A Comparative Analysis of National Unemployment Benefit Schemes in Europe

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M. Düker[a] and C. R. Proaño[b]

[a] Bamberg Research Group on Behavioral Macroeconomics, University of Bamberg, Feldkirchenstraße 21, 96052 Bamberg, Germany.
[b] Professorship for Economics, esp. Empirical Economics, University of Bamberg, Feldkirchenstraße 21, 96052 Bamberg, Germany.

Abstract

The Great Recession as well as the following crises have put huge pressures on national budgets and existing social security systems as the unemployment benefit system. Additionally, the lack of sufficient risk sharing mechanisms within the euro area has amplified this budgetary pressure. The underlying objective of this comparative study is to assess the effect of recent reforms encouraged by the great financial and economic crisis on the national unemployment benefit schemes (NUBS) in the euro area. To develop the results, data from SSPTW, MISSOC, Eurostat and the OECD are used in a descriptive analysis comparing indicators between 2004 and 2016. The results of the four case countries, Ireland, Italy, Estonia and the Netherlands, show that the NUBS had a declining trend in their scope regarding duration of transfers in the first unemployment tier, and an increase of active labour market policies (ALMPs, e.g. public employment services, employment subsidies and trainings). Meanwhile, replacement rates for the first unemployment tier increased as well. In addition, the eligibility criteria have not changed much, but even got relaxed for people with a relatively short insurance history as indicated by the declined contribution period in 50 percent of the studied cases. Moreover, no significant changes are recognised between the comparison times 2004 and 2016 regarding the unemployment insurance's funding source, except in Estonia, where workers and employers pay a higher share of unemployment insurance financing now. A related research on NUBS in Europe was done among others by Theodoropoulou (2018). By analysing the employment protection legislation and the developments in the NUBS between 2000 and 2014, Theodoropoulou (2018) shows that the unemployment insurance systems have not reacted strong enough on the increase of employment insecurity. In this way or another, the economic slowdown of the last years in most of the euro area countries must have affected the social security systems, particularly because government budgets are supposed to be in line with the fiscal rules of the European Monetary Union. If not in the first unemployment tier (as our first results seem to indicate), significant cuts in other areas of the social security systems might have occurred which need to be identified and corrected to overcome the overall right-wing trend in Europe.

Keywords: Automatic stabilisers, welfare state, national unemployment benefit system, cross-country comparison, reforms, fiscal rules, Great Recession, euro area.

M. Düker | Email: martha.dueker@stud.uni-bamberg.de | Phone: +49-951-863-1289

C. R. Proaño | Email: christian.proano@uni-bamberg.de | Phone: +49 951-863-1576