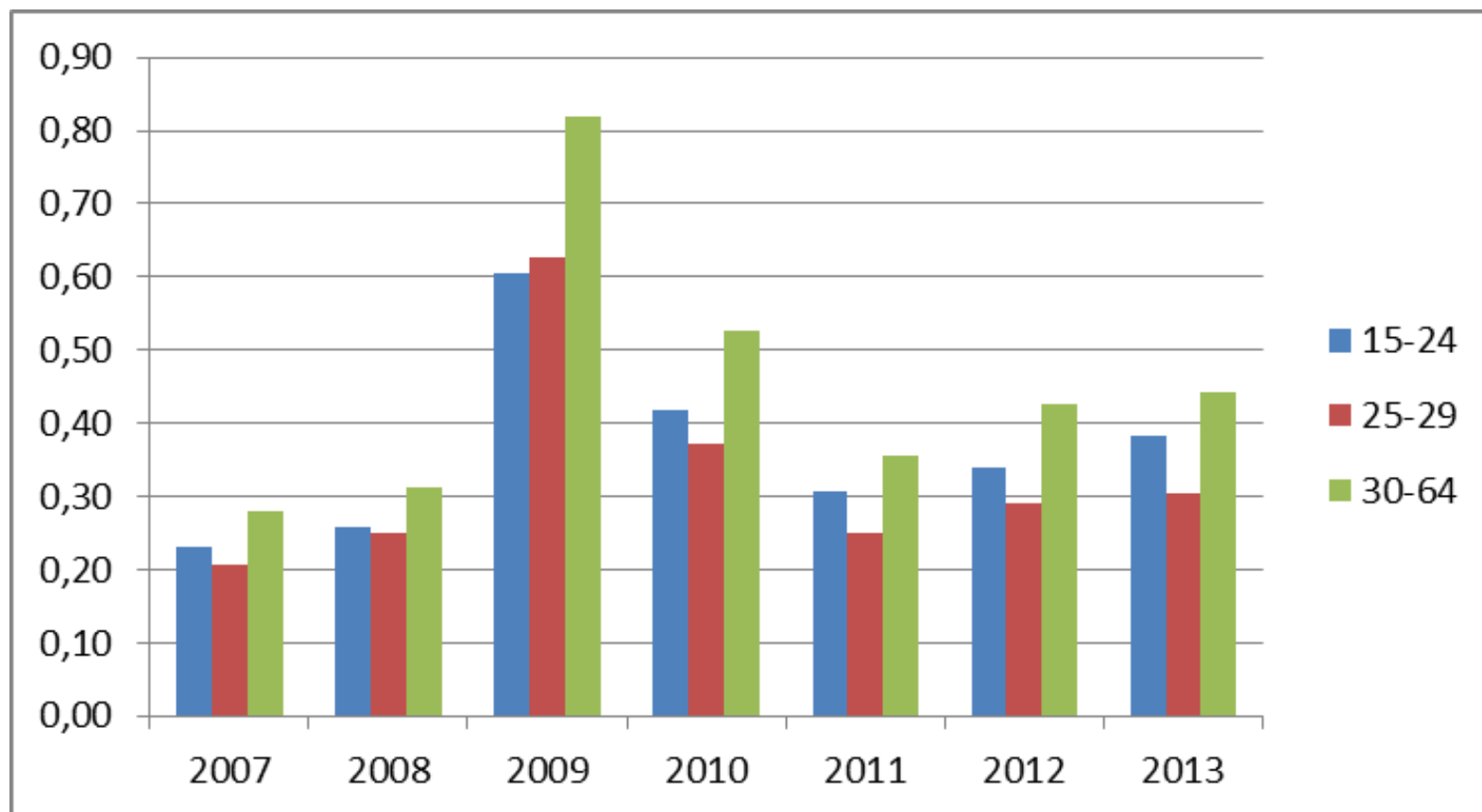
Note: Duration of unemployment 1-2 months. Age: 15-64 years. Countries are sorted by the difference between female and male coverage rates in ascending order.

Unemployment benefit generosity (context)

Generosity	Benefit Insurance net replacement rates for single earners at 67% at initial phase of unemployment.	Secondary Benefit Assistance net replacement rates at 60 months' unemployment	Secondary Benefit Assistance for Limited Groups
Most generous (OECD, 2012)	Switzerland, Portugal, Iceland, Netherlands, Bulgaria, Spain, Luxembourg, Denmark, Slovenia, Latvia, Belgium.	Austria, Finland, France, Ireland, Malta, Portugal.	Belgium*, Luxembourg, Sweden.
Middle (OECD, 2012)	Romania, Ireland, Poland, Turkey, Estonia, Austria, Germany, Slovak Republic, Sweden, Hungary, Norway, France, Italy.	Germany, Spain, United Kingdom.	Spain, Poland.
Least generous (OECD, 2012)	United Kingdom, Greece, Malta.	Estonia, Greece.	Lithuania

Source: Benefits and Wages. Own compilation.

