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UNEMPLOYMENT BENEFITS REPLACEMENT RATIOS

(Situation at July 1987)

CONTENTS

I. INTRODUCTION

II. REPLACEMENT RATIOS

2.1 Replacement Ratios

2.2 Trends

III. SOCIAL PROTECTION OF THE UNEMPLOYED

3.1 Description of Systems

3.2 Coverage of the Unemployed

3.3 The Degree of Protection

IV. CONCLUDING COMMENTS

ANNEXES

A.1 Social Protection of the Unemployed: Comparative Tables

A.2 Explanatory Notes

Note: more information about this report may be obtained from
J.A. Herce, Div. V/B/1, Tel. 2351053

I. INTRODUCTION

This study is part of a series of regular analyses (medium-term projections of expenditure and receipts of social protection, and monographic reports on replacement ratios of main social protection benefits) carried out by the Commission services in order to fulfil the increasing demand for quantitative and comparative data on the different aspects of social protection in the Community. This increasing demand is the counterpart of a current debate on the matter which is also growing in width and depth across the Community.

This monographic report on the unemployment benefits replacement ratios follows, considerably enlarged, the first study of this kind published by the Commission in 1985 (1).

(1) COM(85) 119, Medium-Term Projections of Social Protection Expenditure and its Financing 1981-1986.

The medium-term projections and the replacement ratios reports constitute the core of the analysis about the situation of social protection in the Community that is developed by the Social Security and Social Actions Division within the limits of a work-programme known as the "European Social Budget", approved by the Council in December 1982 and revised periodically.

Replacement ratios are at the center of this report. But for the sake of completeness, and as a first step towards it that will be refined in subsequent exercises, coverage (registered unemployed actually receiving benefits) is also studied to produce a preliminary more comprehensive view about the degree of protection given to the unemployed.

Chapter II contains the replacement ratios, for the twelve Member states, by type of household, number of children, level of income and duration of unemployment. A comparison with the results of the last exercise is also offered in order to clarify the recent trend.

Chapter III contains general comments on the systems devised in each country to provide benefits to the unemployed (a summary description of them is offered in Annex 1) and a discussion of the coverage reached by these systems after which the notion of degree of protection is developed.

Concluding comments are contained in Chapter IV. A final annex, contains some methodological explanations, invoked in the main text, to clarify the definitions used.

All the results concerning replacement ratios have been computed by the national employment services, in cooperation with the corresponding statistical and/or economic affairs services, upon the basis of a questionnaire submitted by the Commission services in July 1987.

The Commission wishes, with this report, to promote a deeper knowledge of social protection systems for the unemployed in the Community amongst the general public and to provide, for itself, the other Community Institutions and the representative agents in the Member states, an active basis for a more convergent policy-making and debate in this sensitive field of social protection.

II. REPLACEMENT RATIOS

2.1 Replacement Ratios

The replacement ratio of a given benefit is the percentage in which the benefit granted to an individual (or a household) suffering a certain contingency or risk, replaces the regular income lost due to the occurrence of the latter. Contingencies and incomes are normally related to work and the most typical replacement ratios are defined for retirement pensions, unemployment benefits and occupational injuries benefits.

In this report, the computation of replacement ratios is based upon the gross monthly average wage of workers in the manufacturing industry. These data have been built up on the basis of 1985 figures from EUROSTAT which have been updated up to 1987 with the nominal growth rate of wages in each country. The details about the computation of replacement ratios are found in Annex 2.

The main purpose of the monetary benefits granted to workers having lost their employment is to allow them, during a certain period and up to a certain extent, to keep the standard of living they enjoyed before the unemployment situation occurred.

Both economic reasoning and common sense suggest that these benefits should not be as high as lost income in order not to discourage beneficiaries from actively looking for a new job. These benefits should be, nevertheless, high enough as to permit them to maintain a decent standard of living.

The legal provisions regarding the conditions, and thus the level and the duration, under which unemployment benefits are granted give rise to a large variety of situations further diversified by family circumstances and previous labour earnings that has its parallelism in a corresponding variety of replacement ratios still enlarged at community level by the well known national differences in the field of social protection.

Yet, it is true that for certain typical cases of unemployed all Member states provide the beneficiaries with benefits that replace a fairly large proportion of lost incomes.

Tables 2.1 show the replacement ratios corresponding to six different household types (single, couple-wife not earning, couple-wife earning, all three without and with children), in three levels of income (2/3 of average, average and twice the average) for three unemployment situations in terms of duration (1, 13 and 25 months).

Although Tables 2.1 are not easy to handle due to the abundance of figures, it may be seen that half of the countries have succeeded in keeping replacement ratios relatively independent of duration of unemployment. In the countries where this does not happen, the lengthening of the unemployment situation entails reductions, sometimes considerable ones, of the replacement ratios.

Couples with children in which the wife does not work, receive the highest replacement ratios amongst all types of households, something that seems to be quite natural. In certain countries, nevertheless, the ratios do not differ considerably for the other households categories. In the case of the household type "couple-wife earning", rates seem higher due to the computation method followed (explained in Annex 2) where the net earnings of the wife have been added both to the numerator and the denominator of the replacement ratio. Had these not been taken into account, the resulting replacement ratios would be in general slightly lower than those of the couples in which the wife does not earn at all.

As would be expected, the correlation between income level and the corresponding replacement ratio is negative and quite significant with the exception of Belgium and Spain for certain household categories.

2.2 Trends

In order to have a complete picture about replacement ratios, this section offers the comparison between the results of this exercise and those of a similar one carried out in 1985 (1)

(1) COM(85) 119, Medium-Term Projections of Social Protection Expenditure and its Financing 1981-1986.

Tables 2.2 show some selected replacement ratios for two types of households in 1983 and 1987 arranged by level of (labour) income and duration of unemployment.

Overall, only Belgium has not decreased replacement ratios and indeed most of them have actually increased. As concerns the other Member states, results are mixed as in the case of France, Germany, Ireland and Luxembourg or clearly indicate a reduction in replacement ratios in the last few years.

As a general conclusion it could be said that replacement ratios were lower in 1987 than in 1983. Changes have been more pronounced in the case of couples than in the case of single persons and yet the former continue to have the highest replacement ratios.

This conclusion must nevertheless be taken with caution and placed in the context of the constraint in which any social protection policy operates, i.e. that of the trade-off between coverage (actual beneficiaries over potential ones) and income replacement. The exercise performed in 1985 did not provide data on coverage and thus a more comprehensive analysis of trends in protection of the unemployed cannot be carried out. An integrated analysis of coverage and replacement in 1987 is made in section 3.3.

