

Social protection 2.0: Unemployment and minimum income benefits

Introduction

Social protection includes a range of monetary and in-kind entitlements. This report focuses on unemployment and minimum income benefits for people of working age. These include lower-tier unemployment benefits in the 12 Member States where they exist, for people whose higher-tier benefits have run out or who cannot access them. These benefits cushion against decreases in income due to unemployment and prevent income from dropping below a certain level. The report maps coverage gaps, non-take-up and inadequacy, and how these benefits are tied to entitlements and access to services. It discusses digital application procedures, application rejections, financial (dis)incentives for benefit recipients to engage in work or training, and recipient characteristics.

Policy context

The Treaty on European Union confirms Member States' attachment to fundamental social rights defined in the European Social Charter, including improving social security and protecting against poverty and social exclusion. The targets in the 2021 European Pillar of Social Rights Action Plan, to be reached by 2030, include '[t]he number of people at risk of poverty or social exclusion should be reduced by at least 15 million' and 'at least 78% of the population aged 20 to 64 should be in employment'. The 2019 Council recommendation on access to social protection for workers and the self-employed recommends that Member States provide access to adequate social protection to all workers and the self-employed. The 2023 recommendation on adequate minimum income ensuring active inclusion calls on Member States to modernise minimum income schemes. The 2021 High-Level Group on the future of social protection and of the welfare state in the EU highlights the link between monetary benefits and access to services, arguing for a social investment approach.

Key findings

- Social benefits halve the proportion of people aged 16–64 at risk of poverty in the EU, from 31% (after taxes and before transfers) to 15.5% (after taxes and transfers).
- Overall, about two-thirds of unemployed people are left without benefits or assistance, from less than half in 4 Member States to at least three-quarters in 16 Member States. Individuals with short or no employment records (mainly young people), the self-employed, those with non-standard working arrangements or the long-term unemployed are often not entitled to higher-tier, or any, unemployment benefits.
- For higher-tier unemployment benefits, required contribution periods range from six months or shorter in six Member States to two years in three Member States. The minimum benefit duration after two years of contribution ranges from five months or less (in 8 Member States) to at least nine months (in 10 Member States).
- Groups facing gaps in minimum income benefit include households with low incomes or assets (homes that increased in value) above the entitlement threshold, groups of non-nationals (third-country nationals with temporary resident permits, EU citizens looking for work) and homeless people.
- No Member State was identified where more than 80% of those entitled to minimum income benefits receive them. Non-take-up seems less severe for higher-tier unemployment schemes.
- Authorities' proactive approach to chasing overpayments contrasts with their efforts to identify non-recipients who would be entitled to benefits if they were to apply.

- The proportion of previous earnings paid as unemployment benefit ranges from 50% to 90%. In 15 Member States, the amount decreases over time. Several countries have accelerated such decreases since 2023. Paid amounts are capped at below 60% of national average wage in almost half of the Member States. Automatic indexation is applied in 15 Member States for minimum income benefit and 8 Member States for unemployment benefit.
- At least 10% of minimum income benefit and unemployment benefit applications were rejected for almost all schemes identified, usually because the applicant did not fulfil asset or income requirements or they had inadequate documentation.
- Minimum income and, more often, unemployment benefits can be applied for online, except in three Member States. While in-person application options usually remain available, examples were identified where some steps are exclusively digital.
- Digital applications pose challenges, especially for groups of people who are older, have disabilities, low educational attainment or low incomes, are homeless or live in rural areas with difficulties accessing internet.
- Sanctions for not complying with activity requirements, such as attending training, are typically imposed on 1–6% of benefit recipients annually.
- Those living in single-adult households, women and non-nationals are overrepresented among minimum income benefit recipients. Unemployment benefit recipients are more often nationals and men, but over the past decade women have taken over as the majority in several Member States. Some countries have simultaneously seen the duration of benefit receipt increase and recipient numbers decrease.

Policy pointers

- To ensure basic living standards, and enhance social inclusion and employment prospects, social protection should go beyond merely enabling survival. To achieve this, and to cater for varying needs, access to enabling services is key.
- The erosion of income adequacy can be prevented by automatic indexation, especially for minimum income schemes that people tend to depend on for longer. This is important for gender equality, as women are overrepresented among recipients. Indexation should respond to sudden inflation changes and consider that inflation faced by low-income households may outpace general consumer price indexes.
- Complex benefit systems require considerable investment in information provision and increase rejections and non-take-up. This can be addressed by investigating reasons for rejections and widening coverage by making entitlement criteria easier to understand and automate.
- Digital applications can improve access to benefits, but create inequalities and reduce face-to-face opportunities to identify support needs. To counter this, innovative ways of engaging applicants digitally should be explored, and resources freed-up by digitalisation can be used to improve access for digitally excluded groups.
- Incentives to ‘use up’ unemployment benefit entitlement before taking up work should be reduced by increasing flexibility, for instance ensuring that remaining unemployment benefit can be kept for subsequent spells of unemployment.

Further information

The report *Social protection 2.0: Unemployment and minimum income benefits* is available at <https://eurofound.link/ef24001>

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