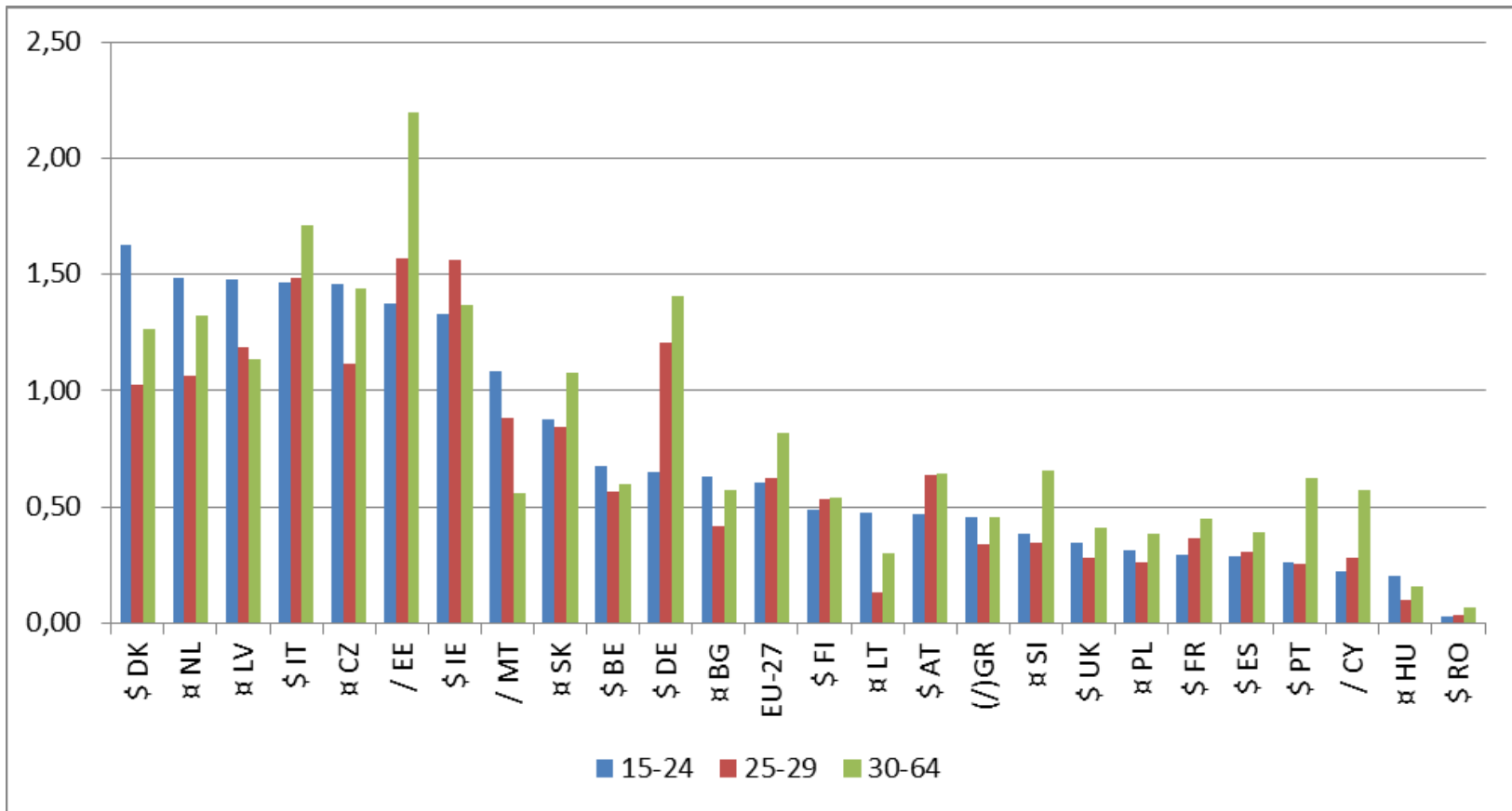
Development in short-time working* (with or without partial benefits) over the crisis period for youth and adults (% of total employment)



Source: Eurostat LFS data, special extracts.

*Person worked less than usual due to slack work as share of overall employment.

Short-time working* (with or without partial wage replacement) by age group and country, 2009 (peak) (% of total employment)



\$ Longstanding STWs.

⌘ Newly introduced (temporary) STWs - often less generous.

(/) No publicly supported STWs (/) or for selected sectors only