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A Comparative Analysis of National Unemployment Benefit Schemes

Commissioned by the Federal Ministry of Labour and Social Affairs

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A comparative analysis of national unemployment benefit schemes

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Academic responsibility for the performance of the study and the conclusions drawn rests with the authors. The Federal Ministry of Labour and Social Affairs accepts no responsibility for the study's correctness, accuracy and completeness, in particular.

Abstract

This report discusses the question of a long-term institutional convergence of national unemployment benefit schemes in Europe using the examples of Germany and France. The comparison shows many similarities between the two countries. Traditionally, the areas of funding, the organisation of benefits and governance structures have been the most similar, as well as the scope of benefits. Since the 2000s, both benefit schemes have diverged in slightly different directions due to the Hartz reforms in Germany. However, recent reforms in France have brought its system closer to German developments, e.g. the stronger use of activation measures and sanctions. In both countries, these developments were driven by problematic labour market situations. The findings show that, overall, the benefit schemes of both France and Germany show a significant degree of compatibility, despite important differences in questions of detail. One difference which remains is the stronger role of the social partners in France. The study also refers to challenges in social policy which are leading to similar reform needs in both countries, e.g. in the areas of short-term employment, precarious self-employment and a stronger, more forward-looking labour market policy through investments in human capital. In this respect, both countries can learn and benefit from each other's experiences.

Kurzbeschreibung

Die Kurzexpertise beleuchtet die Frage einer langfristigen institutionellen Konvergenz nationaler Arbeitslosenversicherungen in Europa am Beispiel der Systeme Deutschlands und Frankreichs. Der Vergleich zeigt viele Gemeinsamkeiten der Arbeitslosenversicherung in beiden Ländern. In einem europaweiten Vergleich müssen beide Systeme als relativ ähnlich eingestuft werden. In den Bereichen Finanzierung, Leistungsorganisation und Governance-Strukturen gibt es große traditionelle Ähnlichkeiten. Auch der Leistungsumfang ist in beiden Ländern insgesamt vergleichbar. Seit den 2000er Jahren haben sich die beiden Systeme im Zuge der Hartz-Reformen in Deutschland zunächst in etwas unterschiedliche Richtungen entwickelt. Allerdings haben Reformen im französischen System in den vergangenen Jahren wieder Annäherungen an den deutschen Entwicklungspfad gebracht (zum Beispiel durch eine stärkere Aktivierung und Sanktionierung). In beiden Ländern waren problematische Arbeitsmarktlagen der zentrale Grund für die Reformbemühungen. Insgesamt lässt sich festhalten, dass Deutschland und Frankreich über Leistungssysteme verfügen, die – trotz wichtiger Unterschiede in Detailfragen – in ihrer Grundphilosophie, der Leistungsart und –höhe sowie der Finanzierung ein hohes Maß an Kompatibilität aufweisen. Die Studie verweist aber auch auf sozialpolitische Herausforderungen, die in beiden Ländern zu ähnlichem Reformbedarf führen. Dies beinhaltet den Umgang mit kurzfristigen Arbeitsverträgen, den Umgang mit zurzeit ausgenommenen Berufsgruppen, die Absicherung der wachsenden Zahl prekärer Selbständiger sowie eine stärker ausgebaute „vorausschauende“ Arbeitsmarktpolitik durch Humankapitalinvestitionen. In dieser Hinsicht kann beiden Ländern attestiert werden, durch die Erfahrung ihres jeweiligen Nachbarn zu lernen und zu profitieren.

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List of abbreviations

ACOSS	Agence centrale des organismes de sécurité sociale (Central Agency of Social Security Associations in France)
ANPE	Agence national pour l'emploi (France's former employment agency)
ARE	Allocation chômage d'aide au retour à l'emploi (unemployment benefit)
ASS	Allocation de solidarité spécifique (unemployment assistance)
ATI	Allocation travailleurs indépendants (unemployment benefit for the self-employed)
CAF	Caisse des Allocations Familiales (Family Allowance Office)
CCMSA	Caisses de mutualité sociale agricole (agricultural mutual insurance funds)
CDD	Contrat à durée déterminée (fixed-term employment contract)
CRDS	Contribution au remboursement de la dette sociale ("social debt repayment contribution", a levy to reduce social security debt)
CSG	Contribution sociale généralisée ("general social contribution", a general social tax in France)
CSP	Contrat de Sécurisation Professionnelle (benefit after a dismissal, similar to Germany's transfer short-time work allowance)
MISSOC	Mutual Information System on Social Protection
PPAE	Projet personnalisé d'accès à l'emploi (personalised access to work plan)
RSA	Revenu de solidarité active (income support)
SJR	Salaire journalier de référence (daily reference wage)
SMIC	Salaire minimum interprofessionnel de croissance (statutory minimum wage)
UNEDIC	Union nationale interprofessionnelle pour l'emploi dans l'Industrie et le Commerce (institution of the social partners which manages the unemployment insurance scheme)
URSSAF	Unions de Recouvrement des Cotisations de Sécurité Sociale et d'Allocations Familiales (Social Security and Family Allowance Collection Union)

Summary

National unemployment benefit schemes are extremely heterogeneous, even within the European Union (EU). Substantial differences exist in terms of the financing of benefits, the income replacement rate, eligibility requirements and the duration of entitlement to benefits, for example. These differences raise the question of whether the various schemes are functionally equivalent. This can be important in the context of cross-border mobility or in view of the current discussions on a European unemployment (re)insurance scheme.

This research report explores the question of a long-term institutional convergence of national unemployment benefit schemes in Europe by looking at the German and French schemes as examples. The analysis consists of two parts:

- (1) A short survey of the current state of comparative research on the common features of and differences between the unemployment benefit schemes in Germany and France.
- (2) On this basis, the report analyses scenarios for a medium- or long-term convergence of the schemes in terms of their key functions.

The study considers the following dimensions and aspects of the two systems:

- How the unemployment benefit scheme is integrated in the wider social benefits system
- Risk coverage in the unemployment benefit scheme (eligible recipients, eligibility requirements, duration of entitlement to benefits, benefit levels, activation measures and rules on non-compliance (sanctioning of jobseekers))
- Interactions with active labour market policies (e.g. short-time work allowance systems)
- Funding and governance of the unemployment benefit scheme and labour market policies (including the role of the social partners)
- Indicators of the unemployment benefit scheme's effectiveness

Examining these various aspects reveals many common features shared by the unemployment benefit schemes of both countries. In a Europe-wide comparison, the two schemes can be classified as being relatively similar. There are extensive traditional similarities when it comes to funding, the organisation of benefits and governance structures. Overall, the scope of benefits is also comparable in the two countries.

