

# Outline

- Selected results of the forward-looking analysis
- Lessons learnt from the simulation exercises (backward and forward-looking)

# EUBS variants

- Two equivalent schemes

- ☐ Variant 1: high threshold to activate trigger and no experience rating
- ☐ Variant 2: low threshold to activate trigger and experience rating

- Two genuine systems

- ☐ Variant 7: possibility of issuing debt
- ☐ Variant 18: no possibility of issuing debt

# Empirical approach

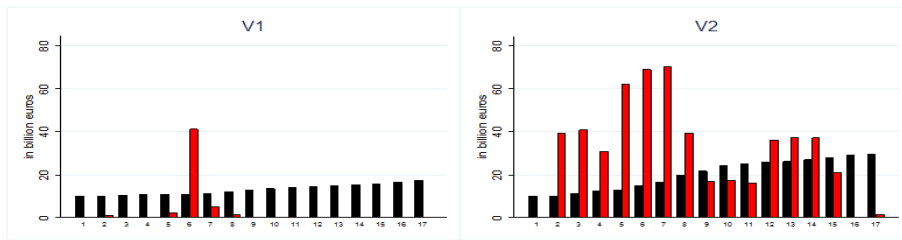
- Counterfactual simulations of (un)employment changes under the different hypothetical scenarios based on EU-SILC data
  - Estimate probability of unemployment risk for people in work
  - Simulate transitions from work to unemployment for those with highest risk
  - Use EUROMOD tax-benefit microsimulation model to simulate EUBS, national UIs and disposable income in unemployment
  - Generate a sample of repeated cross-sections for each MS to reflect changes in (short-term)unemployment, earnings, employment (re-weighting)
- Assumptions:
  - No behavioural responses: individual, government + administration

# Coverage

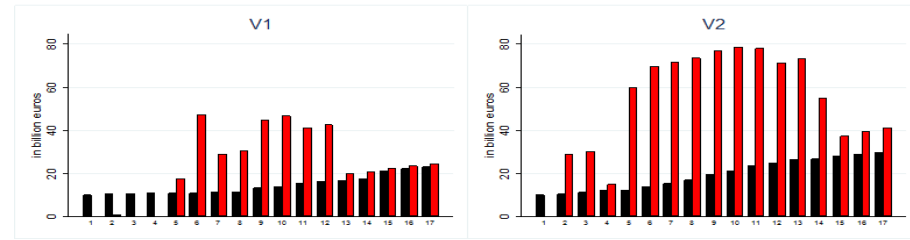
- EUBS extends coverage significantly but to different extent across Member States:
  - Over 80% of short-term unemployed eligible to EUBS in most MS
  - EUBS increases coverage by 45 pp at EA19 level
- Findings in line with results from the backward-looking analysis