TABLE 2.1.1 - REPLACEMENT RATIOS, SINGLE PERSON

Number of Children Level of Earnings and Duration of Unemployment	COUNTRY													
	B	DK	D	ELL	ES	F	IRL	I	L	NL	P	UK		
a) Without Children														
							<u>M</u>	<u>F</u>	<u>a</u>	<u>b</u>				
2/3 average earn.														
1 month unemp.	81.5	93.5	68.1	59.2	112.5	81.1	85.0	86.0	3.1	87.0	84.0	72.5	80.8	57.3
13 months u.	67.2	91.5	63.1	0.0	78.6	86.1	52.0	63.0	0.0	82.5	84.0	71.9	73.0	57.3
25 months u.	67.2	88.0	62.2	0.0	0.0	52.5	38.0	56.0	0.0	79.3	0.0	71.0	62.3	57.3
average earn.														
1 month unemp.	83.6	77.1	63.4	43.4	96.9	66.6	85.0	70.0	2.2	72.6	85.0	78.1	73.5	40.1
13 months u.	55.7	77.1	58.7	0.0	83.7	67.8	50.0	54.0	0.0	72.6	72.0	77.7	67.0	40.1
25 months u.	55.7	77.1	58.4	0.0	0.0	36.3	29.0	41.0	0.0	72.6	0.0	54.7	58.2	40.1
2 average earn.														
1 month unemp.	48.8	48.0	53.1	25.3	52.5	58.5	56.0	78.0	1.2	39.1	67.0	77.7	79.0	20.4
13 months u.	32.5	48.0	47.2	0.0	50.0	61.6	35.0	48.0	0.0	39.1	45.0	77.1	73.3	20.4
25 months u.	32.5	48.0	47.2	0.0	0.0	19.6	19.0	26.0	0.0	39.1	0.0	30.6	64.6	20.4
b) One Child														
2/3 average earn.														
1 month unemp.	81.1	96.6	75.7	63.0	108.5	82.0	--	66.0	8.7	88.3	87.0	85.7	81.6	59.2
13 months u.	83.7	95.7	68.6	0.0	76.0	82.0	--	67.0	0.0	78.2	87.0	85.7	73.5	66.5
25 months u.	82.2	94.1	67.8	0.0	51.7	50.0	--	60.0	0.0	75.4	0.0	85.7	63.2	66.5
average earn.														
1 month unemp.	83.0	86.8	72.0	46.7	107.0	69.4	--	83.0	3.9	73.8	88.0	75.5	74.3	43.6
13 months u.	85.5	86.8	64.9	0.0	80.6	68.0	--	57.0	0.0	72.1	70.0	74.9	67.5	49.0
25 months u.	85.5	86.8	64.6	0.0	36.6	33.3	--	46.0	0.0	72.1	0.0	65.3	59.0	49.0
2 average earn.														
1 month unemp.	50.1	57.0	58.2	27.5	60.3	62.2	--	85.0	1.2	40.0	62.0	74.6	79.4	23.7
13 months u.	51.6	57.0	50.7	0.0	57.4	63.1	--	49.0	0.0	40.0	40.0	74.0	73.6	26.6
25 months u.	51.6	57.0	50.7	0.0	20.6	17.9	--	30.0	0.0	40.0	0.0	37.9	64.8	26.6

a) Ordinary unemployment benefits (180 days maximum)

b) Extraordinary unemployment benefit (industry) in case of redundancy, closing or restructuring of factory

TABLE 2.1.2 - REPLACEMENT RATIOS, COUPLE-WIFE NOT EARNING

Number of Children Level of Earnings and Duration of Unemployment	COUNTRY												
	B	DK	D	ELL	ES	F	IRL	I	L	HL	P	UK	
a) Without Children								<u>a</u>	<u>b</u>				
2/3 average earn.													
1 month unemp.	81.5	93.7	74.3	64.5	111.1	82.0	85.0	5.4	87.8	83.0	96.9	81.0	72.0
13 months u.	80.7	92.0	68.8	0.0	77.7	82.0	69.0	0.0	81.1	83.0	96.9	72.3	72.0
25 months u.	79.0	89.1	68.1	0.0	51.0	50.0	56.0	0.0	78.2	0.0	96.9	61.7	72.0
average earn.													
1 month unemp.	83.6	80.0	68.0	45.8	95.7	69.4	73.0	3.9	73.8	83.0	78.0	74.0	51.5
13 months u.	83.6	80.0	62.9	0.0	82.6	68.0	58.0	0.0	72.1	69.0	77.4	65.8	51.5
25 months u.	83.6	80.0	62.7	0.0	36.2	33.3	41.0	0.0	72.1	0.0	74.0	57.2	51.5
2 average earn.													
1 month unemp.	48.8	50.5	54.0	26.9	52.5	62.2	74.0	1.2	40.0	62.0	77.2	79.5	26.9
13 months u.	48.8	50.5	48.0	0.0	50.0	63.1	39.0	0.0	40.0	40.0	76.6	72.5	26.9
25 months u.	48.8	50.5	48.0	0.0	19.9	17.9	25.0	0.0	40.0	0.0	42.6	63.1	26.9
b) Two Children													
2/3 average earn.													
1 month unemp.	82.1	97.5	100.0	71.4	107.3	85.2	102.0	20.5	90.0	88.0	97.4	82.2	81.1
13 months u.	85.9	96.8	100.0	0.0	75.2	84.2	83.0	0.0	68.3	88.0	97.4	74.4	81.1
25 months u.	84.7	95.7	100.0	0.0	52.9	56.0	73.0	0.0	65.1	0.0	97.4	64.3	81.1
average earn.													
1 month unemp.	83.1	90.3	87.0	51.1	115.2	71.9	86.0	13.5	76.8	88.0	80.1	75.3	62.8
13 months u.	86.7	90.3	87.0	0.0	80.7	70.6	72.0	0.0	65.1	70.0	79.6	67.2	62.8
25 months u.	86.7	90.3	87.0	0.0	38.0	38.9	55.0	0.0	65.1	0.0	76.5	59.1	62.8
2 average earn.													
1 month unemp.	53.2	61.9	60.9	30.7	67.1	65.2	83.0	1.2	40.5	63.0	78.3	80.2	34.3
13 months u.	55.5	61.9	54.7	0.0	63.9	65.1	48.0	0.0	40.5	41.0	77.7	72.8	34.3
25 months u.	55.5	61.9	54.7	0.0	21.1	21.0	35.0	0.0	40.5	0.0	47.3	63.7	34.3

a) Ordinary unemployment benefits (180 days maximum)

b) Extraordinary unemployment benefit (industry) in case of redundancy, closing or restructuring of factory