Since the 2000s, the two schemes have initially diverged somewhat due to the Hartz reforms in Germany. However, reforms to the French scheme in recent years have brought it closer to the German development trajectory again (for example through a more limited role for the social partners in the substantive design of the unemployment benefit scheme and greater use of activation measures and sanctions). In both countries, problematic labour market situations were the main driver of reforms.

This leads to the conclusion that Germany and France have benefit schemes, which – despite important differences on matters of detail – are highly compatible in terms of their underlying philosophy, the type and level of benefits, and funding. The stronger position of the social partners within the French system remains to be a decisive difference.

A common development trajectory is recognisable in both countries, which, in the absence of disruptive change, could lead to very similar systems with the following features:

- a two-tier system of unemployment insurance and a minimum income scheme
- moderate eligibility requirements

- benefits with a duration of over one year and increasing use of activation measures
- a high level of coverage
- average net wage replacement rates by European standards.

However, the study also highlights social policy challenges, which are leading to similar needs for reform in both countries. These include dealing with short-term employment contracts, addressing currently exempt occupational groups, providing social protection for the growing number of people in precarious self-employment, and creating a “forward-looking” labour market policy through larger investments in human capital. In this respect, it is clear that both countries are learning and benefiting from each other’s experiences.

1. Introduction

Even within the EU, comparisons of national unemployment benefit schemes paint a picture of very heterogeneous systems shaped by different welfare state traditions. Unemployment benefit systems can be divided into earnings-related and non-earnings-related systems, with many countries having a two-tier system consisting of a fixed-term earnings-related unemployment benefit scheme and a tax-financed but means-tested minimum income scheme. There are substantial differences between the European countries regarding the proportion of income, which is paid as unemployment benefit, the eligibility requirements and the duration of benefits. Besides the differences between the schemes, the question is whether they are functionally equivalent, especially in view of social protection in the context of cross-border mobility of workers, the discussion about economic stabilisers for the euro area (European unemployment (re)insurance), or in relation to potential convergence, understood as referring to the alignment of the performance of national social security systems at a high level. This includes reaching agreement within the EU on a shared core set of social policy principles.

In the preamble of the Treaty on European Union, the founding countries of the EU resolved to “achieve the strengthening and the convergence of their economies” (Treaty on European Union 1992). Traditionally, the economic and social dimensions of the EU were regarded as separate entities. It was assumed that economic growth would inevitably also result in social progress. As a result of the 2007/08 global economic crisis, this is increasingly being called into question. Rather, there is growing consensus that social and economic convergence must both be strengthened. Convergence of the living and working conditions of EU citizens is one of the EU’s fundamental political promises: Member States joined the EU with the expectation that membership would improve living and working conditions (Eurofound 2019).

At the end of 2017, the European Pillar of Social Rights (EPSR) was proposed by the European Commission and jointly proclaimed by the Commission, the European Parliament and the Council. The EPSR is an initiative to encourage extensive reforms of labour markets and social security systems within the EU. It does not propose detailed measures or create new individual rights; it simply provides a framework of principles, in order to guide potential reforms. The EPSR also takes a clear position on unemployment benefits: “The unemployed have the right to adequate activation support from public employment services to (re)integrate in the labour market and adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules. Such benefits shall not constitute a disincentive for a quick return to employment” (European Commission 2017). One way in which the Member States’ progress is tracked via the so-called “Social Scoreboard”, which applies various indicators to monitor the individual countries’ performance. Over time, these indicators can then detect which countries have made progress (European Commission 2018). A recent study found that, since 2008, convergence has taken place in six dimensions of working conditions (physical environment, social environment, work intensity, skills and discretion, working time quality and earnings) (Eurofound 2019).

The division of competences between the EU and the Member States enshrined in the EU treaties fundamentally limits political initiatives to promote convergence in the field of social policy. Competences in this area continue to rest primarily with the Member States. The recent debates about various social policy issues, such as minimum wages, poverty and unemployment, have shown, however, that convergence is still seen as an important approach to EU-wide issues and initiatives. This raises the question of whether greater convergence between the Member States and potentially more social policy competences at EU level could lead to achievement of the objectives set out in the European Pillar of Social Rights.

This research report will therefore focus on analysing and comparing the different arrangements with regard to (further) convergence of European unemployment benefit schemes in future. It will undertake an institutional comparison, on the one hand, and will compare the economic function of the unemployment benefit schemes, on the other. Germany and France serve as examples in this report. Both the German and French unemployment benefit schemes are among the most highly developed models within the EU. Comparative welfare state research points to overarching common features, coupled with the fact that both Germany and France have a Bismarckian-style continental European welfare state model (Esping-Andersen 1990, Palier 2010, Clasen and Clegg 2011). Both countries have schemes based on an insurance approach and offer employees in standard employment relationships, in particular, relatively generous social protection associated with their status. However, a closer examination of multiple individual aspects does reveal differences between the two countries. This deeper level of comparison will therefore be the focus of this study. In addition, it examines the question of whether the unemployment benefit schemes have become more or less similar as a result of reforms introduced since the start of the 2000s.

This research report will examine the question of a long-term institutional convergence of national unemployment benefit schemes in Europe by looking at the German and French schemes as an example. The more in-depth comparative analysis of the schemes will consist of two parts:

- (1) A short survey of the current state of comparative research on the common features of and differences between the unemployment benefit schemes in Germany and France.
- (2) On this basis, the report will analyse scenarios for a medium- and long-term convergence of the schemes in terms of their key functions.

Data is drawn from the comparative reporting systems of the Mutual Information System on Social Protection (MISSOC) and the Organisation for Economic Co-operation and Development (OECD); it has been compared with national sources and updated accordingly. In addition, eight interviews were conducted with experts in the two countries and the results have been incorporated into the report.

2. Location within the wider benefits system

This research report will begin by looking at the extent to which the core function of unemployment insurance – providing wage replacement benefits in the event of unemployment – is also fulfilled by other benefit schemes, which are thus also relevant for the purposes of the comparison. This is likely to be the case for minimum income schemes, in particular.

Germany

Germany's unemployment insurance scheme is part of the wider employment promotion system (Book III of the Social Code (*Sozialgesetzbuch*)) and of the contribution-financed, compulsory social insurance system which provides earnings-related benefits. In addition, basic income support for jobseekers (*Grundsicherung für Arbeitsuchende*), also known as unemployment benefit II (*Arbeitslosengeld II*), which is regulated by Book II of the Social Code, is available for people in need of assistance who are capable of work but do not meet the eligibility requirements for unemployment benefit or who have exhausted their entitlement to benefits under the insurance scheme. Basic income support for jobseekers is a tax-financed form of social protection, which offers means-tested, flat-rate benefits to ensure a decent minimum standard of living for claimants who are capable of work. The social allowance (*Sozialgeld*) is granted on a means-tested basis for family members living in the claimant's household who are not capable of work.

