

**Opinion of the European Economic and Social Committee on Common Minimum Standards in the field of unemployment insurance in EU Member States — A concrete step towards the effective implementation of the European Pillar of Social Rights**

**(own-initiative opinion)**

(2020/C 97/05)

Rapporteur: **Oliver RÖPKE**

Plenary Assembly decision	15.3.2018
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Section for Employment, Social Affairs and Citizenship
Adopted in section	15.11.2019
Adopted at plenary	11.12.2019
Plenary session No	548
Outcome of vote (for/against/abstentions)	141/65/14

## 1. Conclusions and recommendations

1.1. The **European Pillar of Social Rights (EPSR)** was solemnly proclaimed at the EU social summit in Gothenburg on 17 November 2017. In order to breathe life into the pillar, the EU and Member States need to take concrete steps to implement it effectively.

1.2. The European Economic and Social Committee (EESC) would draw attention to **principle 13 of the EPSR (Unemployment benefits)**, which states that the unemployed have the right to adequate activation support from public employment services to (re)integrate into the labour market and the right to **adequate unemployment benefits of reasonable duration**, in line with their contributions and national eligibility rules. Such benefits should not constitute a disincentive to a quick return to employment.

1.3. Unemployment insurance is a central component of the social welfare systems of all Member States, albeit with different formats in different countries. The EESC shares the Commission's view that **improved standards** in Member States' **unemployment insurance systems enable labour markets to function more effectively**, and that Member States with more generous unemployment insurance systems and higher spending on active labour market policy and measures are better able to reintegrate unemployed people into the labour market on a sustainable basis<sup>(1)</sup>. At the same time, the EESC highlights its important function as an automatic stabiliser.

1.4. There is currently a large divergence in unemployment benefits among Member States. The EESC would refer to the 2019 Joint Employment Report, which states that the provision of adequate unemployment benefits over an appropriate period of time, to which all workers have access and which are accompanied by effective labour market measures, is **essential** to support job seekers in the transition into the labour market<sup>(2)</sup>.

1.5. The EESC reiterates its call for high employment and social standards<sup>(3)</sup> and therefore recommends setting **targets** for the Member States' unemployment benefits. Targets should be set for **net replacement rate, entitlement period and coverage rate**. The EESC also recommends targets for **training and activation**.

<sup>(1)</sup> European Semester: Thematic factsheet — Unemployment benefits — 2017.

<sup>(2)</sup> COM(2018) 761 final of 21.11.2018, EPSCO Council ST 7619 2019 INIT, 15.3.2019.

<sup>(3)</sup> OJ C 62, 15.2.2019, p. 165.

1.6. As a first step, targets for unemployment benefits should be set and monitored in a **European Semester benchmarking process**. The EESC reiterates its recommendation that the EPSR should also influence economic governance in the EU <sup>(4)</sup>. In its view, the **country-specific recommendations to the Member States** under the European Semester should include specific targets on **net replacement rate, entitlement period and coverage rate**, as well as on **training and activation**. The country-specific recommendations are drawn up by the Commission, adopted by the Council and endorsed by the European Council.

1.7. The **basis** for the country-specific recommendations should be the integrated guidelines <sup>(5)</sup>. Under **Guideline 7 of the 2018 employment policy guidelines** <sup>(6)</sup>, **which remain applicable in 2019** <sup>(7)</sup>, Member States should provide the unemployed with **adequate unemployment benefits of reasonable duration**, in line with their contributions and national eligibility rules although such benefits should not constitute a disincentive to a quick return to employment.

1.8. The EPSR is supported by a social scoreboard, which monitors the implementation of the pillar by following trends and progress in the Member States and feeds these into the European Semester. The EESC recommends that, in future, unemployment benefits should also be monitored in the social scoreboard. It also recommends a **benchmarking process for unemployment benefits as a complement to the social scoreboard**. The EESC therefore specifically welcomes the Commission's current efforts to establish a benchmarking process for unemployment benefits, and considers that these efforts should be stepped up and associated with a long-term monitoring process.