TABLE 2.1.3 - REPLACEMENT RATIOS, COUPLE - WIFE EARNING

Number of Children Level of Earnings and Duration of Unemployment	COUNTRY												
	B	DK	D	ELL	ES	F	IRL	I	L	NL	P	UK	
a) Without Children													
	<u>a</u> <u>b</u>												
2/3 average earn.													
1 month unemp.	83.6	96.1	81.2	79.4	106.2	90.6	92.0	53.5	93.5	90.0	86.4	90.4	64.3
13 months u.	75.5	95.1	51.0	0.0	89.4	91.1	86.0	53.2	91.2	90.0	86.0	86.8	48.2
25 months u.	69.0	93.3	51.0	0.0	50.3	75.3	64.0	53.2	89.7	43.8	85.6	81.6	48.2
average earn.													
1 month unemp.	82.2	85.0	78.1	65.5	98.0	80.3	91.0	44.3	83.9	89.0	87.7	84.5	53.3
13 months u.	67.7	85.0	50.2	0.0	90.3	80.7	80.0	43.0	83.9	80.0	87.4	80.6	39.9
25 months u.	58.7	85.0	50.2	0.0	41.7	60.7	55.0	44.1	83.9	35.5	74.6	75.8	39.9
2 average earn.													
1 month unemp.	58.3	63.0	67.2	46.1	66.0	70.5	69.0	29.5	55.9	71.0	84.4	85.0	34.4
13 months u.	48.0	63.0	46.1	0.0	64.2	72.0	62.0	28.6	55.9	54.0	84.0	80.5	25.8
25 months u.	41.6	63.0	46.1	0.0	28.1	37.1	41.0	29.3	55.9	23.9	51.2	74.4	25.8
b) Two Children													
2/3 average earn.													
1 month unemp.	83.6	96.7	86.0	82.0	106.1	91.6	93.0	56.4	93.8	93.0	87.1	90.8	66.8
13 months u.	79.3	95.8	63.8	0.0	89.6	91.6	97.0	60.5	95.3	93.0	86.8	86.9	54.3
25 months u.	73.8	94.1	63.8	0.0	75.8	76.6	74.0	62.4	93.8	42.4	86.4	81.8	54.3
average earn.													
1 month unemp.	82.0	87.4	85.0	68.2	111.0	82.0	91.0	46.4	84.3	92.0	88.1	85.0	56.0
13 months u.	71.8	87.4	62.4	0.0	90.4	82.0	89.0	49.4	84.3	80.0	87.8	81.1	45.1
25 months u.	64.0	87.4	64.7	0.0	63.1	64.2	64.0	52.5	85.3	34.3	76.0	76.1	45.5
2 average earn.													
1 month unemp.	60.5	65.7	79.6	48.4	77.5	72.8	73.0	29.9	56.1	72.0	84.5	85.4	36.9
13 months u.	53.0	65.7	58.4	0.0	75.1	73.3	69.0	30.5	56.1	55.0	84.1	80.7	30.0
25 months u.	47.2	65.7	58.4	0.0	42.8	39.7	49.0	35.5	57.5	23.5	54.2	74.5	30.3

a) Ordinary unemployment benefits (180 days maximum)

b) Extraordinary unemployment benefit (industry) in case of redundancy, closing or restructuring of factory

TABLE 2.2.1 - TRENDS IN REPLACEMENT RATIOS, SINGLE PERSON - NO CHILDREN

Level of Earnings Duration of unemployment and Year	COUNTRY													
	B	DK	D	ELL	ES	F	IRL	I	L	NL	P	UK		
2/3 Average Earn.							<u>H</u>	<u>F</u>	<u>a</u>	<u>b</u>				
1 month unemp.														
1983	78	91	67	--	--	85	85	5	89	85	75	--	65	
1987	82	94	68	59	113	81	85	86	3	78	84	73	81	57
13 months u.														
1983	66	89	60	--	--	92	62	0	77	--	74	--	67	
1987	67	92	63	0	79	86	52	63	0	83	84	72	73	57
1 Average Earnings														
1 month unemp.														
1983	81	86	66	--	--	67	86	3	89	85	86	--	48	
1987	84	77	63	43	97	67	85	70	2	73	85	78	74	40
13 months u.														
1983	57	83	59	--	--	68	54	0	78	--	84	--	49	
1987	56	77	59	0	84	68	50	54	0	73	72	78	67	40
2 Average Earnings														
1 month unemp.														
1983	47	63	61	--	--	49	87	2	50	71	78	--	25	
1987	49	48	53	25	53	59	56	78	1	39	67	78	79	20
13 months u.														
1983	33	59	50	--	--	54	49	0	46	--	74	--	25	
1987	33	48	47	0	50	62	35	48	0	39	45	77	73	20

a) Ordinary unemployment benefits

b) Extraordinary unemployment benefit (industry) in case of redundancy, closing or restructuring of factory

TABLE 2.2.2 - TRENDS IN REPLACEMENT RATIOS, COUPLE - WIFE NOT EARNING - TWO CHILDREN

Level of Earnings Duration of unemployment and Year	COUNTRY												
	B	DK	D	ELL	ES	F	IRL	I	L	NL	P	UK	
2/3 Average Earn.								<u>a</u>	<u>b</u>				
1 month unemp.													
1983	79	102	98	--	--	88	88	14	90	83	100	--	88
1987	82	94	74	65	107	85	102	20	90	88	97	81	72
13 months u.													
1983	79	97	100	--	--	89	88	0	80	--	98	--	87
1987	81	92	67	0	75	84	83	0	86	88	97	72	72
1 Average Earnings													
1 month unemp.													
1983	80	97	70	--	--	72	90	11	90	84	88	--	74
1987	84	80	68	46	115	72	86	13	77	88	78	74	52
13 months u.													
1983	82	93	72	--	--	71	80	0	80	--	82	--	76
1987	84	80	63	0	81	71	72	0	65	70	77	66	52
2 Average Earnings													
1 month unemp.													
1983	50	70	60	--	--	57	86	6	53	69	79	--	43
1987	49	51	54	27	68	65	83	1	40	63	77	80	27
13 months u.													
1983	52	75	53	--	--	57	60	0	49	--	75	--	44
1987	49	51	48	0	64	65	48	0	40	41	77	73	27

.....

a) Ordinary unemployment benefits

b) Extraordinary unemployment benefit (industry) in case of redundancy, closing or restructuring of factory

III. SOCIAL PROTECTION OF THE UNEMPLOYED

Replacement ratios are the most important indicator of individual benefits granted by a given scheme of social protection and in fact the previous chapter makes the core of this report. In the other hand, it seems important to have an enlarged picture and a simple but comprehensive framework of reference in which to place the results so far obtained.

This enlarged picture is given by a summary description of the schemes dealing with the unemployed. The reference framework is built up by first obtaining an indicator of coverage of the unemployed by the benefits system and next devising a joint indicator (coverage-replacement) called the "degree of protection".

3.1 Description of the Systems

In every Member state there are specific institutions dealing with unemployment benefits. Other benefits currently provided by social security reach also the unemployed, in varying degrees according to which country is considered, and so it seems appropriate to look at the way unemployed people are protected by the different schemes.

In order to answer this question, quantitative data are not enough and a qualitative approach is needed. The knowledge of such features as eligibility conditions and the kind of scheme (whether insurance or assistance) helps to understand why certain indicators reach the level they do.

Tables A.1, in the annexes, form a sort of very condensed comparative tables that summarize the main features of benefits schemes for the unemployed. The implementation of the criteria there contained determine both the replacement ratios of the previous section and the coverage ratios presented in the next section.

In certain countries, the registered unemployed who is not receiving unemployment benefits may have his other benefits decreased. If this is the case, the fact of becoming unemployed implies a loss larger than just labour income. In countries where benefits like health care and family or child allowances

are universalized, the occurrence of unemployment or its persistence do not prevent the individual concerned from receiving, at least, these type of benefits.

In general, unemployed people actually receiving benefits are in a comparable situation, as concerns other benefits like the ones mentioned in the previous paragraph, to that of employed workers. The case of pension rights is less clear as concerns the specific nature of arrangements in every country but it seems that, in general, account is taken of unemployment periods for pension purposes.

A summary page in annex A.1 contains the main features and also the common denominator of what could be termed "the community model" of unemployment benefits. Differences are apparent but similarities, notably in the principles and the structure of the systems, are also present.

3.2 Coverage of the Unemployed

Not all unemployed persons, and registered as such at an unemployment office, receive benefits. The most obvious case is that of the young who have never worked and do not fulfil the past contributions condition required to be eligible for receiving benefits.

There are nevertheless countries where specific arrangements help to overcome this situation either by relaxing eligibility conditions or, as it is the general case, by the way of assistance schemes acting as "safety nets" catching up those not eligible under the insurance scheme.