France

The French unemployment insurance scheme (*assurance chômage*) is also financed by contributions and compulsory for employees. Unemployment benefit (ARE) is funded by (employers') contributions and by a portion of the CSG or "general social contribution".

Unlike Germany, France has a three-tier system, which resembles the German model prior to the Hartz reforms. Unemployment assistance, or ASS (*régime de solidarité/Allocation de Solidarité Spécifique*), is a means-tested, tax-financed benefit which can be claimed by those who have worked for at least five of the last ten years before becoming unemployed. It is aimed at people in unemployment who need assistance after having exhausted their entitlement to unemployment benefit (ARE). Flat-rate sums are paid which depend on the individual's family circumstances; in other words, ASS is not earnings-related. Jobseekers who return to work can receive ASS for three months (consecutive or non-consecutive) in addition to their earnings from work. After three months, ASS is replaced by the *prime d'activité* or work bonus (which is paid by the CAF, the family allowance office) if the relevant conditions are met (Pôle emploi 2020b).

The third benefit which is potentially relevant for French jobseekers is the *Revenu de solidarité active* (RSA) or income support, which is funded from taxation. It offers people in need a minimum income which – similarly to the benefits provided in the case of Germany's basic income support for jobseekers – depends on the household type and size. Unlike in the case of ASS, people can receive RSA without ever having worked. RSA is, in principle, available to people aged at least 25 on a means-tested basis. For people aged 18 to 24, the benefit is limited to specific groups, such as single parents. From 2016, a work bonus was introduced, the *prime d'activité* (CAF 2020a; CAF 2020b; Service Public 2020). This replaces the *RSA activité* and the *prime pour l'emploi*. The *prime d'activité* is a form of financial assistance which encourages people to work and supports their purchasing power. It is calculated based on a quarterly declaration. The payment of the bonus takes into account the

resources of all household members. This bonus also has an equivalent in Germany, in the possibility of topping up earnings from work with unemployment benefit II.¹

In summary, France has three tiers of protection, including the (flat-rate) unemployment assistance (ASS), while Germany now only has two following the creation of Book II of the Social Code and the merging of unemployment assistance and social assistance.²

3. Risk coverage in the unemployment insurance scheme

This section compares key aspects of the unemployment insurance schemes in Germany and France; related supplementary benefit schemes are – where relevant – included in this context. Specifically, the following aspects are examined:

1. The distinction between different forms of insured employment (compulsorily or voluntarily insured forms of employment), particularly with regard to exemptions or special arrangements for specific groups of workers such as civil servants, the self-employed or people in marginal employment,
2. Eligibility requirements, including registration as unemployed, capability to work, and the minimum duration of insured employment to gain entitlement to benefits (qualifying periods and framework periods),
3. The duration of entitlement to unemployment benefit,
4. Benefit calculation and amount (i.e. wage replacement rate), taking possible supplementary benefits in the relevant tax and benefits system into account, including those which depend on family status and household context),
5. Requirements concerning availability for the labour market and job-search conditions, as well as rules in case of non-compliance (sanction rules).

3.1 Coverage

Germany

In Germany, unemployment insurance in principle covers all people in jobs subject to social security contributions until they reach the standard retirement age for the statutory pension insurance

¹ <https://www.aide-sociale.fr/ass-allocation-solidarite-specifique/>, <https://www.aide-sociale.fr/rsa-socle-dossier-calcul/> and <https://www.aide-sociale.fr/calcul-prime-activite-demande/>

² There are plans at present to merge several different minimum income benefits in France to create a *Revenu universel d'activité*. The details are as yet unclear and draft legislation is not yet available; however, this could lead to a new two-tier system in France in the coming years.

scheme. This includes both private-sector employees and employees in the public service who do not have civil servant status. In addition, specific groups are covered as “other persons subject to compulsory insurance”, including recipients of wage replacement benefits (e.g. sickness benefit), parents during a child’s first three years, and caregivers. In these cases, compulsory insurance applies if these people were in the group of those covered by unemployment insurance immediately beforehand. In addition, it is possible to remain covered by the insurance scheme voluntarily, in particular in the case of business founders who can request compulsory insurance coverage if certain conditions are met. The most important requirement in this context is that the individual must have been compulsorily insured for at least 12 months, or have received unemployment benefits, in the 24 months prior to becoming fully self-employed. This option, already limited in scope, has become even less significant in recent years (Oberfichtner 2019). Other self-employed workers, civil servants (with permanent or fixed-term positions) and people in marginal employment are not insured against unemployment in Germany. These groups are not entitled to unemployment benefit since they do not pay contributions. The group of people who are insured has been widened slightly in recent years, to include people undertaking dual study programmes and caregivers.

France

In France, enrolment in the unemployment insurance scheme is, in principle, compulsory for employees in the private sector, while public-sector employers provide coverage themselves for their employees via their own models financed directly by the state; this means either guaranteed employment (comparable to civil servant status in Germany) or the public sector’s self-insurance scheme for employees, which enables them to receive benefits directly from the state if they lose their job (by achieving an agreement for this to be managed by the unemployment insurance scheme in return for reimbursement of the costs). Employers which self-insure their employees against the risk of unemployment bear the financial costs and are directly responsible for payments to their former employees. However, they can ask the public employment service, “Pôle emploi”, to manage the payments by signing a management agreement. Pôle emploi then pays the benefits to the former employees. The employer reimburses it and also pays an administrative fee. It is also possible to register public-sector employees with the general unemployment insurance scheme and insure them in exchange for contributions. In principle, the existing rights in this case are the same as for private-sector employees. However, the ability of public employers to freely choose, in certain cases, whether to insure certain groups of employees in the general insurance scheme can lead to adverse selection, i.e. a tendency to insure people with a comparatively higher risk of unemployment via the general insurance scheme (Coquet 2016).³

A separate unemployment insurance scheme (*Pôle Emploi Spectacle*) exists in France for people in artistic professions, who typically work on a project basis and therefore often have short fixed-term contracts (*intermittents du spectacle*). Special conditions apply for access to ARE for this group.

Since November 2019, there has also been a new special scheme for self-employed freelancers in France (*allocation travailleurs indépendants*, ATI): self-employed individuals whose company is

³ <https://www.pole-emploi.fr/employeur/vos-declarations-et-cotisations/vous-etes-un-employeur-public/lassurance-chomage-des-employeur.html>; <https://www.fonction-publique.gouv.fr/lindemnisation-chomage-des-agents-secteur-public>

subject to insolvency proceedings can now, if the company generated at least €10,000 in revenue in each of the final two years before liquidation, receive an unemployment benefit payment of €800 per month for a six-month period.⁴

Overall, the French system is more fragmented than Germany's, due to the different types of protection for various categories of public employees and the special scheme for artists. Around 70 per cent of people in employment (excluding self-employment) in France are covered by the general unemployment insurance scheme (Coquet 2016). A common feature in both countries, however, is the focus on compulsory insurance for private-sector employees.

