BETTER POLICIES FOR BETTER LIVES

Income support for jobseekers: Trade-offs and current reforms

February 2023 http://www.oecd.org/employment

Key findings

Unemployment benefits (UBs) play a vital role in insuring individuals against income shocks and stabilising aggregate demand during times of crisis. Recent labour market upheavals, as well as new insights emerging from research, have highlighted the need for more tailored benefit systems, able to deliver timely benefits in a worker-centred, recession-ready way.

Setting benefits at adequate levels while maintaining work incentives

- The level of income support provided to the jobseekers varies widely across OECD countries, with initial net replacement rates (NRRs) for single low earners ranging from 50% to 80%.
- High inflation erodes the living standards of low-income households. Where income support is well targeted, timely alignment of benefits with inflation, is a less distortive way of providing support than the price support measures adopted in many OECD countries.
- NRRs for low-earners are higher than those for middle- and high-earners. This promotes equity and may enhance efficiency. However, it implies a weak link between earnings and benefits for many workers. Ongoing reforms in Ireland and Greece are considering reinforcing the link between previous earnings and benefits.
- The prospect of losing benefits and facing higher taxes may discourage some UB claimants from taking up employment. Providing adequate support involves a trade-off between benefit levels and work incentives. Countries such as France are linking these rules to macro-economic conditions in order to maintain coverage when unemployment is high, while strengthening job search when it is likely to be most fruitful.
- Allowing individuals to earn income alongside benefits can encourage a return to work. However, reforms must avoid locking individuals into low-quality jobs, and, in the context of gig or informal work, prevent individuals from choosing work patterns to maximise benefits.
- Training and job-search obligations can help claimants move towards work. Where sanctions underpin such obligations, they should not push jobseekers into poor job matches. In Finland, reforms ensure that activity-related eligibility conditions are targeted to individual circumstances.

Improving the accessibility and reach of unemployment benefits

- Across the OECD, two out of three jobseekers did not receive unemployment benefits before the pandemic. Reasons include statutory entitlement gaps for some workers (e.g. the self-employed), minimum contribution durations that exclude temporary workers and labour market (re-)entrants, and maximum benefit receipt durations that exclude the long-term unemployed.
- One option to increase coverage for jobseekers without a recent labour market history is supplementing income-related unemployment insurance (UI) benefits with means-tested unemployment assistance benefits (e.g. Finland, Germany or the UK).
- Self-employed workers, who typically did not benefit from job retention schemes and had limited access to UBs, were particularly vulnerable during COVID-19. Italy, Germany, France and Korea are now extending or considering to extend income protection for self-employed workers.

Unemployment benefits play an important stabilising role, both at the individual and the macro-economic level. They can reduce inequality and help individuals and families manage labour-market risks, while boosting aggregate demand during downturns. At the same time, unemployment benefits can strengthen productivity by facilitating an efficient re-allocation of jobs and a good match between workers' skills and job requirements.

Recent upheavals in OECD labour markets caused by the COVID-19 crisis, subsequent labour shortages, inflation and rising cost of living, have brought unemployment support to the forefront of reform agendas across the OECD. In parallel, new insights on how benefits affect behaviour are emerging from the academic literature. This policy brief brings together lessons learned from the resultant surge in reforms in OECD countries.

The design of unemployment benefit policies requires finding a delicate balance, between providing adequate support for those who lose their jobs, and maintaining work incentives. Finding this balance requires policies that go beyond adjustments to benefit levels and coverage, and are carefully calibrated to individual and labour market conditions.

Setting benefits at adequate levels

The primary role of unemployment insurance is to provide adequate income protection for those who lose their job – bridging periods of unemployment and giving time for job search. One way to assess the level of the UB system across countries is to compare Net Replacement Rates (NRR), which express the net benefit as a percentage of previous net earnings. The level of the NRR is determined by the features of the UB system itself– including the policy replacement rate and benefit ceilings and floors – but also potentially complex interaction of the UB system with the rest of the tax and transfer system (e.g. progressive income taxation, differences in social security contributions, tax treatment of unemployment benefits, but also social assistance, family supplements or in-work benefits).

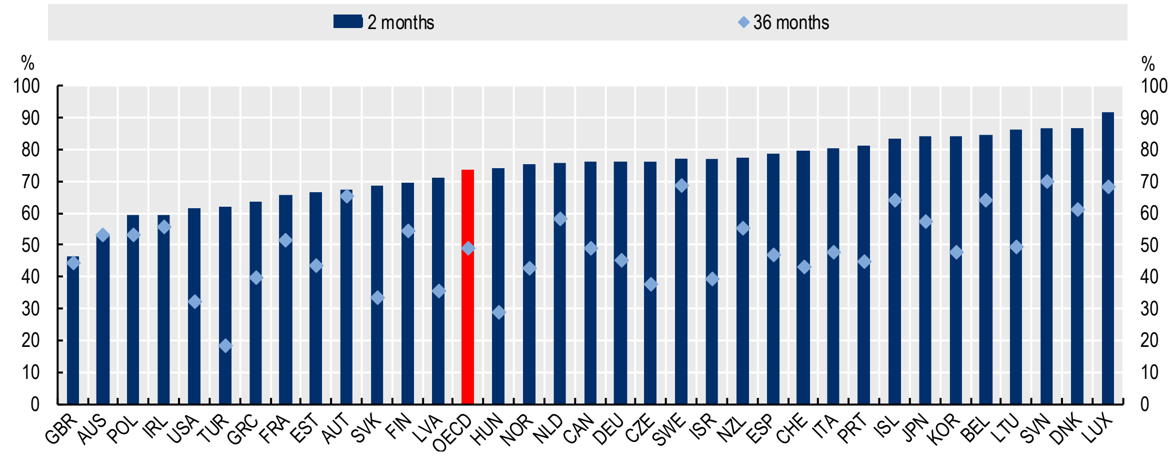
The level of income insurance provided by UBs varies considerably across countries and is generally higher for low earners