1.9. The **aim** of the proposed benchmark process on unemployment benefits is **to promote the upward social convergence of the Member States and improve the functioning of labour markets**. The benchmark process must be based on an analysis of the situation as it stands, with no omissions or airbrushing. It must not be confined to monitoring and evaluation alone. Member States should learn from one another by analysing those performing best (**benchlearning**) and make improvements (**benchaction**).

1.10. The benchmark process for unemployment benefits should be managed by the Commission and the **social partners should be closely and consistently involved** in setting benchmarks.

1.11. **Social targets** must lead to social convergence over time. People need to see that the principles of the EPSR do not only exist on paper, but are also implemented in practice and gradually improve their living conditions.

1.12. The EESC recommends that the results of the benchmarking process should be closely monitored and evaluated. If there is insufficient progress towards the desired outcomes, a legally binding instrument should be introduced to support and complement Member States' efforts to modernise their unemployment insurance systems. In addition to a **Council Recommendation** to guide Member States, the EESC recommends introducing a **directive pursuant to Article 153 TFEU laying down legally binding minimum standards** for the Member States' unemployment insurance systems. This directive should include EU-wide minimum standards for unemployment benefits in terms of **net replacement rate, entitlement period and coverage rate**. The EESC is also in favour of EU-wide minimum standards for **training and activation** in the context of unemployment insurance.

1.13. Legally binding minimum standards should be applied progressively, over an appropriate period of time set such that all Member States can achieve the common standards.

1.14. As set out in Article 153 TFEU, the **right of Member States to define the fundamental principles of their social security systems** and the financial equilibrium thereof must not be significantly affected by this. This principle should be respected irrespective of the form or substance of the system in the Member State. Member States would not be prevented from exercising the right provided for in the Treat to maintain or introduce more stringent protective measures.

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<sup>(4)</sup> OJ C 81, 2.3.2018, p. 145.

<sup>(5)</sup> OJ L 224, 5.9.2018, p. 4

<sup>(6)</sup> OJ L 224, 5.9.2018, p. 4.

<sup>(7)</sup> OJ L 185, 11.7.2019, p. 44

Particular attention should be paid in this context to differences in the organisation of national insurance systems, the involvement of the social partners, and financing.

## 2. Current situation and background to the opinion

2.1. Following the painful experience of the economic and financial crisis starting in 2008 and the ensuing instability, the economy is now growing again and unemployment rates are falling. However, the **ongoing recovery of the labour markets** is not proceeding at the same pace in all Member States, regions or sections of the population. The EESC would refer in this connection to the Joint Employment Report 2019 <sup>(8)</sup>.

2.2. The EESC shares the Council's view that the Member States and the EU should address the social consequences of the economic and financial crisis and work to **build an inclusive society**. Inequality and discrimination should be tackled. Access and opportunities should be ensured for all and poverty and social exclusion should be reduced, in particular by ensuring **well-functioning labour markets and social protection systems** <sup>(9)</sup>.

2.3. In the **Europe 2020 strategy**, the EU set itself the goal of reducing the number of people at risk of **poverty or social exclusion** by 20 million by 2020. We are **a long way from reaching this goal**. Although the situation has been steadily improving since 2012 (when almost 25 % of the total EU population was at risk of poverty or social exclusion), Europe is still facing enormous challenges. In 2018, just under 22 % of the EU population was at risk of poverty or social exclusion <sup>(10)</sup>.

2.4. **Unemployment insurance** is a central component of the social welfare systems of all Member States. It provides a safety net for workers who lose their jobs and offers **protection against poverty**. At the same time, unemployment benefits act as **automatic stabilisers**, because they mean that, if general unemployment levels rise, incomes and thus consumption do not fall as heavily. In addition, effective and adequate unemployment benefits enable workers to find jobs that correspond to their skills and expectations, or to complete re-training courses as part of an active labour market policy.

2.5. In some Member States, social protection has deteriorated in recent years as a result of crisis-related policies. Many people feel that, increasingly, their social interests and requirements are not safeguarded in the EU. Brexit represents the first reversal of the trend towards greater European integration. These developments must be seen as warning signs. In order to ensure the future viability of the EU and regain people's trust, the EESC now considers it necessary to **strengthen the social dimension of the EU, which includes addressing other current challenges such as climate change and digitalisation**. This requires **commitment at all levels**, including Member States, social partners and civil society entities, on the basis of a stable, sustainable and inclusive economy <sup>(11)</sup>.