3.2 Eligibility requirements

Germany

To be entitled to receive unemployment benefit in Germany, an individual must register with the employment agency as a jobseeker and fulfil the qualifying period (Section 137 of Book III of the Social Code). This requires the individual to be available to take up a job subject to social security contributions and to be capable of work, defined as an ability to work for at least three hours a day. Individuals can also be blocked from receiving unemployment benefit for a period if they resign without an important reason or provide grounds for their own dismissal by acting in a way, which breaches their employment contract, thus bringing about their own unemployment through wilful intent or gross negligence. For further information, see Section 3.5 on responsibilities and sanctions.

To be eligible for benefits under the German unemployment insurance scheme, an individual must have been employed in a job subject to social security contributions for 12 months in the two-year framework period before becoming unemployed. The Skills Development Opportunities Act (*Qualifizierungschancengesetz*) of 2018 extended the framework period to 30 months with effect from 2020 (Section 143 of Book III of the Social Code). This is expected to lead to a moderate expansion in the number of entitled individuals among employees on short-term contracts, by slightly over 50,000 people (Stephan 2019).

The qualifying period can be reduced to six months if unemployed individuals demonstrate that their employment in the framework period consisted mainly of fixed-term posts for periods not longer than 14 weeks, and that a pay threshold was not exceeded (special arrangements for short-term employment, Section 142 of Book III of the Social Code). These special arrangements, which have already been extended several times and currently apply until 31 December 2022, are intended to take into account the special circumstances of cultural professionals. However, the arrangements are not limited to cultural activities.

What is likely to be a more common scenario involves cases where employees become unemployed again after a short period in a new job and are eligible on the basis of a continued granting of benefits. Once an unemployment benefit claim has been granted, it remains valid for four years, in principle, and can be received for shorter periods spread across that time – provided that the full duration of benefits has not been exhausted.

⁴ <https://www.unedic.org/indemnisations/fiches-thematiques/allocation-des-travailleurs-independants-ati>

France

Unemployment insurance benefits to compensate for a loss of earnings and to help people return to work (*allocation d'aide au retour à l'emploi*, ARE) are granted subject to the following conditions:

- The loss of employment must be involuntary (e.g. termination by the employer or expiry of a fixed-term employment contract); in other words, the individual must not have resigned voluntarily without a legally recognised reason;
- The individual must have registered as a jobseeker;
- The individual must be actively and continuously seeking work and must follow a personalised integration or continuing education plan agreed with the public employment service (*projet personnalisé d'accès à l'emploi*, PPAE);
- The individual must be physically capable of work;
- The individual must not be in the pre-retirement phase and must not yet have reached the standard age for receiving an old-age pension (62);
- The individual must have a residence in France.

Furthermore, under new arrangements introduced in November 2019, claimants must generally be able to demonstrate that they have worked 130 days, 910 hours or 6 months during the previous 24 months. Previously, the requirement was only 4 months within a 28-month period. Special rules apply in several cases, such as intermittent employment, illness or periods of education, as well as sabbaticals or periods spent founding a business.⁵

Since November 2019, individuals have been required to work for at least a further six months in order to acquire new entitlements (*rechargement*), a significantly stricter condition compared to the previous system, in which only one month of work was necessary. However, in certain circumstances, unemployed individuals have the right to choose between making use of their old or new entitlements. These restrictions on eligibility for unemployment benefit are intended to prevent people cycling between short-term employment and the receipt of benefits over extended periods by creating incentives for more long-term employment.

One new development is that, since November 2019, individuals have been entitled to ARE even after resigning from a job (*démission*), provided that they are embarking on a self-defined project of professional reorientation which meets certain requirements (continuing education and training, founding a business) and can demonstrate that they have been insured for five years.

The special scheme for *intermittents du spectacle* gives this group simplified access to ARE; this should be seen as an implicit subsidy for the artistic sector in France, and has not been reformed (see also Menger 2017). Notably, it is normally only necessary to demonstrate 507 hours of employment or vocational training within a 12-month period. This results in an entitlement to benefits for 243 days without work. Taking up work interrupts this benefit.⁶ On the whole, the scheme for artists

⁵ <https://www.unedic.org/indemnisation/fiches-thematiques/allocation-daide-au-retour-lemploi-are>

⁶ <https://www.artcena.fr/guide/droits-et-pratiques/embaucher-et-travailler/le-regime-dassurance-chomage-des-intermittents-du-spectacle>; <https://www.irma.asso.fr/Le-regime-d-assurance-chomage-des>

in France plays a more significant role than the equivalent arrangements in Germany, which provide for a reduced qualifying period in the case of short fixed-term employment (Section 142 of Book III of the Social Code).

3.3 Duration of entitlement

Germany

In Germany, the duration of entitlement to unemployment benefit is based, firstly, on the length of time for which an individual has held compulsorily insured status (in most cases, this means being in employment subject to contributions) within the last 5 years before the claim arises, and, secondly, on the age of the insured person. After being insured for 12 months, an individual is entitled to receive unemployment benefit for 6 months; this increases to 8 months after being insured for 16 months, 10 months after being insured for 20 months, and 12 months after being insured for 24 months. After being insured for 30 months, people aged 50 or over can receive unemployment benefit for a maximum of 15 months; after being insured for at least 36 months, people aged 55 or over can receive unemployment benefit for up to 18 months. The maximum is a total of 24 months of unemployment benefit, which can be received by 58-year-olds after being insured for at least 48 months (Section 147 (1) and (2) of Book III of the Social Code). Provided that the qualifying period is met, it is possible to gain entitlement to unemployment benefit for 3, 4 or 5 months after being insured for 6, 8 or 10 months under the special arrangements for short-term employment which apply until the end of 2022 (Section 147 (3) of Book III of the Social Code).

There are no waiting periods in Germany before unemployment benefit is paid. However, individuals can be blocked from receiving unemployment benefit, normally for a period of up to 12 weeks, if they resign without an important reason or provide grounds for the termination of their employment by acting in a way, which breaches their employment contract (Section 159 (1), first sentence, of Book III of the Social Code). If this kind of suspension period is imposed, the individual is not entitled to receive unemployment benefit until after the suspension period; if a suspension period is imposed because the individual resigned from their job, the duration of entitlement to unemployment benefit is also reduced by a quarter.

In principle, severance pay received if an employee is dismissed leads to a temporary delay in entitlement to unemployment benefit if the relevant notice period has not been upheld (Section 158 of Book III of the Social Code). In this case, the individual retains their entitlement to unemployment benefit, but the date at which payments begin is delayed.

The combination of severance pay and a delay in entitlement, as well as a longer duration of entitlement to unemployment benefit, still allows people to stop working early as they approach retirement – although this is subject to somewhat stricter conditions than before. However, the employment agencies are able and expected to activate or place these older unemployed people in employment or skills development programmes (Skills Development Opportunities Act).

