



# Towards a European Pillar of Social Rights

## UNEMPLOYMENT BENEFITS

Unemployment benefits are designed to support the unemployed with sufficient financial resources to replace lost income from work during periods of joblessness allowing for the unemployed to find a job better matching their skills. They help the unemployed more effectively when combined with access to participation in activation measures. They also act as automatic stabilisers for the economy smoothing consumption in time of downturn.

### Challenges

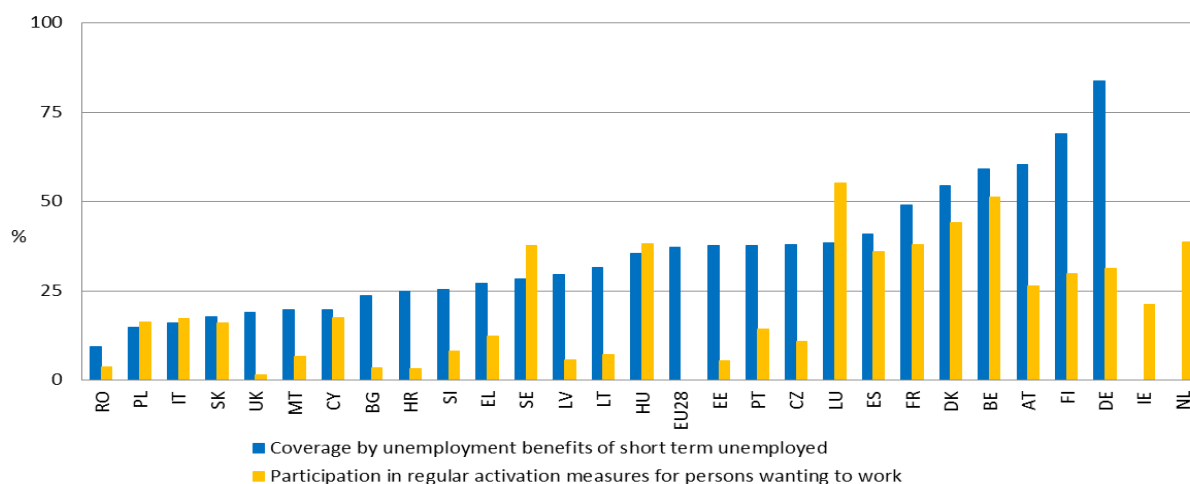
Unemployment benefits generally provide an income replacement during periods of joblessness, although the extent varies widely across Member States. In some countries, unemployment benefit schemes can be inadequate, with too low replacement of income from work and/or limited coverage of those affected by unemployment. This leads to a lack of effective income protection and limited poverty prevention. This also translates into ineffective economic stabilisation during downturns.

Unemployment benefit schemes may also lack a capacity to effectively activate beneficiaries, for instance through job search requirements and participation in active measures, to encourage a quick return to the labour market. Disincentives to work, where they exist, reflect shortcomings in the design of the unemployment benefit systems, of activation policies and/or an ineffective link to employment and social services. Such shortcomings hamper the effectiveness of unemployment benefit schemes and their capacity to successfully accompany the job seeker back into employment. Other elements in accessing unemployment benefits, such as low (voluntary) access for some categories such as the self-employed, and those working under very atypical contractual arrangements, can also limit the positive impact of these schemes.

The coverage of unemployment benefits, as well as the effectiveness of activation measures, differs significantly across the EU, as shown in the figure above.

On average, around 40% of the short term unemployed (those who are unemployed for less than 12 months) are covered in the EU, with coverage rates ranging from around 15% to 70% or more. Limited coverage is often due to relatively short duration of benefits or relatively long required contribution periods, or to bureaucratic hurdles.

Figure: Coverage of unemployment benefits (2014) and participation in activation measures (2012)<sup>1</sup>



Source: Eurostat and Joint assessment framework.

## Situation at EU level

Unemployment benefits are covered by several parts of the EU acquis, including Article 34 of the Charter of Fundamental Rights of the European Union. The design of unemployment benefits is mainly a national competence, while EU legislation regulates the coordination of social security schemes<sup>2</sup> and access to employment services for mobile workers.<sup>3</sup> The Employment Guidelines emphasise the link between active measures and benefits accompanied by rights and responsibilities for the unemployed to actively seek work.<sup>4</sup>

## Situation in the Member States

All EU Member States provide some form of unemployment benefits. Benefits are usually linked to former work histories, with varying duration of benefits and eligibility conditions. They provide income replacement to persons experiencing unemployment, generally linked with previous work incomes. Access to benefits is, to varying extents, dependent on conditions related to job seeking and participation in activation measures and is also often linked to other types of income support (such as family benefits or housing benefits). In a number of countries unemployment assistance benefits are available after unemployment insurance benefits have been exhausted.

## International dimension

The revised European Social Charter (ESC) of the Council of Europe<sup>5</sup> refers to the ILO Social Security Minimum Standards Convention, 1952 (No. 102) for establishing the minimum level of social security. The ILO Convention 102 defines the nine branches of social security (medical care, sickness benefit, unemployment benefit, old-age

<sup>1</sup> Note: Countries sorted in the ascending order by coverage of unemployment benefits. Coverage of unemployment benefits as measured by the labour force survey, for unemployment spells of a duration of less than 12 months (IE and NL not available). Number of participants in regular activation measures (cat. 2-7) in relation to persons wanting to work as measured by the Eurostat Labour Market Policy database (CZ, CY 2011, EL 2010, UK 2009).

<sup>2</sup> Regulation EU-883/2004 and 987/2009.

<sup>3</sup> Regulation EU-492/2011.

<sup>4</sup> Council Decision 2015/1848 of 5 October 2015 on guidelines for the employment policies of the Member States for 2015.

<sup>5</sup> The European Social Charter is a Council of Europe treaty which was adopted in 1961 and revised in 1996.

benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit) and sets minimum standards for each.