Total coverage of the registered unemployed is certainly an ambitious objective that only the most developed countries may afford and thus the analysis of this section should be treated with caution given that it is based on a concept of coverage that compares actual beneficiaries of unemployment benefits to potential ones where these are precisely taken to be all the registered unemployed.

The rationale behind this definition of the "coverage ratio" is that several countries provide benefits to almost all their registered unemployed thus virtually reaching a 100 % coverage ratio. On the other hand, given the diversity of eligibility conditions across Member states (see Annex 1) no natural alternative candidate seems to exist unless more refined data are available.

Collection of these data will be the aim of coming exercises in order to better assess the coverage question.

Table 3.1 suggests that about 65 % of the registered unemployed in the Community, received, in July 1987, unemployment benefits. This coverage ratio seems not to decrease with the lengthening of the unemployment period (increased duration of unemployment) although, as seen in the previous chapter, the replacement ratios would.

The reason for this is that most of the Member states have developed assistance schemes, either specific for the unemployed or general for all the resourceless individuals, that "catch up" beneficiaries when they have exhausted their insured periods.

In accordance with what happens in other areas of social protection, Member states show also large differences in this matter.

3.3 The Degree of Protection

Coverage, by a benefits scheme, of registered unemployment and replacement of lost labour incomes due to unemployment are the two pillars of what might be called the degree of protection of the unemployed. The joint consideration of these two basic indicators would yield a sort of synthetic indicator of the (material) protection of the unemployed. In the countries with lower resources, these objectives (usually replacement) are chosen against each other, at least implicitly.

Rather than constructing this synthetic indicator, we have opted for a graphic representation of coverage against replacement ratios in order to better capture these two aspects of the protection offered by Member states to unemployed persons.

The presentation in Diagrams 3.1 to 3.4 joins data that have been discussed in previous sections. Replacement ratios have been rearranged in order to reduce the large number of them. This rearrangement is described in the notes to the Table 3.2 and in Annex 2. The figures actually used are those of Table 4.1.

The artificiality embodied in the construction of these indicators acts against a too strict interpretation of Diagrams 3.1 to 4.1. Yet it seems apparent that a differentiation is possible between countries according to three broad categories. In the first place, that of the countries which are above both community averages (the upper-right region in Diagram 3.1), secondly, countries below the two community averages (bottom-left region), and finally, countries that are above one of the community averages but below the other (upper-left and bottom-right regions).

These results must not be looked at as correlations between coverage and replacement. They rather show how the constraints at the financial level may influence the implicit choice between coverage and replacement that most of the social protection programmes have to face. In this perspective the four regions of Diagram 3.1 help to make the distinction between those countries where available resources make it possible to attain high levels of both coverage and replacement, as it is the case in Denmark, Belgium and the Netherlands, and those countries where scarcity of resources prevents them from reaching either of the community averages. The case of countries where resources lay between the two extremes and thus an implicit choice is needed, is also apparent.

It should be noted, nevertheless, that scarcity or abundance of resources is not the sole determinant of a country's position in Diagram 3.1. Indeed, explicit policy considerations, having to do with incentives, do determine the coverage and/or the (income) replacement ratios of the unemployed.

Deviations between Member states are less pronounced for replacement ratios than for coverage ratios (15.9 % of the community average against 37.1 %). Actual differences are thus more important in what concerns coverage than in the replacement of lost incomes.

Diagrams 3.2 to 3.4 show also that there is not an excessively differentiated treatment of unemployment according to its duration, except for Greece where protection ends after 11 months of unemployment (yet family support is strong), within the range (25 months) considered in this study. In France and Spain, replacement ratios fall dramatically with the lengthening of unemployment, which does not happen with the coverage ratio that even increases slightly. It must be pointed out that the lack of detailed data for all countries hinders the generalization of this conclusion.

TABLE 3.1. REGISTERED UNEMPLOYMENT (thousands) AND INDEMNIFIED UNEMPLOYED (as % of registered)

COUNTRY		DURATION OF UNEMPLOYMENT							
		0-12 months		13-24 months		25 + months		TOTAL	
		REGD.	INDM.	REGD.	INDM.	REGD.	INDM.	REGD.	INDM.
		(%)		(%)		(%)		(%)	
B	a)	168.8	82.4	74.2	93.6	223.0	96.7	466.1	91.1
DK	b)	na	na	na	na	na	na	225.9	97.2
D	i)	1436.8	62.1	331.9	62.3	338.3	55.1	2106.9	61.0
ELL	a)	na	na	na	na	na	na	154.0	46.4
ES	a)	1230.1	40.5	575.5	35.4	1015.7	41.6	2821.3	39.9
F	d)	1986.1	59.4	517.4	75.4	403.5	69.8	2906.9	63.7
IRL	e)	129.6	95.8	(108.6		92.3)		238.3	94.3
I	f)	1636.4	na	683.0	na	1181.7	na	3501.1	na
L	h)	1.8	na	(0.5		na)		2.3	43.7
NL	c)	320.0	70.3	122.0	95.1	243.0	99.9	685.0	85.3
P	f)	130.7	na	(205.4		na)		336.1	22.8
UK	a)	1636.0	83.1	429.3	81.1	686.9	87.7	2752.2	83.9
EUR	g)	--	--	--	--	--	--	12403.3	64.6

na: non available

a) July 1987

b) December 1987. Registered unemployment: EUROSTAT

c) Average 1987. Estimate based on EUROSTAT and national sources

d) December 1987

e) October 1987. No breakdown exist for duration over 12 months

f) April 1987. No breakdown exist for duration over 12 months

g) Except I. Estimate at July 1987 based on EUROSTAT registered unemployment data assuming that the % of undemnified unemployment remains unchanged.

h) May 1988. No breakdown exist for duration over 12 months

i) September 1987

TABLE 3.2 - THE DEGREE OF PROTECTION (COVERAGE AND REPLACEMENT RATIOS (a))

COUNTRY	DURATION OF UNEMPLOYMENT							
	0 to 12 Months		13 to 24 Months		25 and + Months		TOTAL (b)	
	coverage	replacem.	coverage	replacem.	coverage	replacem.	coverage	replacem.
B	82.4	83.1	93.6	86.7	96.7	86.7	91.1	85.5
DK	na	90.3	na	90.3	na	90.3	97.2	90.3
D	62.1	87.0	62.3	87.0	55.1	87.0	61.0	87.0
ELL	na	51.1	0.0	0.0	0.0	0.0	47.9	51.1
E	40.5	115.2	35.4	80.7	41.6	38.0	39.9	78.0
F	59.4	71.9	75.4	70.6	69.8	38.9	63.7	60.5
IRL	95.8	86.0	na	72.0	na	55.0	94.3	71.0
I c)	na	na	na	na	na	na	na	na
L	na	88.0	na	70.0	0.0	0.0	43.7	79.0
NL	70.3	80.1	95.1	79.6	99.9	76.5	85.3	78.7
P	na	75.3	na	67.2	na	59.1	22.8	67.2
UK	83.1	62.8	81.1	62.8	87.7	62.8	83.9	62.8
EUR d)	na	na	na	na	na	na	64.6 (37.1)	73.7 (15.9)

a) Both in 3, coverage ratios are those of Table 3.1. The replacement ratios correspond to the category "Couple-wife not earning with two children" in the average income level, assumed to be representative for the whole of the unemployed (see annex A.2 for precise definitions of these ratios).

b) The last column is the (unweighted) average of columns 2, 4 and 6.

c) The coverage ratios for Italy are not known and thus the construction of a synthetic replacement ratio based on the two figures of Table 2.1.2 is not possible.

d) The figure for the replacement ratio is the (unweighted) average of the national figures and the figures between brackets are standard deviations of the distributions as 3 of the corresponding community average.