France

In France, unlike in Germany, unemployment benefit is not paid immediately when a person becomes unemployed. In general, there is a seven-day waiting period before the benefit is granted. In addition, compensation for paid annual leave, and leave that has not been taken is divided by the daily

reference wage, and consequently results in a longer waiting period. A waiting period also applies, similarly to the German system, if severance pay above the statutory minimum is received. The amount of the severance pay is divided by a daily reference value of 94.4. This can result in an additional waiting period of up to 150 days (75 days in the case of redundancies for economic reasons). These waiting periods postpone the period of entitlement to ARE.

As far as the actual duration of entitlement in France is concerned, people are entitled to receive unemployment benefit for one day for each day they have been insured within the reference period of 28 months (36 months for those aged 53 or above). This applies up to a ceiling of 2 years (730 days) for unemployed people under the age of 53, 2.5 years (913 days) for people aged between 53 and 54, and 3 years (1095 days) for those aged 55 and above. The minimum period of entitlement is 3 months or 88 days or 445 hours.⁷

Subject to certain conditions, people whose entitlement to benefits has been exhausted after they reach the age of 62 can continue to receive benefits if they cannot demonstrate the required number of quarters of insurance coverage for a full pension.

3.4 Level of benefits

Germany

In Germany, the maximum possible level of unemployment benefit is based on standardised net wages (depending on the individual's tax filing status), taking into account the current contribution assessment ceiling (western Germany: €6,900, eastern Germany: €6,450 per month), multiplied by the wage replacement rate of 60 per cent (for unemployed people without children) or 67 per cent (for unemployed people with children). This is equivalent to around €2,860 net per month for people with filing status 3 who have no children (around €2,200 for those with filing status 1 who have no children).⁸

In principle, no tax is paid on unemployment benefit. However, unemployment benefit is taken into account when determining the tax rate to be applied to the unemployed individual's taxable income (this is known as the "exemption with progression" rule or *Progressionsvorbehalt*).

In Germany, it is not possible to receive unemployment benefit at the same time as an old-age pension or a reduced earning capacity pension. The same applies to sickness benefit. However, it is possible to combine unemployment benefit with basic income support for jobseekers or with housing benefit, child supplement or benefits under the participation package.

France

At present, ARE consists of a fixed sum of €12 per day plus 40 per cent of the daily reference wage (*saire journalier de référence, SJR*) up to the contribution assessment ceiling, which is currently

⁷ In the course of the COVID-19 crisis, the duration of entitlement to ARE and ASS in France for recipients whose entitlement to benefits would have expired in March/April was extended on a discretionary basis until the end of the lockdown. In Germany, too, an extension for expiring unemployment benefit entitlements was recently agreed. For a limited period ending on 31 December 2020, unemployment benefit entitlements expiring from 1 May onwards are being extended by three months.

⁸ <https://www.pub.arbeitsagentur.de/selbst.php>

€13,712 per month. The payment must be between 57 and 75 per cent of the daily reference wage. The minimum amount of ARE is €29.26 per day. With effect from November 2019, high ARE entitlements are reduced over time; they are lowered by 30 per cent from the seventh month of unemployment. This affects people in unemployment whose previous earnings were above €4,500 per month. However, ARE payments may not fall below €2,261. Family status plays no role in this context.⁹

From April 2020, a new approach was supposed to apply in France, with all days in the reference period being taken into consideration when calculating the amount of benefit, not just the days worked. However, the implementation of this reform has been postponed until the end of 2020. In the case of non-continuous employment, this approach will result in a lower overall daily reference value (SJR). For the time being, non-continuous employment can still result in unemployment benefit payments, which are higher than net earnings, as only the days worked, not all days in the reference period, are taken into account when calculating the daily wage (Cahuc and Prost 2015). This affects around one million people. The new approach is likely to result in lower ARE payments for most people who have non-continuous employment histories or who have worked part-time. The total value of the payments remains constant, however, resulting in lower daily payments, but over a longer period. 70 to 80 per cent of cases in which unemployment benefit is accessed in France are the result of very short-term contracts of up to one month, and in 85 per cent of these cases, the individual returns to the same employer.

In France, it is possible to receive both ARE payments and invalidity pensions up to a certain level. However, other social security benefits or family benefits cannot be combined with ARE. It is also possible in France to work (part-time) for a limited number of hours and a limited level of pay over an extended period, as an *activité réduite*, in order to top up earnings from this with ARE, while at the same time acquiring or extending ARE entitlement. In this case, the earnings are deducted from the ARE payments, and the two combined may not exceed the individual's previous gross income. However, this is now subject to the same rules for a renewal or extension as set out above.

Unlike in Germany, social insurance benefits in France are taxed in line with the general rules, which affects the net wage replacement rate. Above a certain level, a supplementary pension levy, the general social contribution (CSG) and the social debt repayment contribution (CRDS) are deducted from unemployment benefit (ARE) and unemployment assistance (ASS), although the gross payment may not fall below €51 per day or below the statutory minimum wage (SMIC). The same applies to similar social benefits, such as ATA and AER.¹⁰

The calculation of ARE currently results in a maximum amount of around €7,586 gross. This is equivalent to €6,713 net in the first six months of unemployment (182 days) after deduction of a supplementary pension levy, the CSG and the CRDS. After the first six months, a maximum of €5,310 gross or €4,588 net is paid for a further 548 days.¹¹

⁹ <https://droit-finances.commentcamarche.com/faq/3561-allocation-chomage-calcul-de-l-indemnite-are-2020>

¹⁰ <https://candidat.pole-emploi.fr/candidat/simucalcul/resultatperteemploi>

¹¹ <https://www.impots.gouv.fr/portail/particulier/questions/dois-je-declarer-mes-allocations-chomage>

3.5 Responsibilities and sanctions¹²

Germany

The condition of availability which claimants must meet to be entitled to unemployment benefit in Germany means, among other things, that unemployed individuals must be willing and able

1. to take up a job subject to social security contributions and work at least 15 hours per week under the usual conditions in the relevant labour market,
2. to participate in vocational integration measures, and
3. to be available, in terms of both time and being in the local area, to act on vocational integration proposals from the employment agency.

Unemployed individuals are only required to accept reasonable job offers; for example, it is not necessary to accept unlawful jobs, jobs which violate moral principles, or jobs which breach a collective agreement. Jobs that would involve a disproportionately long commute are also regarded as unreasonable. In addition, in the first three months of unemployment, a job is not regarded as reasonable if the person would earn less than 80 per cent of their previous wage (70 per cent from the fourth to the sixth month; from the seventh month, a job is only unreasonable if the wage is lower than unemployment benefit).