Across all countries included, the average NRR for the unemployed with low previous earnings is 74% after two months of unemployment, but with considerable variation across countries (Figure 2). NRRs are close to 50% in Australia and the United Kingdom, both of which provide benefits that are either flat rate or means-tested. By contrast, in ten countries NRRs for low earners are above 80% early in the spell. These include several European countries as well as Japan and Korea.

NRRs decline over the unemployment spell in the vast majority of OECD countries. On average across all countries included, the NRR for unemployed with low previous earnings falls to 49% at 36 months of unemployment. NRRs decline very little or not at all in the United Kingdom and Australia which pay a flat benefit from the start of the spell. In most other countries, the decline in support is driven by the transition to unemployment assistance or social assistance when entitlement to unemployment insurance runs out. The switch from an earning-related benefit to a means-tested one reflects a switch in policy objective from consumption smoothing to poverty alleviation.

Figure 1. Income support for the unemployed from the tax and benefit system declines over time

Net replacement rate, 67% of the average wage, January 2020



Note: Data for January 2020. For a 40-year-old with five years of full-time contributions, after 36 months of unemployment, previously earning 67% of AW. Average of six family types: single, one- and two-earner couple (with partner's earning 67% AW; each with no children and two children. OECD corresponds to the unweighted average of the 34 countries shown. NRRs express the net household income while unemployed as a proportion of the net household income while employed. Crucially, they take into account the role played by any part of the tax and benefit system that can complement UB systems in providing support for the jobless, with the exception of housing benefits.
Source: OECD Tax-Benefit Models, http://oe.cd/TaxBEN

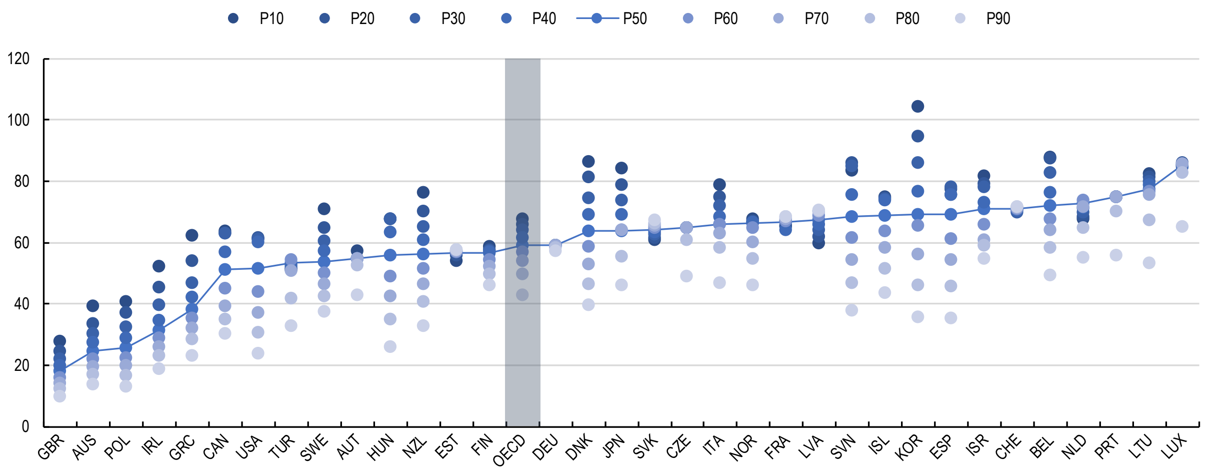
Across the OECD, support for the unemployed is often explicitly targeted towards those with lower earnings. Indeed, in most countries, initial NRRs are higher for workers with low previous earnings (Figure 3). On average across all countries, NRRs among those with the prior earnings in the lowest decile were 9 percentage points higher than those in the mid-earnings decile, with the extent of the re-distribution substantially higher in a number of countries, such as Ireland and Greece. In France, the NRRs for low earners are slightly lower relative to those of higher earners because low-wage workers receive a generous in-work benefit on top of their wage. The loss of this benefit increases the difference between the income while in employment and out of employment.