DIAGRAM 3.1 - THE DEGREE OF PROTECTION, ALL THE UNEMPLOYED

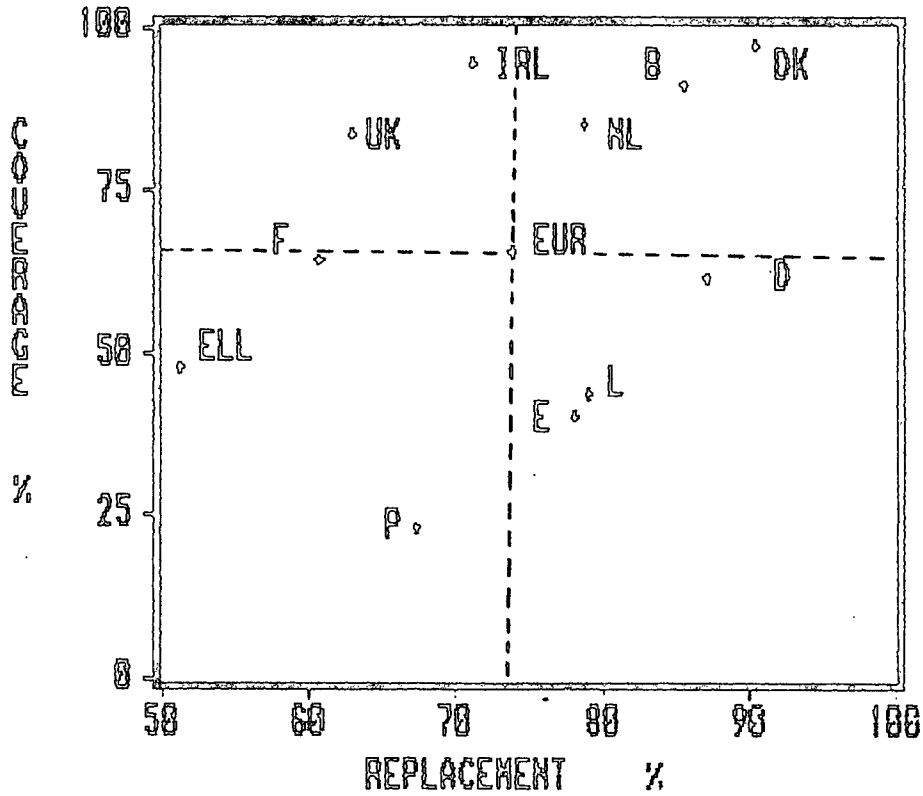


DIAGRAM 3.2 - THE DEGREE OF PROTECTION, 0-12 MONTHS UNEMPLOYED

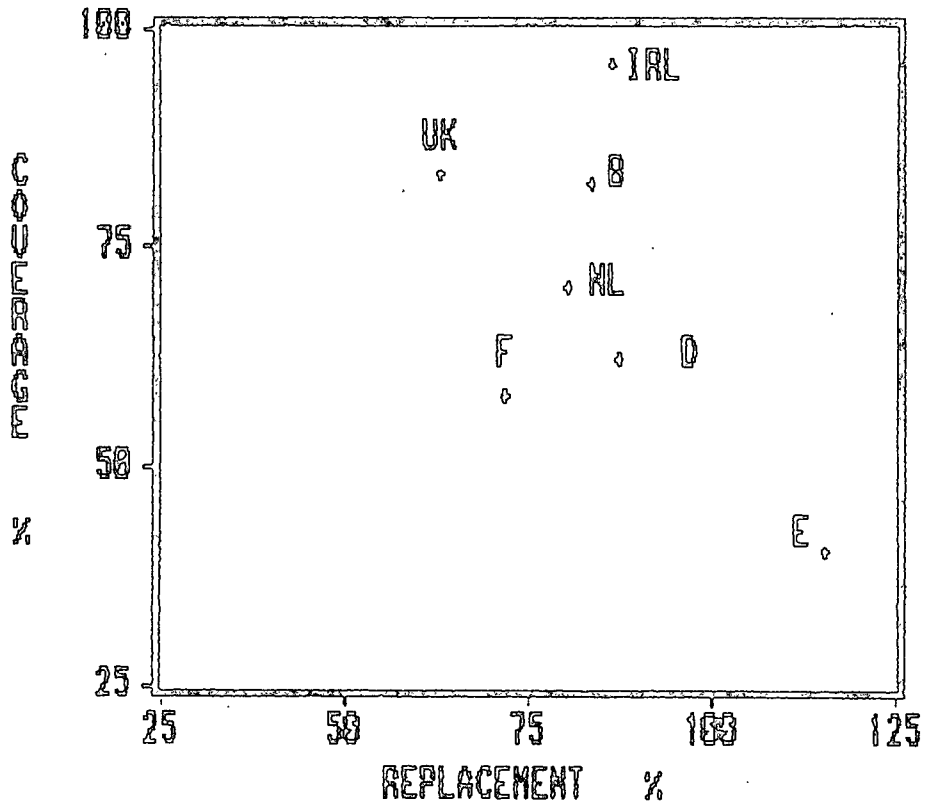


DIAGRAM 3.3 - THE DEGREE OF PROTECTION, 13-24 MONTHS UNEMPLOYED

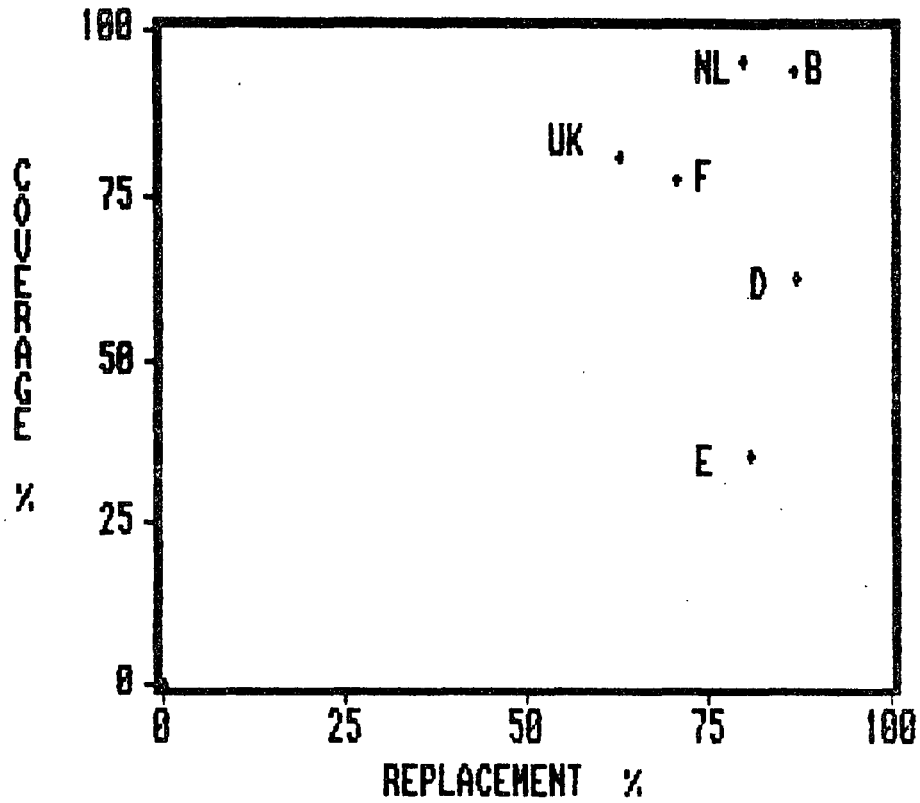
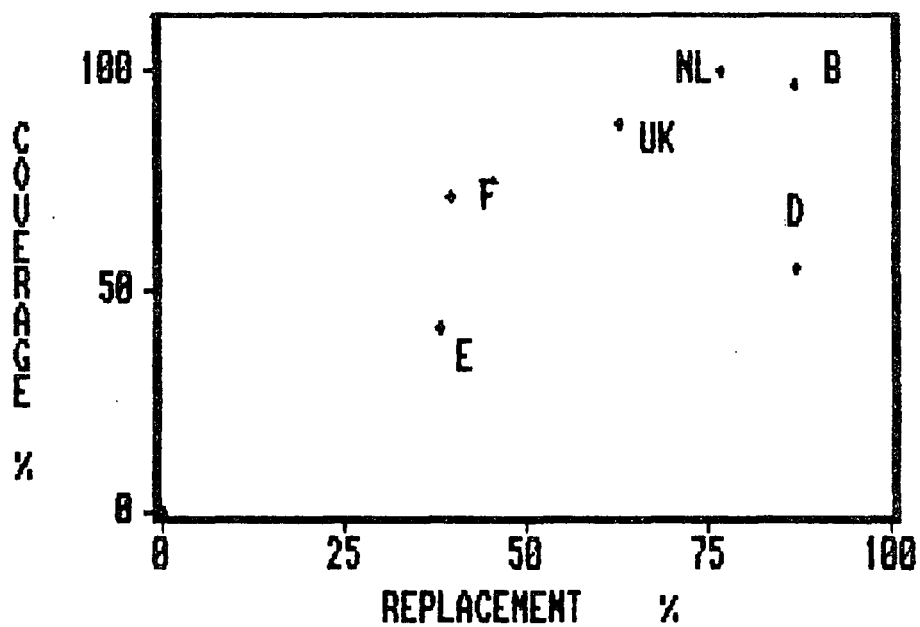


DIAGRAM 3.4 - THE DEGREE OF PROTECTION, OVER 24 MONTHS UNEMPLOYED



IV CONCLUDING COMMENTS

Replacement ratios, for different unemployment situations, give the first and most direct information about the income standard of a person who has fallen into unemployment in comparison to his or her previous situation.

Half the Member states of the Community have succeeded in keeping replacement ratios relatively independent of duration of unemployment. In the countries where this does not happen, the lengthening of the unemployment situation entails reductions, sometimes considerable ones, of the replacement ratios.

In general, couples with children in which the wife does not work, receive the highest replacement ratios amongst all types of households, something that seems to be quite natural. In certain countries, nevertheless, the ratios do not differ considerably for the other households categories.

As would be expected, the correlation between income level and the corresponding replacement ratio is negative and quite significant with the exception of Belgium and Spain for certain household categories.

Concerning trends, it could be concluded that replacement ratios were generally lower in 1987 than in 1983. Some exceptions, for certain categories, may be found in the cases of Belgium, France and Italy. Changes have been more pronounced in the case of couples than in the case of single persons and yet the former continue to have the highest replacement ratios.

Coverage, by a benefits scheme, of unemployed persons is also an important indicator and a major determinant of the extent of the programme.

At Community level, and very tentatively, it could be concluded that about 66 % of the registered unemployed receive benefits that replace almost 74 % of previous (labour) earnings. Differences subsist nevertheless between Member states, although deviations are less pronounced for replacement ratios than for coverage ratios. Actual differences are thus more important in what concerns coverage than in the replacement of lost incomes.

ANNEX A.1

Comparative Tables describing the benefits schemes for the unemployed in the Community.

Contents:

Summary pages

Comparative tables