As unemployment insurance is a form of insurance against a specific risk, rules exist to limit that risk, which apply if insured individuals are culpable in bringing about their own unemployment or fail to take action to end their unemployment without an important reason. In these cases, the damage caused is made good by the imposition of a suspension period¹³, during which the individual is blocked from receiving unemployment benefit. Suspension periods are imposed if, for example, individuals:

- resign without an important reason or provide grounds by their actions for their dismissal (twelve weeks)
- refuse to cooperate with placement processes or to take part in continuing education or training without an important reason (three to twelve weeks)
- turn down reasonable job offers without an important reason (three to twelve weeks)

If suspension periods with a total duration of 21 weeks are imposed, unemployed individuals lose their entitlement to unemployment benefit.

France

All job-search efforts are carried out as part of a personalised access to work plan (PPAE). Benefits can be withdrawn for various reasons: refusing to create or update a PPAE, forgetting or refusing to attend appointments, twice turning down reasonable job offers, or repeatedly failing to make

¹² In both countries, requirements to attend appointments and suspension periods associated with this requirement have been temporarily reduced during the COVID-19 crisis.

¹³ Please note: in German law, the terms “sanctions” and “suspension periods” are not identical. Book III of the Social Code provides for “suspension periods”, not “sanctions”. In line with the established terminology used in comparative research, this study nonetheless uses the term “sanctions” as an overarching category which includes “suspension periods”.

sufficient efforts to find a job. The PPAE, which must be agreed with a Pôle emploi adviser no later than 15 days after registration, includes, in particular:

- the type and characteristics of the job(s) sought (e.g. fixed-term, permanent, full-time or part-time)
- the preferred geographical area
- the expected salary
- the actions which Pôle emploi commits to take, notably in terms of personalised support and skills development¹⁴

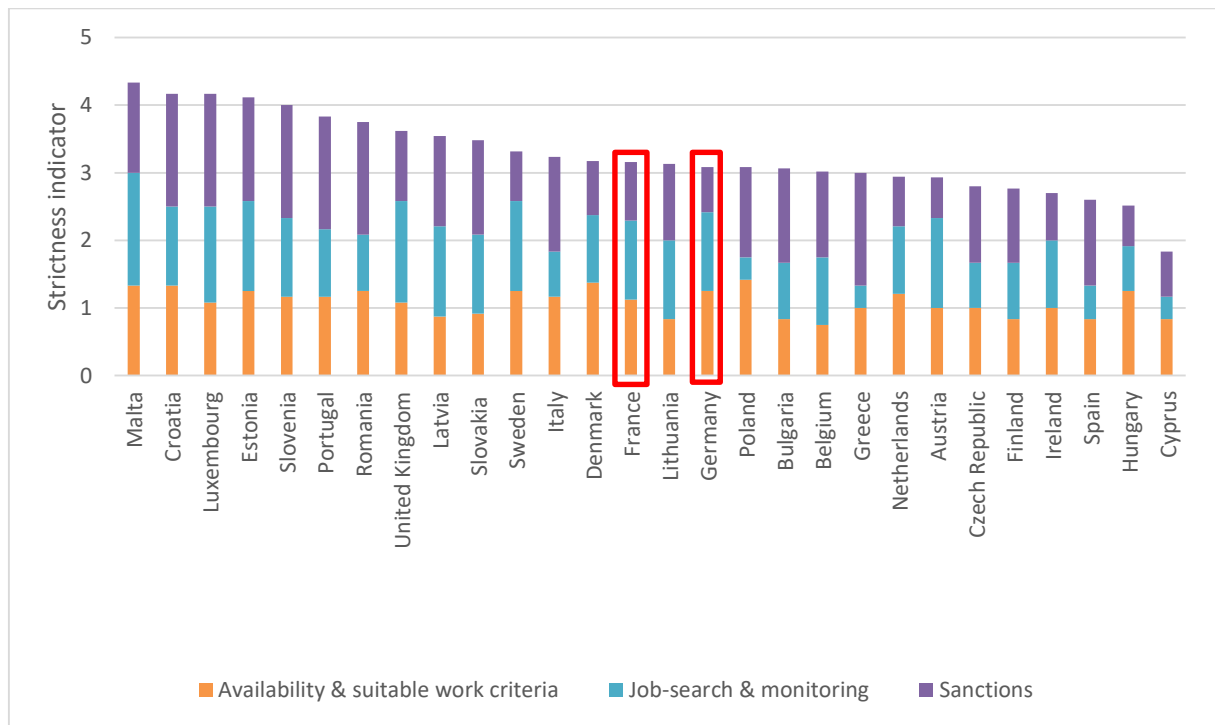
However, experts believe that the PPAEs are not being systematically implemented. In response to this, Pôle emploi now has staff specifically responsible for monitoring jobseekers, in order to free up case workers from dealing with this and potential conflicts. According to experts, although France officially has strict sanctions, they were rarely applied in the past. In the wake of a decree issued at the end of 2018, less severe sanctions have applied in the case of non-compliance with formal requirements, but more severe sanctions have applied for those who show a lack of initiative in seeking work. The consequences can involve removal from the list of jobseekers (delisting) or the suspension of benefits, depending on the reason for the breach of obligations and the number of breaches over the two years following the first (Pôle emploi 2019; Service Public 2019). A failure to attend appointments results in removal from the unemployment register, including a suspension of benefits, for a period which increases in the case of repeated missed appointments (up to four months).

Similar sanctions – i.e. suspension periods – apply in the case of non-compliance with other obligations (such as making inadequate job-search efforts, twice turning down a reasonable job offer, failing to attend or dropping out of a training course, refusing a medical examination to assess ability to work, refusing to take action to find work, etc.), as well as in the case of false information being provided or fraud.

The aggregate indicator designed by Immervoll and Knotz (2018) revealed no significant differences between the two countries in terms of strictness in 2017. However, at that time the criteria for what constitutes a suitable or reasonable job offer in Germany were found to be stricter than in France, while sanction rules were judged to be stricter in France.