Differences in NRRs between income levels result from the degree to which benefits are directly linked to prior incomes, paid at a flat rate, or means-tested. Such differences can also be driven by flat-rate elements (such as child benefit) or benefit floors and ceilings.[1] A smaller space between the floor and the ceiling leads to higher targeting of support to low earners, but also to a weaker link between benefit levels and previous earnings. Some countries – including Denmark, Korea and Iceland – feature relatively high floors and relatively low ceilings, leading to NRRs that are comparatively high for low-earners and low for higher earners. In other countries, both floors and ceilings are relatively low – leading to comparatively low NRRs for all income levels. This is the case for example in the United Kingdom where benefits are not linked to earnings at all, but also in some countries with insurance systems – such as Poland, Ireland and the United States.

[1] Social contribution floors and ceilings also have a big impact in some countries (can make overall taxes regressive at lower earnings levels).

Figure 2. Income support for the unemployed is generally targeted to low-wage workers

Net replacement rates by earnings decile, 2020



Note: For a 40-year-old single person without children, with 5 years of full-time contribution history. OECD corresponds to the unweighted average of the countries shown. NRRs express the net household income while unemployed as a proportion of the net household income while employed. Earnings levels correspond to the earnings deciles of the full-time earnings distribution for the total population. For Poland, New Zealand and Slovenia, minimum statutory wage level is used instead of the first decile. NRRs account for other elements that complement UB (social assistance, family benefits and in-work benefits), with the exception of housing benefits.
Source: OECD Tax-Benefit Models, http://oe.cd/TaxBEN

Some countries have implemented or are considering reforms to strengthen the link between previous earnings and benefits. Greece is considering changes that would move away from a flat rate, linking benefits to earnings to reinforce the insurance aspect of the system. Meanwhile, Ireland is considering the introduction of a pay-related component to unemployment support. France has recently reduced benefit amounts for some jobseekers who were previously on very short-term contracts. Recent reforms ensure that replacement rates are the same for short-term contract workers as for those previously on part-time contracts who worked the same number of hours and had the same earnings over the reference period.

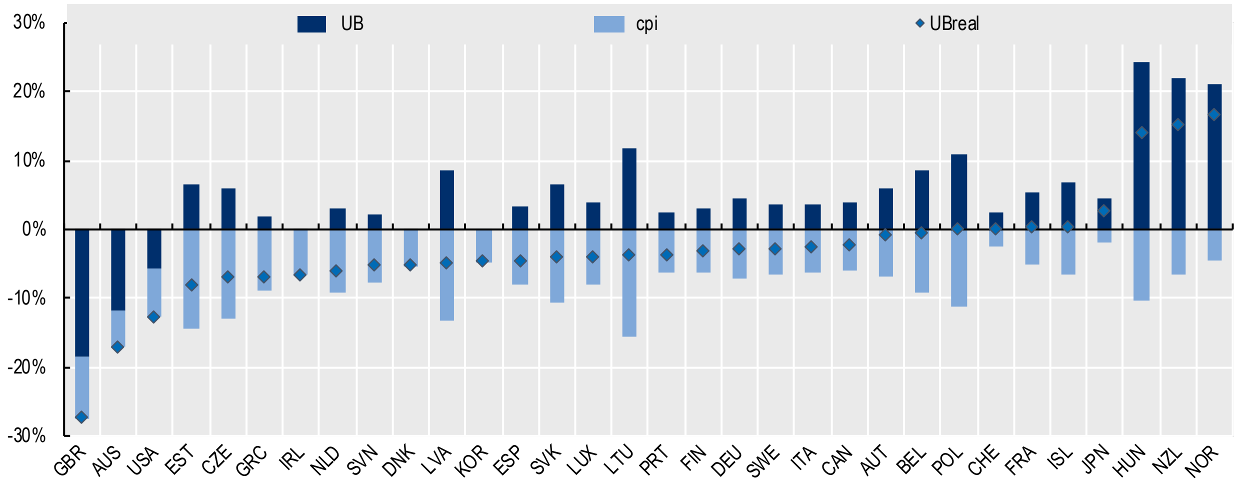
High inflation is eroding the real value of benefits linked to past earnings

At present, the ability of the benefit system to support the living standards of households with unemployed people is undermined by the high level of inflation that is eroding the real value of benefits linked to past earnings and generally not adjusted for inflation. The hike in energy and food prices is hurting low-income households the most because these items represent a higher share of their total spending and because they have more limited scope to draw on savings or to reduce discretionary expenditures. OECD countries have widely adopted price support measures to help with rising energy costs. However, income support, including through the timely increase of benefits for the poorest households in line with inflation, is a more targeted and less distortive way of providing support.

A number of OECD countries have made ad hoc benefit increases in light of the cost-of-living crisis (the role played by working-age benefits in cushioning the current cost-of-living crisis is the focus of another policy brief (OECD, 2022[1])). In other countries unemployment benefits are indexed, or tied to wages, either through a direct link to prior wages, or via minimum wage linked benefit floors. Despite these mechanisms to ensure benefits respond to price increases, in the majority of OECD countries, the real value of unemployment benefits fell for new claimants with low prior earnings (Figure 4). In some cases this has been exacerbated by the retraction of COVID-19 related extensions.