UNEMPLOYMENT BENEFITS SCHEMES IN THE COMMUNITY

SUMMARY OF MAIN FEATURES

Type of scheme:

Eight of the twelve Member states (DK, D, E, F, IRL, NL, P, and UK) have both an insurance scheme (that grants benefits on condition of contributions paid during a varying number of months in the years before unemployment) and an assistance scheme. Benefits under the assistance scheme are generally conditioned on lack of resources, registration at the employment office and, in some cases, a very weak past contributions condition.

Assistance schemes in Ireland and the United Kingdom are not restricted exclusively to the unemployed but cover all persons lacking resources and meeting other conditions.

The rest of the Member states have an insurance scheme. Italy has her scheme broken down into two contributory subschemes.

Duration of benefits:

In the majority of countries having an assistance scheme (the eight mentioned above, except Spain and Portugal) and in Belgium, benefits continue for an unlimited period of time. In the rest of the countries duration varies between 11 months (Greece) and 3.5 years (Spain).

The level of benefits ranges between 90% of last wage in Denmark and 40% in Greece at the outset of the unemployment period. Most countries reduce benefits depending on duration of unemployment and earnings-related benefits transform into flat-rate ones.

Financing:

In all Member states, the state takes part in the financing of unemployment benefits schemes along with employers and employees.

Assistance schemes are entirely funded by the state with resources obtained from general taxation.

Insurance schemes obtain most of their resources (about 2/3) from contributions levied on wages, the rest being state subsidies. Employers' contributions lay between slightly more than 5% in Spain and around 2% in Denmark, Netherlands and Greece. Contributions paid by employees range between 2.5% in France and null in Greece or in Luxembourg.

Other benefits:

Health benefits, are provided to the unemployed as well as to the rest of the population or the employed workers. Only in very few countries, unemployed persons not receiving benefits may not be covered by these benefits.

As for family allowances, unemployed persons receive, at least, the same benefits than employed workers. In few countries (Spain, Italy and Portugal) these allowances are only granted to indemnified unemployed. Increases in unemployment benefits because of dependants are frequent.

Taking into account of unemployment period for pension purposes is also general but some restrictions occur.