# Benefits and pay-ins: equivalent schemes

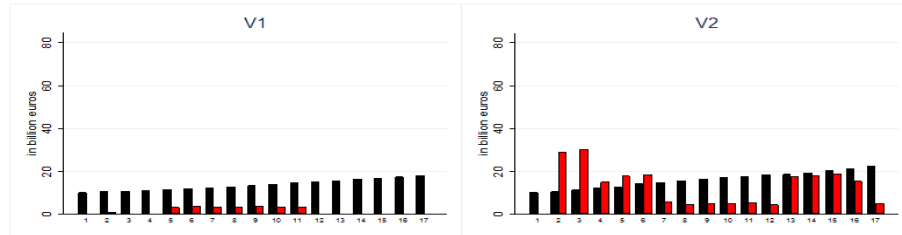
A: symmetric shock short duration



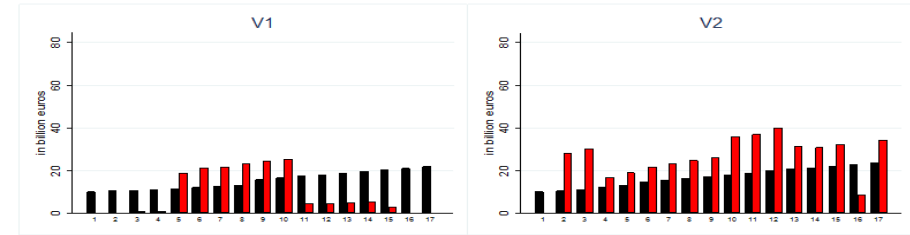
B: symmetric shock long duration



C: asymmetric shock short duration

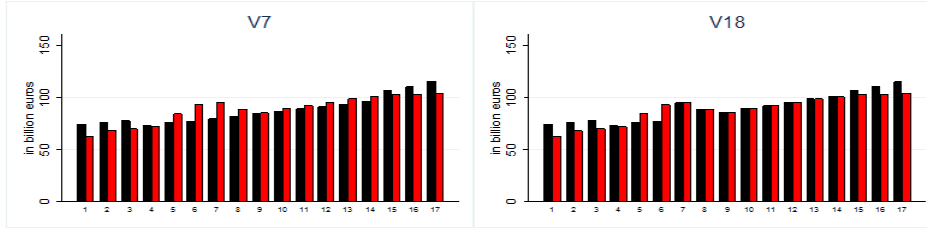


D: asymmetric shock long duration

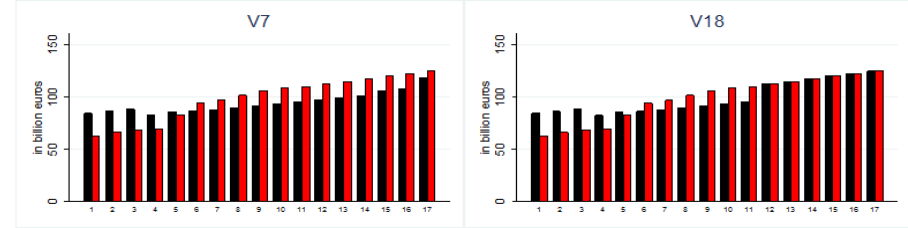


# Benefits and pay-ins: genuine schemes

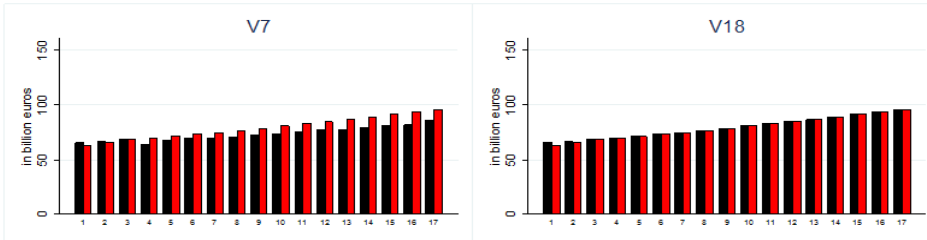
A: symmetric shock short duration



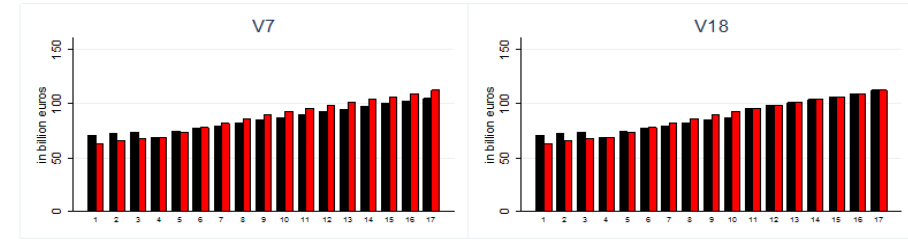
B: symmetric shock long duration



C: asymmetric shock short duration



D: asymmetric shock long duration



# Accumulated net balance

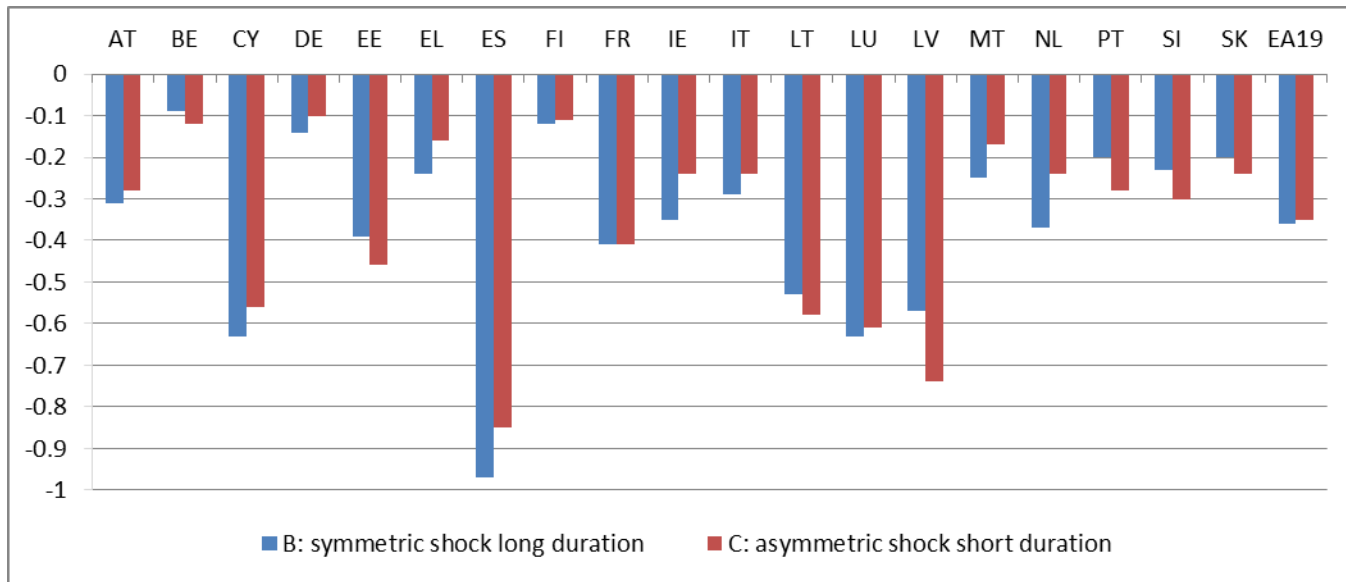
*Table 1. Accumulated net balance in per cent of GDP of the last year at the EA19 level*