Figure 3. Real benefits have fallen among low earners in the majority of OECD countries

Growth in real and nominal net income of unemployment benefit recipients, 2021-2022



Note: Unemployment benefits are computed for low earners (67% AW) with a long and continuous employment record at the second month of unemployment. They refer to UI, with the exception of AUS and NZL where there is only unemployment assistance (UA).
Source: OECD Tax-Benefit Models, http://oe.cd/TaxBEN

Maintaining work incentives

One of the key challenges of unemployment support is to ensure that benefits are adequate while maintaining incentives to work. Part of this is ensuring that a switch to work is financially rewarding. Yet the balance is a fine one, if benefit levels are too low, and job search takes time, individuals may find themselves pushed into poverty, or into accepting a job that does not match their skills and experience.[2] If benefits are too high, jobseekers will relax their job search efforts, reject decent offers in the hope of something better turning up, or strategically delay taking up new employment to maximise benefit receipt.[3]

Beyond the impact on the public purse, prolonged unemployment spells can have deleterious effects on the employability of jobseekers causing longer unemployment spells to self-perpetuate. Not only do skills deteriorate, but there is often a stigma associated with protracted unemployment spells, as employers see such spells as a negative signal of jobseekers' quality. Indeed, where the duration of unemployment insurance increases the length of the unemployment spell, any gains in the quality of the job match may well be undermined by the harmful effects of time spent in unemployment.

[2] While some studies have found that higher benefit provision can allow individuals to find better jobs, increasing the quality of the employer-employee match (Nekoei and Weber, 2017[15]), other studies find little or no impact on job quality (see Cahuc, Carcillo and Zylberberg (2014[16]), and Le Barbanchon (2016[12])).

[3] Indeed, the average elasticity of unemployment duration to benefit generosity is about 0.3, but the range of estimates is wide, from 0.02 to 1.3 weeks for each additional week of potential duration (Lopes, 2021[14]).

Smoothing benefit withdrawal encourages a return to work but risks trapping workers in low quality jobs

Allowing individuals to earn income from jobs alongside benefits can encourage taking up a job. Partial unemployment support, where claimants continue accessing some of their benefits when taking up work that is irregular or low-paid, is taking on increasing importance as the incidence of alternative work arrangements – such as temporary, part-time, and gig work – increases. In France, almost half unemployment-benefit recipients work while claiming support (Cahuc, 2018[2]) and part-time unemployment benefits are also widespread in Belgium, Finland, Austria, and Germany. In-work benefits and targeted wage subsidies can also facilitate movements into work by adding a benefit wedge to low incomes.

The risk, however, is that these policies may lock individuals into low-paid/temporary jobs. As a result, a host of recent reforms have focussed on encouraging those in low-paid, part-time and unstable jobs to search for more and better work. The conditionality regime introduced as part of the Universal Credit reforms in the United Kingdom includes two regimes aimed at those that are already working. Universal Credit is both an in- and out of-work-benefit, and those receiving in-work benefits while earning below an *Administrative Earnings Threshold* (AET) are required to attend interviews, to discuss work activities and be available for (more) work. Those earning above the AET but less than the *Conditionality Earnings Threshold* may be required to attend interviews and prepare for *further* work.

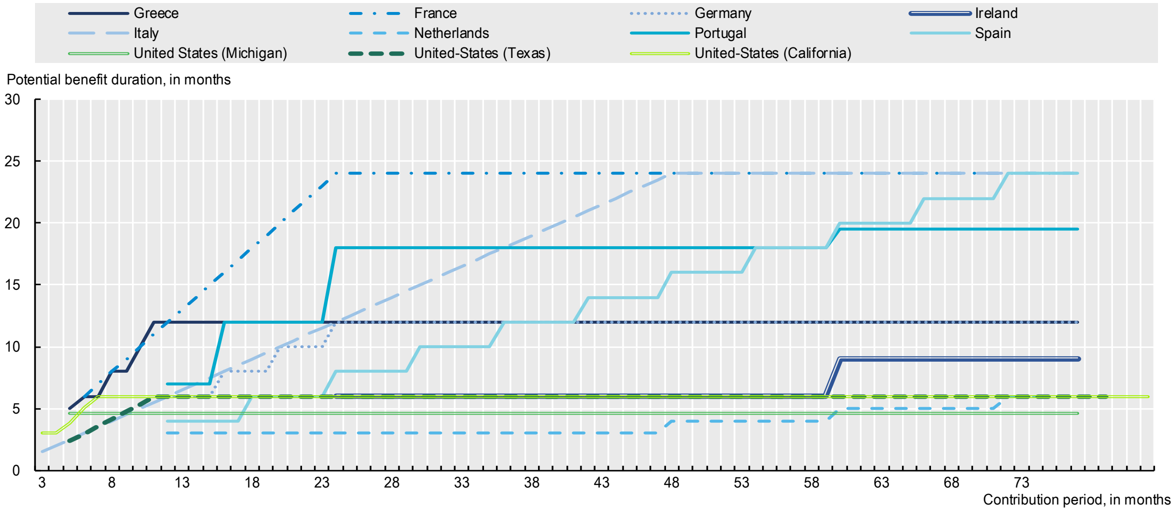
Rapid accumulation of rights can shape the pattern of work incentivised

