



An Unemployment Insurance Scheme for the Euro Area?

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Contribution of the paper

- We develop a decomposition framework and assess the importance of different stabilization channels of an EMU-UI
- Added value of EMU-UI crucially hinges on its ability to provide interregional smoothing
- Analyze different variants of an EMU-UI
- Study redistributive effects across countries and within-country heterogeneity

Empirical approach

- Simulate a sample of repeated cross-sections for EA18 member states for the period 2000-13 linking EU-SILC and LFS micro data
- Introduce a basic EMU-UI that partly replaces national UI schemes
- Key features: 50% replacement rate, broad coverage of all short-term unemployed, maximum benefit duration of 12 months

Automatic fiscal stabilization

$$\text{Calculate stabilization coefficient } T = \frac{\sum \Delta \text{SIC} - \sum \Delta B}{\sum \Delta Y}$$

for:

1. National UI (without debt)
2. Harmonized national UI (without debt)
3. EMU-UI (no debt)
4. EMU-UI (with debt)

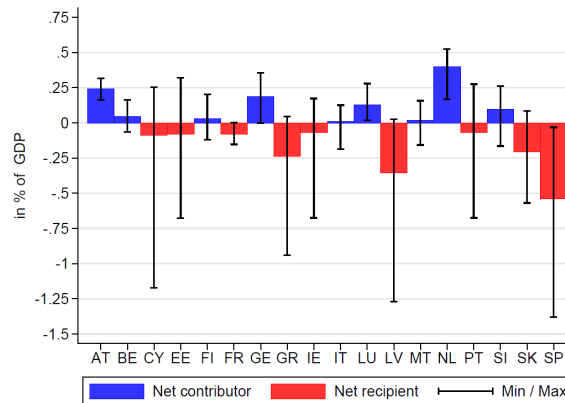
Decomposition

$$\tau_{tot} = \tau_{EMU-UI,debt} - \tau_{NAT-UI,no-debt}$$

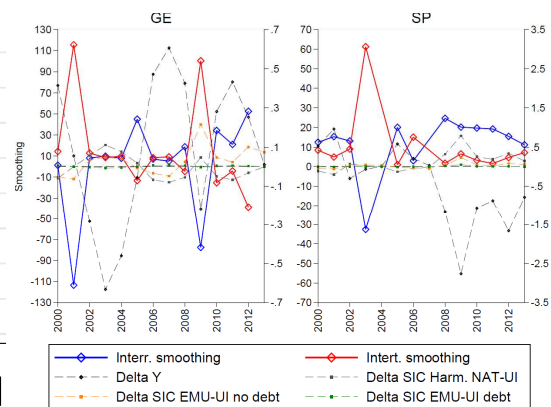
$$= \underbrace{(\tau_{NAT-UI,harm.} - \tau_{NAT-UI})}_{\tau_{Harmonization}} + \underbrace{(\tau_{EMU-UI,without-debt} - \tau_{NAT-UI,harm.})}_{\tau_{Interregional-Smoothing}} + \underbrace{(\tau_{EMU-UI,with-debt} - \tau_{EMU-UI,without-debt})}_{\tau_{Intertemporal-Smoothing}}$$

Main results

Average yearly net contributions:



Smoothing effects:



	Interregional	Intertemporal	Overall
AT	5.8	18.2	24.0
BE	3.0	14.5	17.5
CY	17.7	7.3	25.0
EE	19.4	0.8	20.2
FI	2.4	22.5	25.0
FR	7.7	12.8	20.5
GE	11.0	5.8	16.8
GR	12.0	4.8	16.9
IE	15.7	5.9	21.6
IT	5.5	11.4	16.9
LU	7.1	18.0	25.1
LV	21.6	1.2	22.8
MT	-4.6	24.9	20.3
NL	8.3	13.9	22.2
PT	13.4	5.8	19.2
SI	5.6	13.5	19.1
SK	9.6	5.6	15.2
SP	17.8	5.3	23.0
EA18	9.9	9.3	19.2

Conclusions

- Interregional smoothing gains amount to 10% at EA-level, but are unevenly distributed across MS ranging from -5% (MT) to 22% (LV)
- No permanent redistribution *ex-ante*. But ex-post: Four MS (AT, LU, NL, SP) permanent net contributor or recipient
- Overall budget: 47 billion euro per year; contingent benefits would lead to less redistribution (and stabilization)