COUNTRY	UNEMPLOYMENT BENEFITS			OTHER BENEFITS
	Type of Scheme and Eligibility Conditions	Duration and Level of Benefits	Financing	
<u>BELGIUM</u>	<p><u>Type of Scheme</u></p> <p>Unemployment insurance system covering all workers covered by social security and young persons unemployed following completion of training</p> <p><u>Conditions</u></p> <p>- to be without work involuntarily</p> <p>- according to age, between 75 working days contributed during last 10 months and 600 days during last 36 months</p>	<p><u>Duration</u></p> <p>Indeterminate. Suspension occurs if aged less than 50, more than twice average duration for his/her region and age-sex category and lost of unique revenue is not justified</p> <p><u>Level</u></p> <p>1. Income loss and family charges: 60% of wage (ceiling). 2. Id., no fam.char: 60% first year, 40% thereafter. 3. Others: 55% first year, 35% next 6m., 100% thereafter</p>	<p><u>Total Resources (1986)</u></p> <p>1. Contributions: (employers and employees) 24.4 %</p> <p>2. State subsidies 38.5 %</p> <p>3. Other taxes and contributions: 37.1 %</p>	<p><u>Family and Child Benefits</u></p> <p>Same as those for employed persons, increased after the 7th month of unemployment.</p> <p><u>Health Benefits</u></p> <p>Same as those for employed persons.</p> <p><u>Pension Rights</u></p> <p>Unemployment period taken into account. Last wage indexed</p>
<u>DENMARK</u>	<p><u>Type of Scheme</u></p> <p>a) Insurance scheme (funds) for wage earners and self-employed.</p> <p>b) Basic scheme for those not in a) above</p> <p><u>Conditions</u></p> <p>a) 26 weeks of work in last three years and 12 months of insurance</p> <p>b) no formal conditions required</p>	<p><u>Duration</u></p> <p>a) 2 1/2 years. b) Indeterminate.</p> <p><u>Level</u></p> <p>a) 90 % of salary (ceiling) b) 2649 DKK p/month for 9 months, 2330 DKK thereafter</p>	<p><u>Total Resources</u></p> <p>1. Employers: 17 %</p> <p>2. Employees: 18 %</p> <p>3. State: 65 %</p> <p><u>Contribution Rate: (effective)</u></p> <p>1. Employers: 1.7 of wage</p> <p>2. Employees: 1.8 of wage</p>	<p><u>Family and Child Benefits</u></p> <p>Same as those for employed persons</p> <p><u>Health Benefits</u></p> <p>Same for all residents</p> <p><u>Pension Rights</u></p> <p>----</p>

COUNTRY	UNEMPLOYMENT BENEFITS			OTHER BENEFITS
	Type of Scheme and Eligibility Conditions	Duration and Level of Benefits	Financing	
<u>FEDERAL REPUBLIC GERMANY</u>	<u>Type of Scheme</u> a) Insurance scheme. b) Assistance scheme for all wage earners <u>Conditions</u> a) 12 months of employment under insurance cover during last 3 years. b) At least 150 days of insured employment in last year or to have been in a) above	<u>Duration</u> a) Between 78 and 832 days, depending on length of insurance cover and age. b) Unlimited. <u>Level</u> a) 63- 68% of last wage (ceilinged) b) 56-58% of last wage (ceilinged) in all cases, increased ratios for persons with, at least one child.	<u>Total Resources</u> a) 1. Employers: 51 % 2. Employees: 47 % 3. Other : 2 % b) 1. State: 100 %	<u>Family and Child Benefits</u> Same as those for employed persons. <u>Health Benefits</u> Same as for employed persons <u>Pension Rights</u> Unemployment period completely taken into account
<u>GREECE</u>	<u>Type of Scheme</u> Insurance system covering all workers insured against sickness and young persons (20-29 y.) who have never worked. <u>Conditions</u> New beneficiaries: 80 days of insured work in 2 previous years Old beneficiaries: 125 days in last 14 months or 200 days in last 2 years	<u>Duration</u> Between 2 and 8 months plus additional 3 months at a reduced rate <u>Level</u> Between 40% and 50% of last wage.	<u>Contribution Rate</u> 1. Employers: 2 % of wage (ceiling) 2. Employees: 1 % of wage 3. State: remainder	<u>Family and Child Benefits</u> Same as for employed persons. Increase in allowance (10% for each dependent person, with ceiling) <u>Health Benefits</u> Same as for employed persons <u>Pension Rights</u> Partial account taken of unemployment period

COUNTRY	UNEMPLOYMENT BENEFITS			OTHER BENEFITS
	Type of Scheme and Eligibility Conditions	Duration and Level of Benefits	Financing	
<u>SPAIN</u>	<u>Type of Scheme</u>	<u>Duration</u>	<u>Contribution Rate</u>	<u>Family and Child Benefit</u>
	a) Insurance scheme covering all wage earners	a) Between 3 and 24 months depending on contribution period	a)	Same treatment as for employed persons. Lump-sum increases for those who receive benefits under a) and b)
	b) Assistance scheme	b) Between 3 and 18 months	1. Employers: 5.28 of wage	
	<u>Conditions</u>	<u>Level</u>	2. Employees: 1.18 of wage	<u>Health Benefits</u>
	a) At least 6 months of insured employment in last 4 years	a) Between 60% & 80% of regulatory wage according to duration	3. State: remainder	During period a) and b) benefits can continue. Afterwards benefits are granted if family charges exist
	b) Three months of contributions, - Exhausted entitlement to benefits under a) - Family charges - Lack of resources	b) 75% of previous guaranteed wage	b) State: 100 %	<u>Pension Rights</u>
				Only indemnified period taken into account
<u>FRANCE</u>	<u>Type of Scheme</u>	<u>Duration</u>	<u>Contribution Rate</u>	<u>Family and Child Benefit</u>
	a) Insurance scheme covering all wage earners	a) Between 3 and 21 months	a)	Same treatment for all residents
	b) Assistance scheme	b) Unlimited	1. Employers: 4.48 of wage	<u>Health Benefits</u>
	<u>Conditions</u>	<u>Level</u>	2. Employees: 2.58 of wage	Automatic cover for unemployed receiving benefits until one year after receipt of benefit
	a) Three months of membership in last 12 months	a) 10% of average contribution wage + daily amount. Lump-sum at end of period of entitlement.	3. State: remainder	<u>Pension Rights</u>
	b) Special conditions apply when right to benefit expires	b) Lump-sum payment depending on status/age	b)	Free validation on basis of previous wage during period of receipt of benefit
			1. State: 100 %	

COUNTRY	UNEMPLOYMENT BENEFITS			OTHER BENEFITS
	Type of Scheme and Eligibility Conditions	Duration and Level of Benefits	Financing	
<u>IRELAND</u>	<u>Type of Scheme</u>	<u>Duration</u>	<u>Total Resources</u>	<u>Family and Child Benefits</u>
	a) Insurance covering all wage earners (exc. public servants) aged over 16 and under 66	a) 390 days (flat rate) and 375 days (earnings-related supplement) Sundays excluded	a) Social Insurance Fund funded as follows: 1. Employers: 47 %	Same treatment as for employed wage earners
	b) Assistance covering all persons in the same age range	b) Unlimited	2. Employees: 23 % 3. State: 29 %	<u>Health Benefits</u> Same cover as for rest of population
	<u>Conditions</u>	a) IRE 42.3 p.w. + 12% of wages (between £62 & £220 p.w.). Limit of 85% of wage.	4. Self-employed: 1 % b) State: 100 %	<u>Pension Rights</u> Unemployment periods entirely taken into account
	a) At least 39 contribution weeks during the previous year			
	b) Registered unemployed, lack of resources	b) IRE 35.1 p.w. (IRE 37.8 after 15 months)		
		Additions for dependants in all cases		
<u>ITALY</u>	<u>Type of Scheme</u>	<u>Duration</u>	<u>Contribution Rate</u>	<u>Family and Child Benefits</u>
(situation at 1/7/87)	a) Ordinary insurance for involuntary unemployment	a) 180 days	1. Employers:	Same treatment as for employed wage earners applicable to unemployed receiving benefits under a) or b) as long as eligibility conditions for a) are satisfied. Max. 180 days
	b) Special benefits (in industry) for unemployed due to employment reduction, closing or restructuring of factory	b) Id. + possibility of another 180 d. followed by quarterly periods in case of local or sectoral crisis	a) 1.91% on wage + 15% of compensation for overtimes b) Id. + additional 0.30% of wage	<u>Health Benefits</u>
	<u>Conditions</u>	<u>Level</u>	2. State: remainder	Same protection for all residents (reductions in monetary benefits)
	a) 12 months of insured employment in previous 2 years. 2 years of insurance	a) LIT 800 per day		<u>Pension Rights</u>
	b) 3 months of wage earning at time of unemployment	b) 80 % of wage up to a ceiling reduced by 5%		Only indemnified periods taken into account
	In all cases, registration at the unemployment office.			