2.6. At the EU social summit in Gothenburg on 17 November 2017, the European Parliament, the Council and the Commission solemnly proclaimed the **European Pillar of Social Rights (EPSR)**. In order to breathe life into this, the EU and Member States need to take concrete steps to implement it effectively. In her political guidelines for the European Commission 2019-2024, the newly elected president of the Commission, Ursula von der Leyen, says she will put forward an action plan to fully implement the EPSR. The EESC wishes to contribute to the implementation of the EPSR with its proposal on targets for Member States' unemployment benefits.

2.7. The EESC would draw attention to **principle 13 of the European Pillar of Social Rights (Unemployment benefits)**: The unemployed have the right to adequate activation support from public employment services to (re)integrate into the labour market and the right to **adequate unemployment benefits of reasonable duration**, in line with their contributions and national eligibility rules. Such benefits shall not constitute a disincentive to a quick return to employment.

<sup>(8)</sup> COM(2018) 761 final, 21.11.2018, EPSCO Council ST 7619 2019 INIT, 15.3.2019.

<sup>(9)</sup> OJ L 224, 5.9.2018, p. 4.

<sup>(10)</sup> Eurostat, 16.10.2019.

<sup>(11)</sup> OJ C 262, 25.7.2018, p. 1.

2.8. In this connection, the EESC also highlights principle 17 of the EPSR, according to which **people with disabilities** have the right to income support that ensures living in dignity, and services that enable them to participate in the labour market and in society. With respect to the entitlement period for unemployment insurance, it should be borne in mind that it is considerably more difficult and time-consuming for people with disabilities to find a new job or to retrain.

2.9. Unemployment insurance is a central component of the social welfare systems of all Member States. National provisions concerning unemployment insurance systems differ widely, in terms both of eligibility and of amount, duration and calculation method. The EESC recommends setting **targets for unemployment benefits** within the European Semester. The EESC also draws attention to the need to safeguard basic social provision by having common rules at EU level <sup>(12)</sup>. It recommends an ongoing **evaluation of the benchmarking process**. A **Council Recommendation** could be used to initiate and guide debates and reforms in the Member States concerning the introduction of common minimum standards, and to facilitate cooperation between the Member States in this area.

2.10. If, over time, there is insufficient progress towards the desired outcomes, the EESC recommends introducing a **directive pursuant to Article 153 TFEU** laying down **legally binding minimum standards** for the Member States' unemployment insurance systems. This directive should include EU-wide minimum standards for unemployment benefits in terms of **net replacement rate, entitlement period and coverage rate**. The EESC is also in favour of EU-wide minimum standards for **training and activation** in the context of unemployment insurance. Minimum requirements should not prevent Member States from establishing more ambitious social standards (see point 16 of the preamble to the European Pillar of Social Rights). Existing standards in the Member States should not be reduced. The EESC recommends setting minimum requirements for Member States' unemployment insurance systems in conjunction with an appropriate application of a **non-regression clause** (a prohibition on using the introduction of minimum standards as an excuse to reduce standards). This will accommodate the EU's objective of improving living and working conditions in the interests of upward convergence between the Member States (Article 151 TFEU).

2.11. When looking at support for unemployed people, a distinction should be made between social security benefits (insurance-based payments) and social assistance. Insurance-based payments are generally contribution based, and are contingent on a certain length of employment. Social assistance comprises non-contributory, tax-funded welfare payments that support people who cannot support themselves financially, and are subject to an assessment of needs. **This own-initiative opinion relates to social security benefits.**

2.12. In connection with the debate on deepening Economic and Monetary Union, the Commission proposes creating a **stabilisation function for the euro area** (which non-euro area Member States would have the opportunity to join), which should make it possible to better respond to asymmetric shocks in future. One possible option put forward by the Commission for such a stabilisation function is the creation of a **European Unemployment Reinsurance Scheme** to act as a 'reinsurance fund' for national unemployment insurance schemes <sup>(13)</sup>. This fiscal proposal, which is now the subject of controversial discussions, should be seen as something **completely separate from this own-initiative opinion** — a social policy proposal aimed at strengthening the EU's social dimension.