¹⁴ <https://www.unedic.org/indemnisations/fiches-thematiques/allocation-daide-au-retour-lemploi-are>

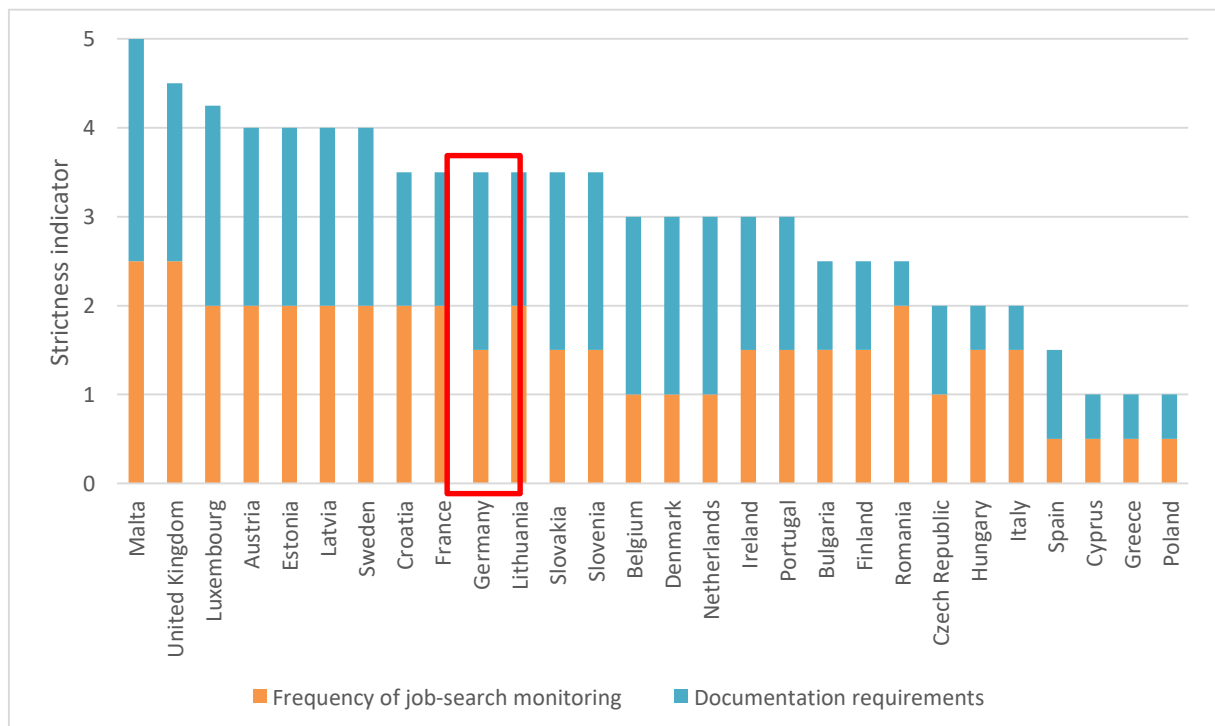
Figure 1: Benefits eligibility criteria: overall strictness indicator for first-tier benefits



Note: Strictness indicators are scored from 1 (most lenient) to 5 (most strict)

Source: Immervoll and Knotz 2018, own chart based on www.oecd.org/els/soc/Eligibility-UB-SA.xlsx

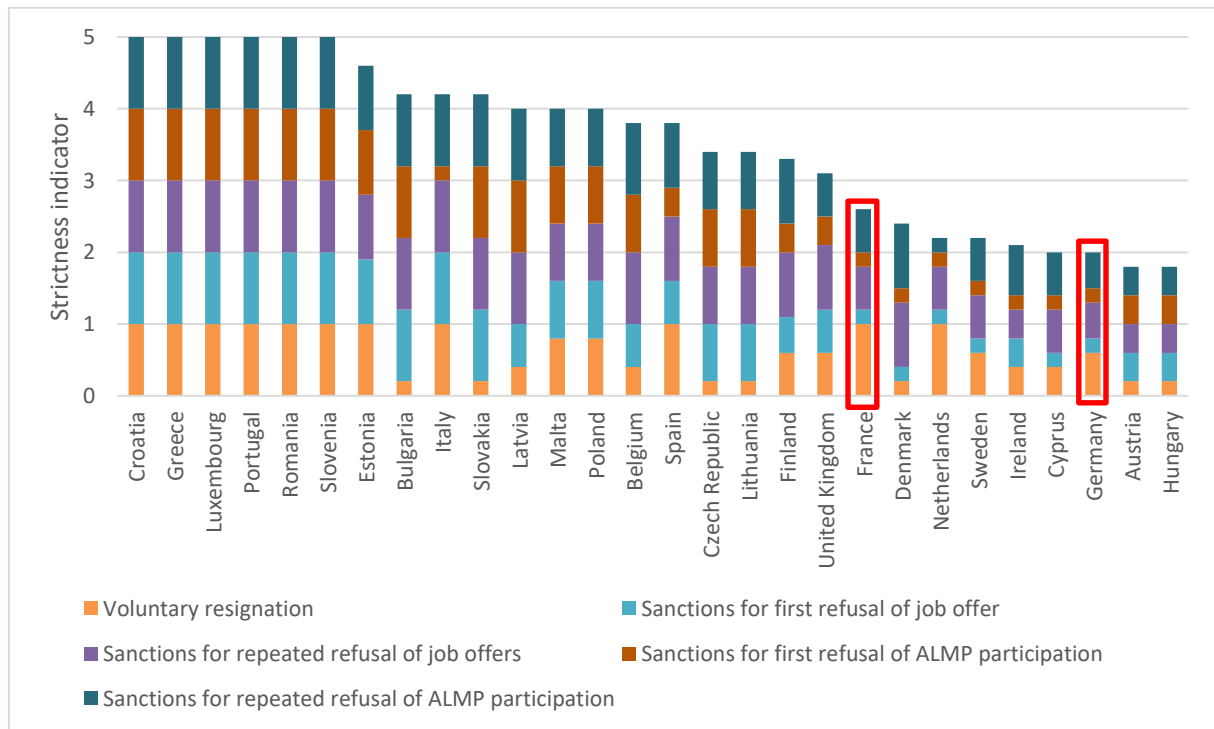
Figure 2: Monitoring and job-search requirements



Note: Strictness indicators are scored from 1 (most lenient) to 5 (most strict)

Source: Immervoll and Knotz 2018, own chart based on www.oecd.org/els/soc/Eligibility-UB-SA.xlsx

Figure 3: Sanctions



Note: Strictness indicators are scored from 1 (most lenient) to 5 (most strict)

Source: Immervoll and Knotz 2018, own chart based on www.oecd.org/els/soc/Eligibility-UB-SA.xlsx

4. Active labour market policies

This section offers a brief overview of the main groups of active labour market policy instruments and provides a picture, using aggregate indicators, of the extent to which these instruments are used in practice.

4.1 Short-time work allowance schemes

Germany

In Germany, if employees suffer a temporary, substantial cut in their working hours for economic reasons, corresponding with a loss of earnings, they are entitled to receive the short-time work allowance (*Kurzarbeitergeld*). This benefit is intended to partially compensate for the loss of earnings. The aim is to ensure that employees are not laid off; instead, they can remain part of the business and the employer can retain an experienced workforce. There are three types of short-time work allowance:

1. The standard benefit is the short-time work allowance under Section 95 of Book III of the Social Code. The main requirements are that working hours must have been cut substantially in the company, resulting in a loss of pay (i.e. in the calendar month in question (claim period), at least one-third of the workers employed by the company must face a reduction of more than 10 per cent of their gross monthly pay), that the necessary personal eligibility

requirements are met (in particular that the worker is not made redundant and remains in a job subject to social security contributions), and that the employment agency is notified in writing, without delay, about the cut in working hours by the company or the body representing employees.