Alongside the level of benefits, work incentives – and the pattern of work incentivised – are also shaped by entitlement rules – minimum contribution requirements, maximum benefit entitlements and the rate at which additional working time translates into longer benefit entitlement. If minimum contribution periods are short, they risk encouraging repeated movements between short spells of work and periods of unemployment claims. However, long minimum contribution periods may leave young workers and workers with unstable employment patterns unprotected. Where maximum benefit durations are long, work incentives (and job search efforts) may be dampened early on in the unemployment spell – the time at which job search is most productive (Marinescu and Scandalis, 2021[3]). Where they are short, they may undermine coverage among the long-term unemployed. Finally, a high translation rate for short contracts (such as in France or in Greece, where each additional month of work translates into an additional month of benefit eligibility) can encourage individuals to combine seasonal employment with recurring spells of unemployment. This effectively provides an implicit subsidy from the unemployment benefit system to employers relying on short-term contracts.

Thus, alongside efforts to support workers seeking more and better work, some countries have introduced reforms to discourage employers from relying heavily on unstable contracts. Between 2013 and 2017, France increased employer social security contributions to unemployment insurance for short-term contracts. Furthermore, since 2019, companies operating in sectors relying most heavily on short-term contracts face higher contribution rates if they have a separation rate above the sectoral average. In addition, since 2021, changes to the benefit calculation formula lowers the benefits of those that frequently switch between periods of employment and unemployment.

Figure 4. Accumulating benefit rights quickly can encourage seasonal unemployment

Translation of contribution period to maximum unemployment benefit duration, selected OECD countries, 2021



Notes: Benefit regimes vary across the United States, the above depicts Michigan, Texas, and California. Where the potential duration is dependent on prior wages, the case depicted illustrates an individual previously earning the average wage.
Source: OECD Tax-Benefit Databases, http://oe.cd/TaxBEN. (OECD, forthcoming[4]), *Income security during joblessness in the United States.*

Recent reforms link unemployment benefits to macro-economic conditions…

Factors other than benefit levels, such as the macro-economic environment or idiosyncratic barriers to employment (e.g. health, caring obligations), also heavily influence an individual's likelihood of finding a job. Therefore, while avoiding overly generous benefit provision with clear work disincentives is prudent, across the OECD, recent reforms have taken a more nuanced approach.

Alongside the ad hoc crisis responses, detailed below, introduced to expand access during the COVID-19 crisis, recent reforms in some OECD countries link unemployment insurance benefits explicitly to the labour market situation such that unemployment support responds automatically to changing macro-economic conditions. In France, a recent reform links benefit durations to the macro-economic climate in light of the dual findings that (i) job search increases at benefit exhaustion and (ii) job search is more fruitful in a tight labour market where job vacancies are more plentiful. Similar to the US system, maximum benefit durations will be extended for those reaching the end of their entitlement in a loose (local) labour market. Ongoing reforms in Greece are considering tying benefits to macro-economic conditions in a comparable manner. In the United States, where automatic extensions to benefit durations in slack labour markets are already in place, and NRRs are low, there have been calls to introduce temporary countercyclical supplements to UI *levels* on a permanent basis (on top of existing extensions in duration) in response to findings that impacts on work incentives were limited during the COVID-19 crisis (Ganong et al., 2022[5]).

…and to individual circumstances

Attempts to increase work incentives by altering the level of benefits and the obligations placed on job seekers will only translate into efficient labour market entry if a lack of work incentives was the primary – or only – barrier facing jobseekers (see http://oe.cd/FoJ). Yet jobseekers may have health issues, care duties, or skills' deficiencies. In these cases, policy design to reinforce work incentives risks pushing some individuals into poverty. To ensure that attempts to strengthen work incentives do not lead to deprivation, in 2023, planned reforms in Germany will suspend benefit sanctions for the first six months of the unemployment spell and relax sanctions more generally. The reform puts more emphasis on equipping jobseekers with the right skills through active labour market policies (ALMPs) rather than having them take up employment as quickly as possible. In Finland, an understanding that the majority of jobless individuals face multiple barriers to employment (see (Farchy and Immervoll, 2021[6])) has informed ongoing reforms to ensure incentives to find work are tailored to individual circumstances.