2.13. The EESC recently expressed support for examining the **option of setting EU-wide minimum standards for national unemployment schemes**, in part to ensure that any person seeking employment can benefit from financial support <sup>(14)</sup>. The Committee's own-initiative opinion now follows through on that request.

### 3. General comments

3.1. Under **Guideline 7 of the 2018 employment policy guidelines** <sup>(15)</sup>, **which remain applicable in 2019** <sup>(16)</sup>, Member States should provide the unemployed with adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules. This recommendation means that the EPSR has been taken on board in the employment policy guidelines.

<sup>(12)</sup> OJ C 13, 15.1.2016, p. 40.

<sup>(13)</sup> COM(2017) 822 final, 6.12.2017.

<sup>(14)</sup> OJ C 129, 11.4.2018, p. 7.

<sup>(15)</sup> OJ L 224, 5.9.2018, p. 4.

<sup>(16)</sup> OJ L 185, 11.7.2019, p. 44.

3.2. **Reducing** the number of people experiencing or at risk of **poverty and social exclusion** is one of the five objectives of the **Europe 2020 strategy** and one of the 17 goals (SDGs) of the **UN 2030 Agenda for Sustainable Development**. The **social scoreboard** introduced in the ambit of the EPSR also monitors trends and progress in the Member States relating to those experiencing or threatened by poverty or social exclusion.

3.3. The EESC highlights the Commission's findings that the **entitlement period** of unemployment insurance benefits has a direct impact on the risk of unemployed people falling into poverty. Member States with more generous unemployment insurance systems and higher spending on active labour market policy and measures are better able to reintegrate unemployed people into the labour market on a sustainable basis<sup>(17)</sup>. There are **large differences** between Member States. The maximum entitlement period for unemployment benefits ranges from ninety days in Hungary to an unlimited entitlement period in Belgium<sup>(18)</sup>.

3.4. The EESC believes that social security benefits must be designed in such a way that, in the event of a risk scenario such as unemployment, an adequate standard of living can be ensured. The amount of the unemployment insurance benefit, i.e. the **net replacement rate**, must therefore be appropriate. Here, too, there are **marked differences** within the EU. Net replacement rates for a low-wage worker with a short work history (1 year) range from less than 20 % of previous (net) earnings in Hungary to around 90 % in Luxembourg<sup>(19)</sup>.

3.5. The number of unemployed people receiving unemployment insurance benefits as a proportion of the overall number of unemployed people is represented by the **coverage rate**. The coverage rate is expressed in relation to a particular length of unemployment (e.g. the proportion of unemployed receiving benefits after one year of unemployment). Here again there is a **great divergence** between Member States. On average, the number of the short-term unemployed (jobless for less than a year) who receive unemployment benefit amounts to only one third of all unemployed. At around 63 %, Germany has the highest coverage rate. In contrast, coverage rates are well below 15 % in Malta, Croatia, Poland, Romania and Bulgaria<sup>(20)</sup>.

3.6. Low coverage in one Member State may have different causes. One reason is **youth unemployment**. Young unemployed people who do not manage to enter the labour market are often unable to claim entitlement without having completed periods of employment. For this reason, the young unemployed often do not receive benefits.

3.7. The EESC once again stresses that young people's transition from (school-based) education into the labour market is of key importance. They must be given as much support as possible in order to ensure that they can be rapidly integrated into the labour market.

3.8. The duration of unemployment also affects the coverage rate. While the EU average coverage for the short-term unemployed is around a third, it is lower for the long-term unemployed because the period of entitlement to unemployment benefit is limited in most Member States. The EESC recommends setting a target for the **coverage rate** for the **short-term unemployed** (those unemployed for less than one year).

3.9. A further reason for a low coverage rate are **new forms of employment and atypical and precarious insecure work**, which make it difficult to acquire a benefit entitlement. With reference to the Council's political agreement on a Recommendation on access to social protection for workers and the self-employed, the EESC calls for a comprehensive solution as regards the recognition of social security rights for workers in new forms of employment<sup>(21)</sup>.