	Equivalent schemes		Genuine schemes	
	V1	V2	V7	V18
A: symmetric shock short duration	0.982	-1.094	-0.095	0.146
B: symmetric shock long duration	-1.037	-3.564	-0.501	0.023
C: asymmetric shock short duration	1.167	0.329	-0.558	0.023
D: asymmetric shock long duration	0.549	-0.836	-0.235	0.01

*Note* : Net balance=Contributions–Benefits. Sources: Own calculations based on EUROMOD version G2.74.

# Poverty reduction (selected scenarios)

*Effect of EUBS variant 7 on poverty (in pp): scenarios B and C*

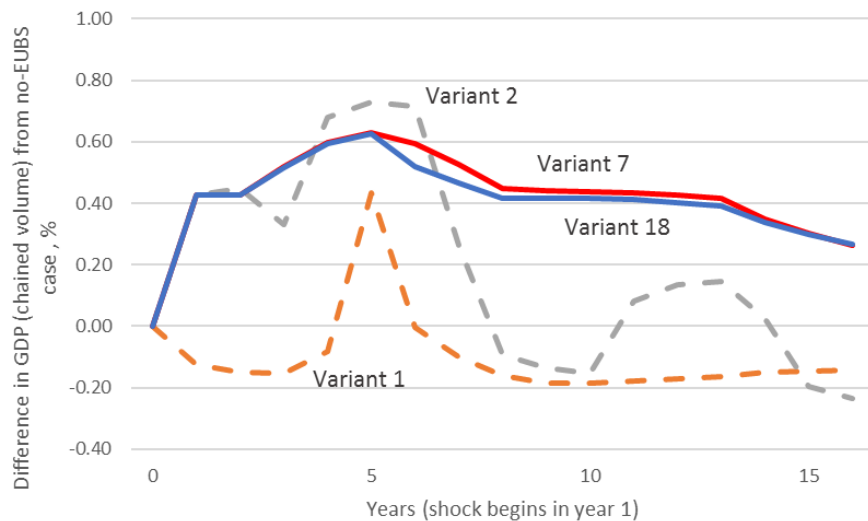


*Note:* Differences in poverty rates are calculated based on a poverty threshold equal to 60% of median equivalised disposable income in each country in the absence of the EUBS.