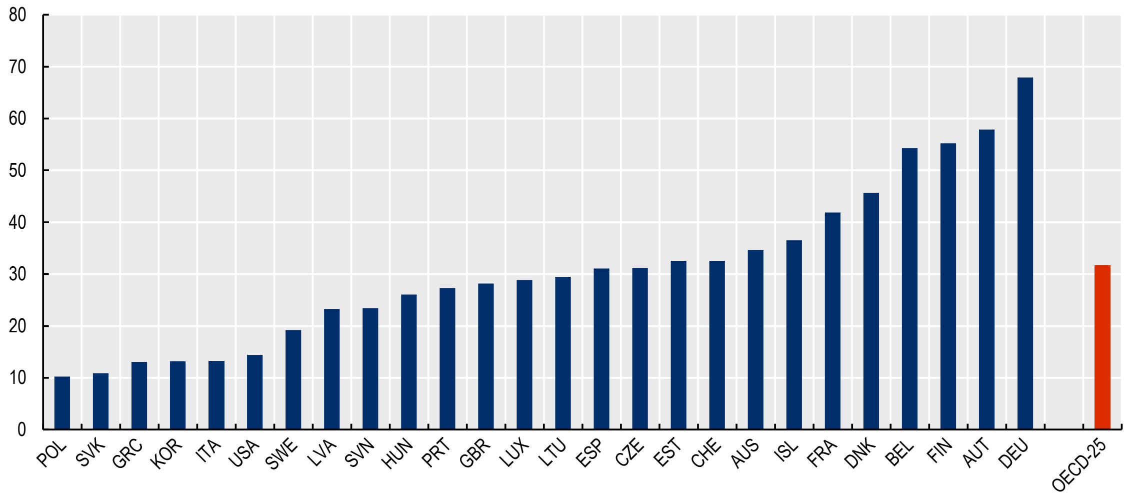
Jobseekers can only react to incentives provided by the tax-benefit system when they understand them. Multiple benefits and taxes often interact in complex ways, making it hard for individuals to anticipate the effects of their decisions on their incomes. Opaque rules about benefit levels and duration, as well as requirements and sanctions, can further blur incentives. In Denmark, since 2017, online employment accounts – incorporating information on hours worked and benefit entitlement, as well as impending sanctions – allow jobseekers to keep track of their benefit entitlement online.

Improving the accessibility and reach of unemployment benefits

On average across countries, two thirds of jobseekers did not receive unemployment benefits before the pandemic (Figure 6, Panel A) (OECD, 2018[7]). Coverage ranged from around 10% in Poland, the Slovak Republic, Greece or Korea, to over 50% in Belgium, Finland, Austria and Germany. The majority of OECD countries extended entitlements to unemployment benefits during the COVID-19 crisis, by improving access (reducing or entirely waiving minimum contribution periods, or covering previously non-entitled groups, such as self-employed workers), extending benefit receipt durations, and raising benefits amounts (Denk and Königs, 2022[8]). The pandemic highlighted gaps in pre-crisis support provisions, and stimulated reform efforts in several countries. The main reasons for non-coverage are statutory entitlement gaps for some types of workers (e.g. the self-employed), minimum contribution durations that exclude temporary workers and labour market (re-) entrants, and maximum benefit receipt durations that exclude the long-term unemployed.

Figure 5. Only a minority of jobseekers receive unemployment benefits

Reported benefit receipt: Share of unemployed, in percent, 2019



Notes: Some European countries excluded due to missing information in EU-LFS data. 2016 figures for United States, 2015 for Australia. LFS data for Sweden do not include a series of benefits that are accessible to jobless individuals who: i) are not in receipt of core unemployment benefits, and who ii) satisfy other conditions such as active participation in employment-support measures.
Source: KLIPS for Korea; Household, Income and Labour Dynamics in Australia (HILDA) for Australia; European Union Labour Force Survey (EU-LFS) for European countries; Survey of Income and Programme Participation (SIPP) for the United States

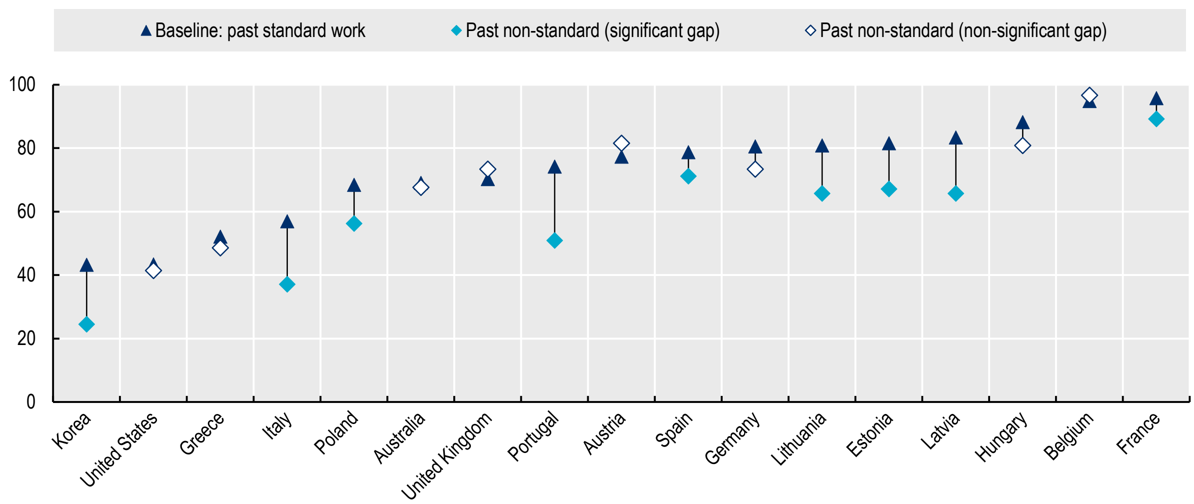
Closing support gaps for non-standard workers

Self-employed workers have been particularly vulnerable to income losses during the COVID-19 crisis as they typically did not benefit from job retention schemes and often had less access to unemployment insurance benefits than dependent workers. At the onset of the crisis, only 11 of 36 OECD countries with available information offered self-employed workers the same unemployment protection as dependent employees; another seven offered partial access, i.e. with lower amounts and/or more stringent eligibility criteria than for dependent employees (Denk and Königs, 2022[8]).