3.10. The **European Pillar of Social Rights states as its first principle** that everyone has the right to quality and inclusive education, training and **lifelong learning** in order to maintain and acquire skills that enable them to participate fully in society and successfully manage transitions in the labour market. The EESC therefore endorses **targets for training and activation** and reiterates its position that ensuring the right to lifelong learning for all should be on the EU's agenda<sup>(22)</sup>.

<sup>(17)</sup> European Semester: Thematic factsheet — Unemployment benefits — 2017.

<sup>(18)</sup> COM(2018) 761 final, 21.11.2018, EPSCO Council ST 7619 2019 INIT, 15.3.2019.

<sup>(19)</sup> COM(2018) 761 final, 21.11.2018, EPSCO Council ST 7619 2019 INIT, 15.3.2019.

<sup>(20)</sup> COM(2018) 761 final, 21.11.2018, EPSCO Council ST 7619 2019 INIT, 15.3.2019.

<sup>(21)</sup> OJ C 129, 11.4.2018, p. 7.

<sup>(22)</sup> OJ C 237, 6.7.2018, p. 8 and EESC opinions OJ C 14, 15.1.2020, p. 1 and OJ C 14, 15.1.2020, p. 46.

3.11. The EESC shares the Commission's view that improved standards in Member States' unemployment insurance systems **enable labour markets to function more effectively**. However, low standards do not necessarily mean lower public expenditure, as unemployed people not receiving unemployment insurance benefit in most cases receive another form of State support (e.g. unemployment benefit or minimum income). The Committee also agrees with the Commission that it is reasonable to assume that the extra spending to ensure better unemployment insurance standards, in conjunction with an active labour market policy, will — in a relatively short period — be offset by higher employment and thus higher tax revenues as well as faster economic growth <sup>(23)</sup>.

#### 4. Specific comments

4.1. There is currently a large divergence in unemployment benefits among Member States. The EESC would refer to the 2019 Joint Employment Report, which states that the provision of **adequate unemployment benefits over an appropriate period of time**, to which all workers have access and which are accompanied by effective labour market measures, is **essential** to support job seekers in the transition into the labour market <sup>(24)</sup>.

4.2. The EESC therefore recommends setting **targets** for Member States' unemployment benefits. Targets should be set for **net replacement rate, entitlement period and coverage rate**. The EESC also recommends targets for **training and activation**.

4.3. The EESC expressly welcomes the Commission's efforts to support the EPSR, inter alia, in the European Semester, and to promote a benchmarking process for national unemployment insurance benefits (including via the Joint Employment Report). Benchmarking is rightly seen as an important tool in implementing the EPSR. These efforts should be stepped up and associated with a long-term monitoring process. The benchmark process for unemployment benefits must **aim** to contribute to **upward social convergence** in the EU and a **better functioning of labour markets**.

4.4. In the EESC's view, the **country-specific recommendations** should contain concrete targets on **net replacement rates, entitlement period and coverage rate**, as well as on **training and activation**. In this regard, the Committee supports the Commission's approach whereby **more generous benefits** must go hand in hand with **appropriate activation for unemployed people**.

4.5. The **success of the single market** depends to a large extent on both the efficiency of labour markets and the social protection system and on the ability of European economies to adapt to shocks. With this premise, the Europe 2020 strategy was established as a strategy for transforming the EU into a smart, sustainable and inclusive economy with a view to delivering high levels of employment, productivity and social cohesion <sup>(25)</sup>. The EESC points out that the EU will not achieve the **Europe 2020 strategy target** of cutting the number of people in or at risk of poverty and social exclusion by twenty million.

4.6. In the EESC's view, **following the elections to the European Parliament from 23 to 26 May 2019**, it must be an urgent task for the newly constituted Commission to propose measures to improve the functioning of labour markets and to achieve the upward social convergence of the Member States. A new strategy is also needed on the social dimension of Europe after 2020.

4.7. Member States are currently discussing the **social dimension of Europe after 2020**. One of the crucial questions here is which key aspects should be the decisive ones for the future social dimension <sup>(26)</sup>. The EESC believes that the **better functioning of labour markets** and the **fight against poverty and social exclusion** are key aspects of Europe's social dimension after 2020. Targets for Member States' unemployment benefits could make a significant contribution in this.

