



## The role of an EMU unemployment insurance scheme on income protection in case of unemployment

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### Motivations

- An unemployment insurance benefit at the EMU level (EMU-UI) could provide better shock absorption against economic shocks.
- A common EMU-UI could also provide a minimum level of income protection in case of unemployment, strengthening the social dimension of the EMU.
- EMU-UI can be considered as a benchmark to assess gaps in current national unemployment insurance.

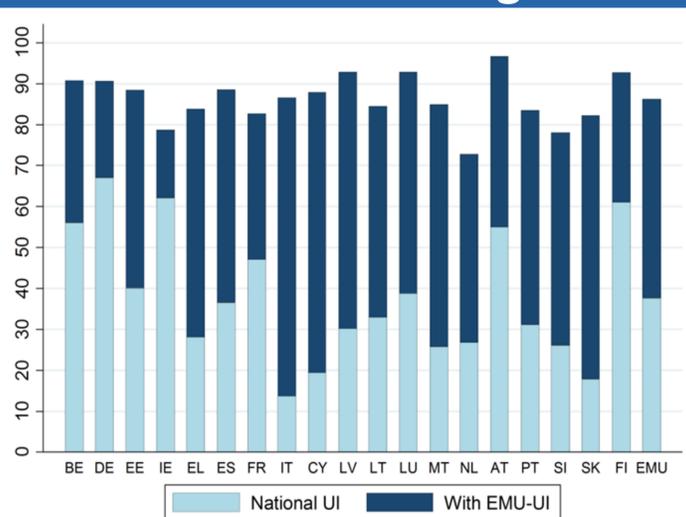
### An illustrative EMU-UI

- Eligibility: all employed (self-employed excluded); aged up to 64; with earnings during 3 months in the previous 12
- Duration: 12 months
- Payment: 50% of most recent gross monthly earnings; floor and ceiling (20% and 150% of average gross earnings)
- Treated in the same way as national UI (e.g. taxable or not)

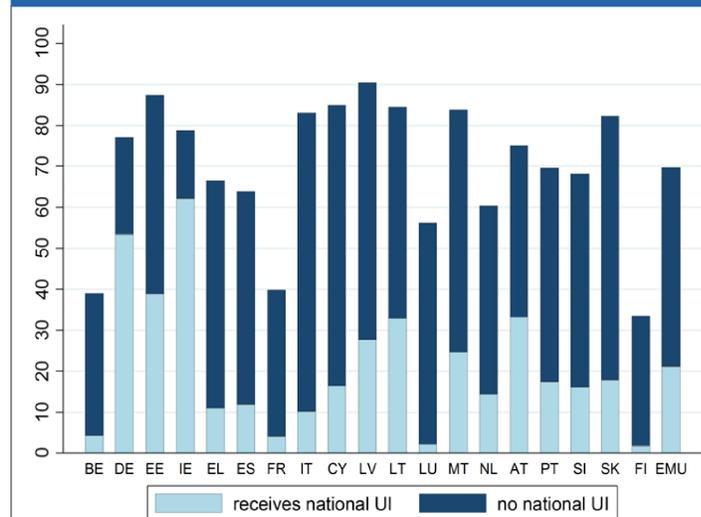
### Methodology

- EUROMOD 2014 policies with EU-SILC 2012.
- Simulate transitions from work to unemployment with and without the EMU-UI for all people in work.
- Select the 2% of the population in work with the highest risk of unemployment (Probit with random factor)
- We match coverage of national UI to the share of unemployment benefit recipients in LFS in 2014

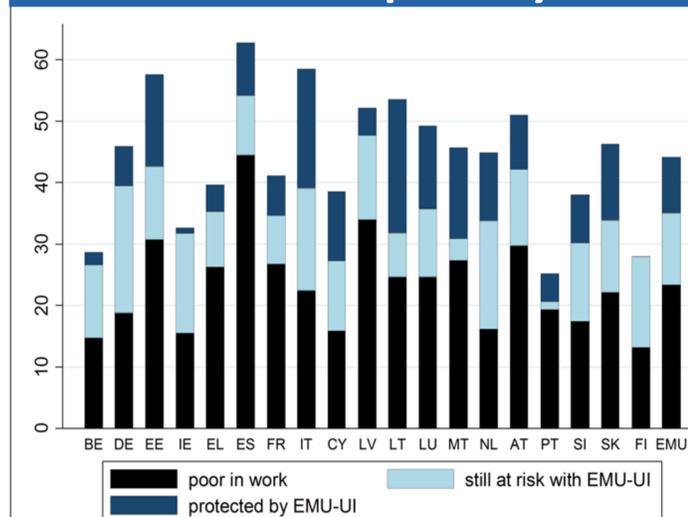
### Potential coverage



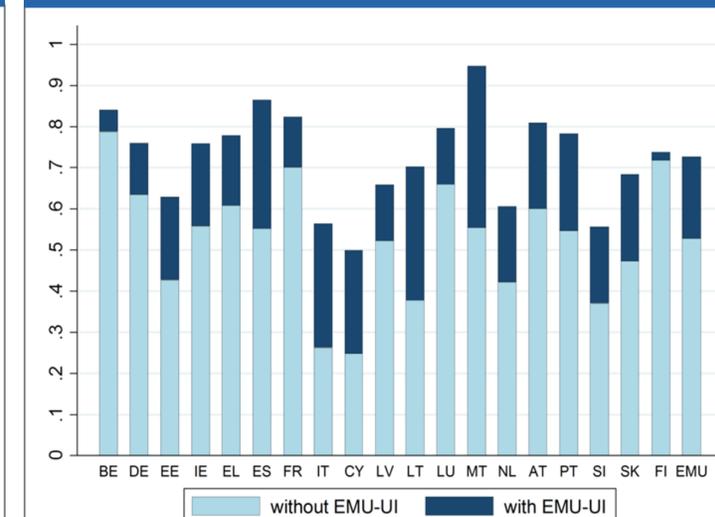
### Beneficiaries



### At risk of poverty



### Income Stabilisation



### Main results

- Two factors explain differences in the effect of the EMU-UI across countries: (i) the extent to which national UI schemes are similar to the EMU-UI (e.g. FR, FI, LU) in the relevant dimensions; and (ii) the characteristics of people entering unemployment (e.g. low earners, self-employed).
- An EMU-UI would have the potential to increase coverage substantially but to different extents (depending, among other things, on coverage of national UI) across EMU countries.
- Around 70% of those at high risk of unemployment would benefit from an EMU-UI, mainly from increased coverage. Countries with generous national UI (BE, FR, LU, FI) compared to the EMU-UI benefit less and this is reflected in the lower additional income stabilisation of the EMU-UI.
- The EMU-UI would have a positive effect on protection against poverty for those entering unemployment but less so if the unemployed have very low previous earnings.

### References

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