Empirically, and looking at all channels through which countries may provide support (unemployment benefits, but also minimum income benefits, family benefits, etc.), previous non-standard (temporary, part-time and self-employed workers) workers are significantly less likely to receive benefits than those who had been full-time, dependent employees prior to becoming jobless in nine of 17 countries with available data (Figure 7). Support gaps are largest where benefits are mainly insurance-based, non-standard workers are not or incompletely covered, and minimum income benefits either do not exist or are inaccessible (Portugal, Italy, Korea, and, to a lesser degree, the Baltics). Countries with low or no access gaps include those with mainly means-tested social protection systems (Australia, the United Kingdom and the United States), those where unemployment benefits are accessible to non-standard workers (Hungary, Belgium), and those that combine earnings-related benefits with a second layer of means-tested unemployment or social assistance programmes (France, Germany and Austria, (OECD, forthcoming[4])).

Figure 6. Non-standard workers receive less out-of-work support in some countries

Probability of receiving any benefits for working-age individuals, at or before 2018/19



Note: Data refer to 2018 (Germany), 2016-2018 (pooled waves, other European countries), 2019 (Australia and Korea) and 2016 (United States). Statistical significance refers to the gaps between baseline and comparator cases (90% confidence interval). Standard worker: Able-bodied working-age adult who was out of work for at least six months during the reference period (year 0), worked mostly full-time prior to the reference period (years -1 and -2), was dependently employed without interruption throughout year -1, and for at least 10 months in year -2. Earnings prior to the reference period were at or above the 40th percentile of the national earnings distribution, and year 0 (equivalised) household income before any benefit payments is in the bottom 20% of the national distribution. No children under six years live in the household. Non-standard worker: An otherwise similar individual whose past work history is "non-standard": in year -1 and year -2, they worked at least six months part-time or were self-employed, with no months out of work in year -1 and at most two months out of work in year -2, or they were in "unstable/interrupted" employment: working uninterrupted in year -1, and out of work at most five months during year-2, and otherwise transitioned between full- and/or part-time work and/or self-employment).
Source: OECD (forthcoming[4]), *Income security during joblessness in the United States: Design of effective unemployment support.*

Already before the COVID-19 crisis, many countries had been exploring how to shore up access to out-of-work benefits for self-employed and other non-standard workers. The pandemic made the need for equal access to out-of-work support for all labour market groups even more apparent: countries had to develop new programmes quickly without being able to carefully consider their design and implementation, leading to both gaps in emergency protection and overpayments. Unlike insurance-based unemployment benefits, emergency support measures are also not balanced by contributions, perpetuating the existing differences in labour costs between employment forms.

In light of this experience, several countries are currently considering extending income protection for self-employed workers. Italy introduced a new unemployment benefit for a previously uncovered group of para-subordinate professionals (unlicensed professionals, such as web designers, who are legally self-employed but economically dependent on one or very few clients) on an experimental basis from 2021 to 2023. The benefit insures against significant reductions in income (at least 50% over the last three years) and cushions half of this loss. It is therefore well-tailored to the circumstances of freelancers relying on a small number of clients. Similarly, Germany is considering extending access to voluntary unemployment benefits for self-employed workers without an insurance record as dependent employees. France plans to extend unemployment support to those with unviable businesses (currently, only those whose business has been closed by court order are eligible, (Denk and Königs, 2022[8])). Korea is also extending unemployment benefits to self-employed workers, starting with those that are dependent on few purchasers (such as artists and some platform workers, (OECD, forthcoming[9])).

Extending unemployment benefit coverage to self-employed workers is associated with a significant risk of moral hazard. One pragmatic reform option would be to insure self-employed workers only for income losses during sector- or even economy-wide shocks, as opposed to idiosyncratic ones. This would limit moral hazard (although seasonality needs careful consideration), and provide protection in future crises, along with access to activation, training and employment support services (Denk and Königs, 2022[8]) (OECD, 2019[10]).

The increase in the overall reach of unemployment benefits associated with such an extension also depends on the incidence of self-employment – almost one in three workers is self-employed in Greece, Türkiye or Mexico, compared to fewer than one in ten in the United States, Norway or Denmark. For instance, simulations show that in the United States, extending unemployment benefits to self-employed workers would only increase overall coverage by one percentage point (OECD, forthcoming[4]).