4.8. Social targets must lead to social convergence over time. People need to see that rights and principles, such as those in the EPSR, do not only exist on paper, but are also implemented in practice and gradually improve their living conditions.

<sup>(23)</sup> European Semester: Thematic factsheet — Unemployment benefits — 2017.

<sup>(24)</sup> COM(2018) 761 final, 21.11.2018, EPSCO Council ST 7619 2019 INIT, 15.3.2019.

<sup>(25)</sup> COM(2018) 761 final, 21.11.2018, EPSCO Council ST 7619 2019 INIT, 15.3.2019.

<sup>(26)</sup> EPSCO Council ST 6622 2019 INIT, 27.2.2019.

4.9. Should targets set in connection with the European Semester prove insufficiently effective, the EESC recommends, with regard to the social dimension of Europe after 2020, introducing a **directive pursuant to Article 153 TFEU laying down legally binding minimum standards** for the Member States' unemployment insurance systems. This directive should include EU-wide minimum standards for unemployment benefits in terms of **net replacement rate, entitlement period and coverage rate**. The EESC is also in favour of EU-wide minimum standards for **training and activation** in the context of unemployment insurance.

Brussels, 11 December 2019.

*The President*  
*of the European Economic and Social Committee*  
Luca JAHIER

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## ANNEX

The following amendments, which received at least a quarter of the votes cast, were rejected in the course of the debate (Rule 59(3) of the Rules of Procedure):

**1. Point 1.12**

Amend as follows:

The EESC recommends that the results of the benchmarking process should be closely monitored and evaluated. If there is insufficient progress towards the desired outcomes, a ~~binding legally-binding instrument framework~~ should be ~~considered introduced~~ to support and complement Member States' efforts to modernise their unemployment insurance systems. In addition to a **Council Recommendation** to guide Member States, the EESC recommends ~~considering introducing a~~ **directive binding legal framework pursuant to Article 153 TFEU laying down legally-binding minimum standards** for the Member States' unemployment insurance systems. This ~~legal framework directive~~ should include EU-wide minimum standards for unemployment benefits in terms of **net replacement rate, entitlement period and coverage rate**. The EESC is also in favour of EU-wide minimum standards for **training and activation** in the context of unemployment insurance.

**Outcome of the vote:**

In favour: 64

Against: 119

Abstentions: 19

**2. Point 2.10**

If, over time, ~~and after close monitoring and evaluation of the outcomes,~~ there is insufficient progress towards the desired outcomes, the EESC recommends ~~introducing considering a~~ **binding legal framework directive pursuant to Article 153 TFEU laying down legally-binding minimum standards** for the Member States' unemployment insurance systems. This ~~legal framework directive~~ should include EU-wide minimum standards for unemployment benefits in terms of **net replacement rate, entitlement period and coverage rate**. The EESC is also in favour of EU-wide minimum standards for **training and activation** in the context of unemployment insurance. Minimum requirements should not prevent Member States from establishing more ambitious social standards (see point 16 of the preamble to the European Pillar of Social Rights). Existing standards in the Member States should not be reduced. The EESC recommends setting minimum requirements for Member States' unemployment insurance systems in conjunction with an appropriate application of a **non-regression clause** (a prohibition on using the introduction of minimum standards as an excuse to reduce standards). This will accommodate the EU's objective of improving living and working conditions in the interests of upward convergence between the Member States (Article 151 TFEU).

**Outcome of the vote:**

In favour: 63

Against: 122

Abstentions: 18

**3. Point 4.9**

Should targets set in connection with the European Semester, ~~after close monitoring and evaluation,~~ prove insufficiently effective, the EESC recommends, with regard to the social dimension of Europe after 2020, ~~introducing considering a~~ **directive binding legal framework pursuant to Article 153 TFEU laying down legally-binding minimum standards** for the Member States' unemployment insurance systems. This ~~legal framework directive~~ should include EU-wide minimum standards for unemployment benefits in terms of **net replacement rate, entitlement period and coverage rate**. The EESC is also in favour of EU-wide minimum standards for **training and activation** in the context of unemployment insurance.



**Outcome of the vote:**

In favour: 63

Against: 122

Abstentions: 21

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