COUNTRY	UNEMPLOYMENT BENEFITS			OTHER BENEFITS
	Type of Scheme and Eligibility Conditions	Duration and Level of Benefits	Financing	
<u>LUXEMBOURG</u>	<p><u>Type of Scheme</u></p> <p>One scheme covering all employees, the young having finished their training and the self-employed having stopped their activity</p> <p><u>Conditions</u></p> <p>employees: 26 weeks of work in the last year</p> <p>the young: 26-39 weeks registered</p> <p>self-employed: 5 years of business</p> <p>in all cases unemployment must be involuntary</p>	<p><u>Duration</u></p> <p>365 days + 182 days for difficult to place cases or 6/9/12 months for persons having contributed to the pensions scheme for 20/25/30 years</p> <p><u>Level</u></p> <p>employees: 80 % of gross average wage of last 3 years</p> <p>the young: 40%-70% of social wage</p> <p>self-employed: 80% of contribution wage. Maximum amounts in all cases</p>	<p>Unemployment fund funded by:</p> <p>employers via a special contribution;</p> <p>direct personal and corporate taxes;</p> <p>local and central governments subsidies</p>	<p><u>Family and Child Benefits</u></p> <p>Same as for employed people</p> <p><u>Health Benefits</u></p> <p>Same as for employed people</p> <p><u>Pension Rights</u></p> <p>----</p>
<u>NETHERLANDS</u>	<p><u>Type of Scheme</u></p> <p>a) Insurance scheme covering all wage earners</p> <p>b) Assistance for long term unemployed wage earners and noninsured unemployed</p> <p><u>Conditions</u></p> <p>a) 26 weeks of paid employment in last year (1.5 years duration) and 3 years of paid employment out of previous 5 (1.5 years duration)</p> <p>b) Registered unemployed older than 18</p>	<p><u>Duration</u></p> <p>a) Between half a year and 5 years depending on years worked and age.</p> <p>People over 57.5 continue to receive benefits until 65.</p> <p>b) Until 65.</p> <p><u>Level</u></p> <p>a) 70% of last wage during the period conditioned to past work. After that, 70% of minimum wage for 1 year (no means tested)</p> <p>b) After a), 70, 90 or 100% of minimum wage depending on family circumstances. Means tested.</p>	<p><u>Contribution Rate</u></p> <p>a) Employer: 1.58% of wage</p> <p>Employee: 1.58% of wage</p> <p>b) State</p>	<p><u>Family and Child Benefits</u></p> <p>Same as for all wage earners</p> <p><u>Health Benefits</u></p> <p>Same treatment for all residents</p> <p><u>Pension Rights</u></p> <p>No further rights may be built up during the unemployment period (This will change in the immediate future)</p>

COUNTRY	UNEMPLOYMENT BENEFITS			OTHER BENEFITS
	Type of Scheme and Eligibility Conditions	Duration and Level of Benefits	Financing	
<u>PORTUGAL</u>	<u>Type of Scheme</u> a) Unemployment insurance b) Unemployment assistance both covering all employees affiliated to social security <u>Conditions</u> a) 36 months of consecutive employment, 12 months of insurance 2 months before unemployment b) 180 insured days in the last year + lack of resources	<u>Duration</u> a) 6 months + 1 m. for each year in employment b) Between 15 and 24 months depending on age <u>Level</u> a) 65% of average wage of last 6 months before 2 months to unemployment b) 70% of min. wage	Global contributions are paid by employers and employees to social security	<u>Family and Child Benefits</u> Same as for other wage earners for all indemnified unemployed under a) and b). For those in b) increases up to 100% of minimum wage according to dependants <u>Health Benefits</u> Whole population is covered <u>Pension Rights</u> Rights continue to access to indemnified unemployed
<u>UNITED KINGDOM</u>	<u>Type of Scheme</u> One scheme covering all wage earners. A general assistance scheme covering diverse cases according to lack of resources <u>Conditions</u> Contributed amount equal at least to 50 times minimum contribution for the fiscal year	<u>Duration</u> 312 days per unemployed period, a fresh period of benefits is possible with less restrictive conditions <u>Level</u> Weekly flat rate payment	1. Global contribution to the social security 2. State support	<u>Family and Child Benefits</u> The same as for employed persons. Increase in flat rate payment for dependent adult <u>Health Benefits</u> All residents entitled to benefits <u>Pension Rights</u> Partial account taken of period of unemployment

ANNEX A.2

Explanatory notes

Contents:

Explanatory notes

Computation of replacement ratios (questionnaire)

Explanatory notes

Chapter II

1. Wage income (sec. 2.1). These data have been taken from the following EUROSTAT publications:

Employment and Unemployment 1987 (Tables IV/1 and VI/1)

Earnings 1987 (Tables I/3)

The gross hourly earning (april 1985) of workers in the manufacturing industries sector has been multiplied by hours worked per week and by 4.34 in order to arrive at gross monthly earnings in 1985. The national experts participating in the exercise have performed the updating using the corresponding national wage index up to 1987.

2. Net replacement ratios (sec. 2.1) have been computed by the national experts following a questionnaire proposed by the Commission's services. Table A2.1, shows the computation formule that has been used for the various types of households and unemployment situations. The computation method is self-evident.

Ratios are in fact "simple" ones for kind benefits have not been included. They are also "net" ratios due to the fact that taxes and contributions payed (or reimbursed) have been accounted for in order to compute the net household position to be compared with net previous earnings.

Chapter III

3. Coverage ratios (sec. 3.2) are defined as the ratio between the number of (registered) unemployed persons in receipt of benefits and the number of registered unemployed. In the tables of the main text, these ratios are expressed as a percentage.
4. The degree of (material) protection of the unemployed (sec. 3.3) is based upon the joint analysis of physical coverage and income replacement indicators.

TABLE A2.1 - COMPUTATION OF REPLACEMENT RATIOS (QUESTIONNAIRE)

	Income level (husband)		
	2/3 avg.	average	twice avg.
1.1 Gross income (husband) June 1987			
+ other cash transfers (child, housing allowances, etc.)			
- taxes			
- social contributions			
- other compulsory cont.			
= net income			
1.2 Gross income (wife) June 1987	2/3	of	average income
+ other cash transfers			
- taxes			
- social contributions			
- other compulsory cont.			
= net income			
1.3 Net household income (1.1 + 1.2)			
2.1 Unemployment benefits husband - July 1987			
+ social assistance			
+ other cash transfers			
- taxes (+ tax reimb.)			
- social contributions			
- other compulsory cont.			
= net disp. resources			
2.2 Gross income (wife) July 1987	2/3	of	average income
+ other cash transfers			
- taxes			
- social contributions			
- other compulsory cont.			
= net income			
2.3 Net household position when unemployed (1.1 + 1.2)			
3. Replacement ratio (2.3 as % of 1.3)			