Providing support to jobseekers with weak labour market attachment

Minimum contribution requirements can exclude temporary or short-tenure workers, as well as labour market entrants and re-entrants from much-needed income support as well as valuable job-search assistance and training. In 2020, they ranged from under four months in Norway, Iceland and Italy to over one year in Belgium, Türkiye and the Slovak Republic (OECD, forthcoming[9]). Similarly, maximum benefit receipt durations vary between under six months in Hungary, the United States and the Czech Republic and four years or more in Chile and Belgium (Figure 8). The long-term unemployment rate – the share of jobseekers who have been actively looking for work for a year or more – can be an insufficient indicator for the number of individuals who are persistently out of work, and therefore lose entitlement to UI. This is because, some individuals may oscillate between periods of unemployment and inactivity.

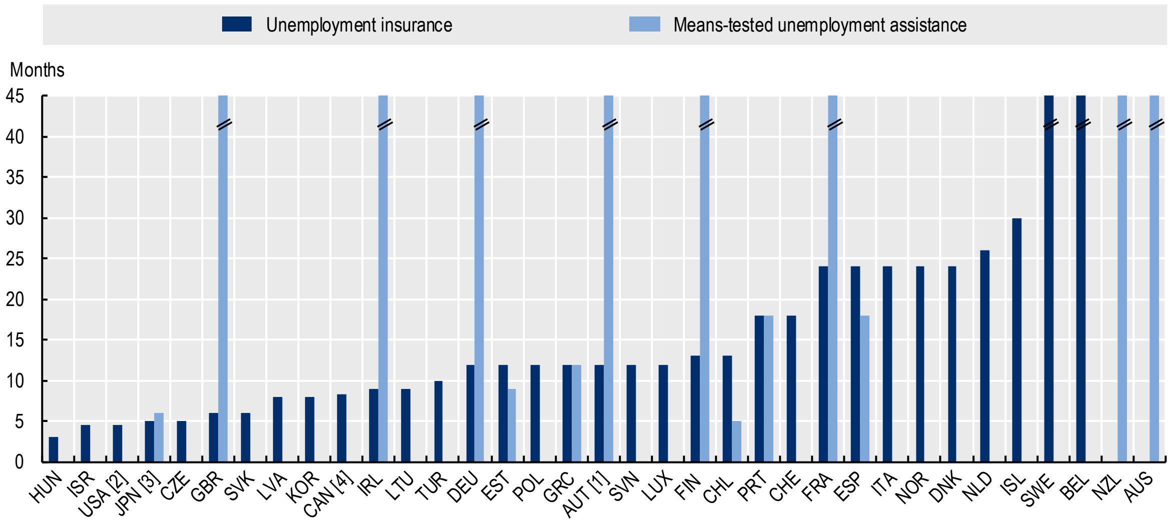
For instance, in the United States, while more than half of all jobseekers were out of work for a year or longer in 2016, this was not reflected in the long-term unemployment rate which, at just 16%, captures only those whose unemployment spell was not interrupted by a spell of inactivity. This is because the majority of them were not actively looking for work for some time before taking up their job search. Therefore, increasing the maximum receipt duration of unemployment benefits from the current 25 weeks (depending on the State) to 79 weeks – well above the OECD average (Figure 8) – would only increase statutory benefit coverage from 14 to 24%. A higher incidence of long-term joblessness is the main reason why racial minority groups – in particular African and Asian Americans – are less likely to be entitled to unemployment benefits. African American jobseekers are also much more likely to live in poverty (62%) compared to Non-Hispanic white jobseekers (35%) (OECD, forthcoming[4]).

As unemployment insurance systems are tied to previous contributions by design, they are often not sufficient to support the large number of jobseekers without a (recent) labour market history, who can be in need of both income support and active labour market policies. In 2020, 12 OECD countries operated means-tested unemployment assistance programmes, either in addition to unemployment insurance or as their main jobseeker support programme, that are unlimited in duration, and may not require a prior earnings history (e.g. Finland, Germany or the United Kingdom, in addition to Australia and New Zealand, where means-tested unemployment assistance is the principal benefit for jobseekers, Figure 8).

Korea recently began to strengthen its unemployment assistance programme. Previously, it mainly focussed on re-employment services, with little continuous income support, resulting in low receipt rates. The reinforced benefit – rolled out from January 2021 – increased benefit levels, and underpinned the programme with legal entitlements, making it more predictable and less dependent on specific budget allocations. Future reform plans include enhancing the job-search promotion benefit, and linking entitlements more closely to job search efforts (OECD, forthcoming[9]).

Figure 7. Maximum benefit durations vary widely across countries

Maximum duration of unemployment benefits



1 The unemployment assistance programme in Austria is contribution-based and not means-tested.
2 Information on the United States reflects the situation of the Michigan unemployment benefit scheme.
3 Claimants deemed to be difficult to re-employ may receive up to 360 days of unemployment benefits.
4 The maximum benefit duration is determined by the regional unemployment rate. The estimated maximum duration shown here is based on the national unemployment rate for December 2019.
Note: Benefit rules and calculations assume a 40-year-old individual in a single household without children and not eligible to any supplement. For other household types and age groups, see annual OECD tax-benefit country reports. Unemployment benefits as of first January 2020.
Source: OECD Tax-Benefit Policy Databases, http://oe.cd/TaxBEN.

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