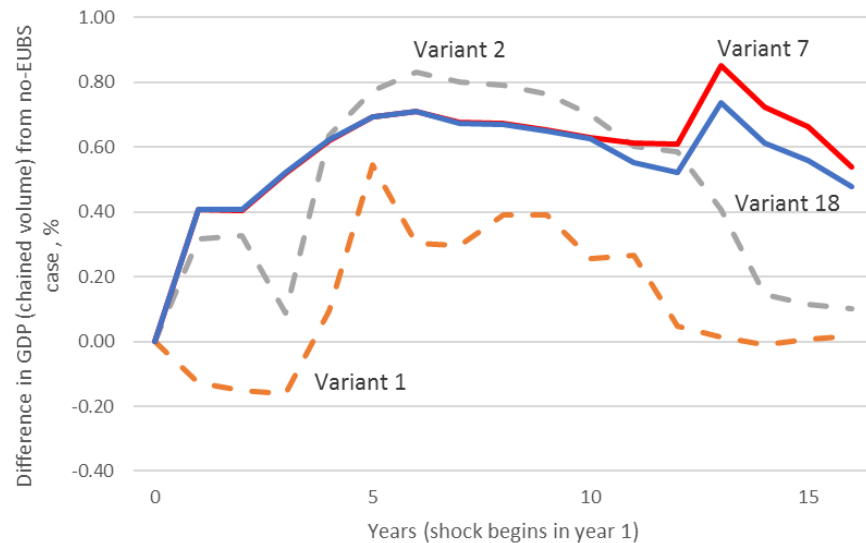


# GDP impacts

Scenario A: Impact of the variants on EA19 GDP

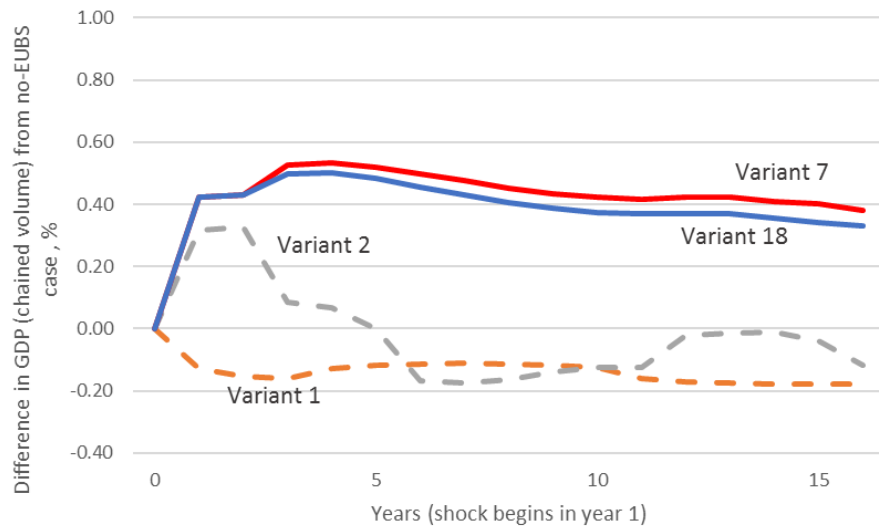


Scenario B: Impact of the variants on EA19 GDP

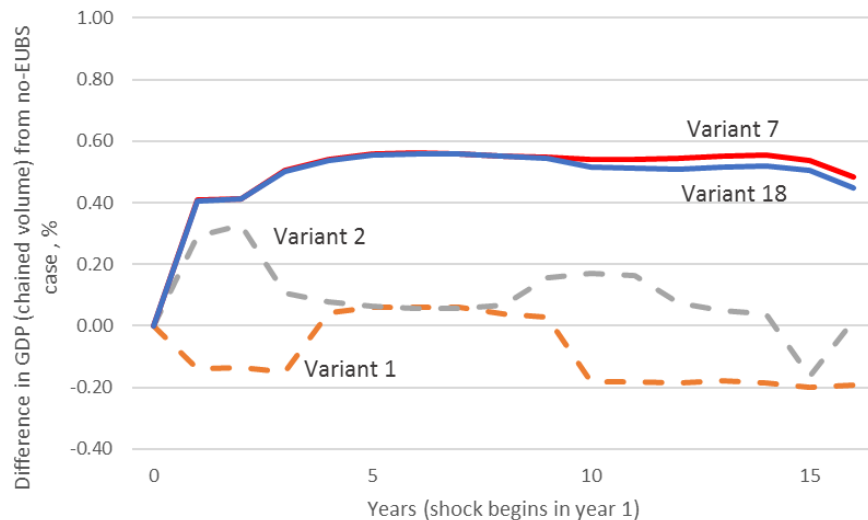


# GDP impacts

Scenario C: Impact of the variants on EA19 GDP



Scenario D: Impact of the variants on EA19 GDP





# Lessons from the simulation modelling

- EUBS coverage varies by country depending on the importance of self-employment
- Coverage is particularly sensitive to the duration of benefit
- The focus on *short-term* unemployment typically limits coverage and impact to the first years of a recession
- No permanent redistribution across Member States in most variants (MS are net contributors in some years and net recipients in others)



# Lessons from the simulation modelling

- Equivalent systems are more sensitive to macroeconomic conditions and so are typically cheaper and have a greater *stabilising* impact...
- ... if the threshold for payment is not set too high...
- ... but they also produce greater polarisation between net recipient
- When compared with the system of national schemes, the EUBS has a stabilising impact on GDP, but the variants tried here were not large enough to substantially change the character of severe recessions



# Lessons from the simulation modelling

- If an EUBS has experience rating, the question of whether or not to use pre-launch history in the rating has a marked impact on countries' net contributions in the first years of the scheme
- When faced with a prolonged recession, the variants tried here led to a net deficit in the EUBS even after many years
- The EUBS contributes to reducing poverty and inequality during recession years
- The modelling did not capture the potential impact of the EUBS on curbing hysteresis effects on the deterioration of skills and employability among the unemployed