2. The seasonal short-time work allowance (*saisonale Kurzarbeitergeld*) is a special form of the benefit which is available in the construction industry and the horticultural sector in the event of adverse weather or a shortage of orders during the winter period.
3. There is also the transfer short-time allowance (*Transfer-Kurzarbeitergeld*), which is intended to enable workers to move from their existing employment to a new job with another employer without an intervening period of unemployment.¹⁵

The short-time work allowance has a net wage replacement rate of 60 or 67 per cent, as it is the case for unemployment benefit. The law states that it may be paid for a maximum period of 12 months. However, the Bundestag adopted a change in the law on 14 May 2020, which increases the level of the short-time work allowance in 2020 to 70 or 77 per cent from the fourth month and to 80 or 87 per cent from the seventh month. The Federal Ministry of Labour and Social Affairs can, however, issue a statutory instrument extending the duration of entitlement up to 24 months in the case of exceptional circumstances affecting the entire labour market. The transfer short-time work allowance is granted for a maximum of 12 months; the seasonal short-time work allowance and supplementary benefits under Section 102 of Book III of the Social Code are granted during the winter period.

To avert the economic and social repercussions of cuts in working hours caused by the coronavirus pandemic and to avoid job losses, the German Bundestag adopted legislation on 13 March 2020 to enhance the arrangements for the short-time work allowance for a limited period in view of the crisis. The changes apply retroactively with effect from 1 March 2020 (Federal Ministry of Labour and Social Affairs 2020).

The legislation aims to make it easier to access the short-time work allowance:

- A company can apply to introduce short-time work if 10 per cent of its employees are affected by a reduction in working hours (normally, one-third of employees have to be affected),
- Social security contributions, which have to be paid solely by employers for employees working short-time, are reimbursed at a flat rate by the Federal Employment Agency,
- Temporary agency workers can also receive the short-time work allowance,
- Companies with agreements on fluctuating working hours are not required to build up negative working time balances before the short-time work allowance is paid.

These arrangements apply until 31 December 2020. In addition, the options to take up a second job without deductions have been expanded. Entitlements to the short-time work allowance dating from 2019 have also been extended to a maximum of 21 months.

France

¹⁵ <https://www.arbeitsagentur.de/unternehmen/finanziell/kurzarbeitergeld-arbeitgeber-unternehmen>

France also has the instrument of short-time work or *Chômage technique* to avoid job losses during economic slowdowns. In the event that “partial unemployment” or “partial activity”, as it is also known, is introduced within a company, the employees affected by a loss of pay receive an allowance paid by the employer. In order to benefit from this scheme and receive the state allowance for the hours lost, employers must, prior to introducing short-time work for their employees, submit an application to participate in the partial activity scheme to the relevant Regional Directorate for Enterprises, Competition Policy, Consumer Affairs, Labour and Employment (Direccte).

The use of the partial activity scheme can take the form of a shorter working week or a temporary closure of all or part of the company. The employer can receive an allowance up to a ceiling of:

- 1,000 hours per employee per year, irrespective of the sector
- 100 hours per employee per year, if the partial activity is due to modernisation work on the company’s facilities and buildings.

Employees who are placed on short-time work receive an hourly allowance from their employer, which is paid when they normally receive their wages and is equivalent to 70 per cent of their gross hourly wage (or 100 per cent of the net hourly wage if an employee is undertaking training outside of working hours).¹⁶

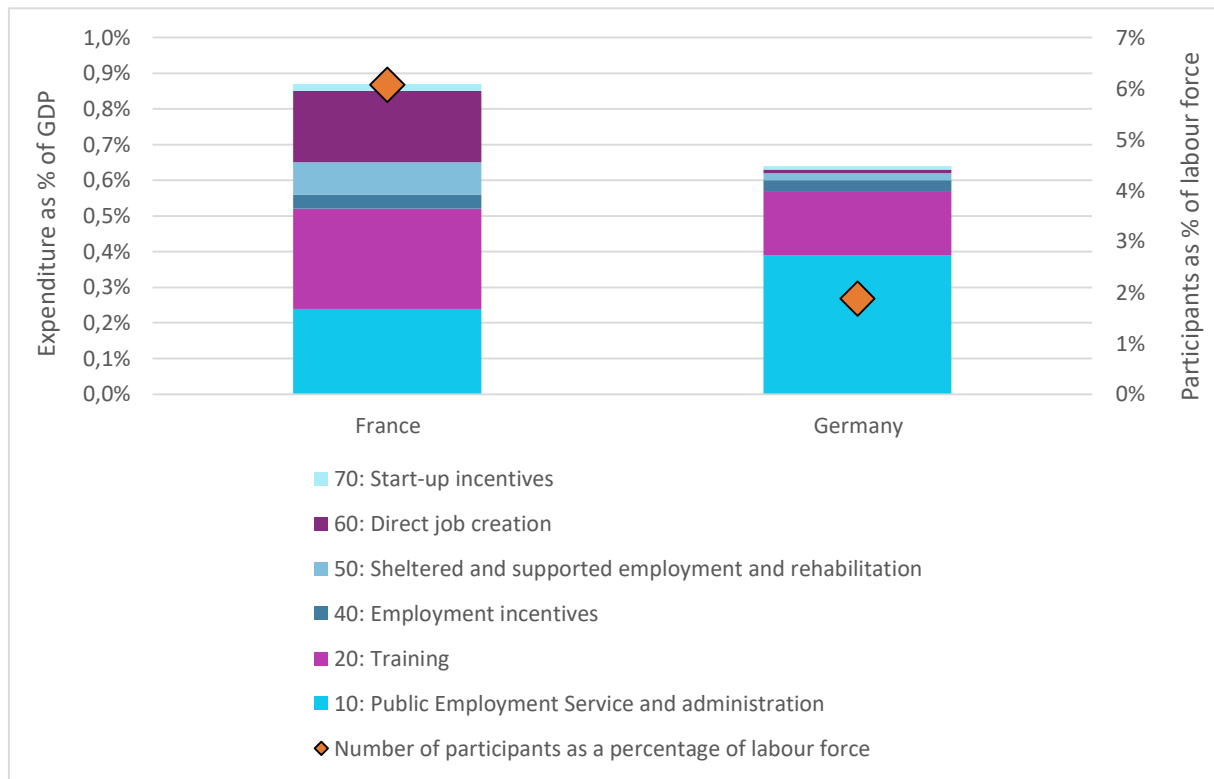
The short-time work arrangements have been adapted in France, too, as a result of the coronavirus pandemic. The Ministry of Labour stated on 16 March that a decree on short-time work would be issued to cover 84 per cent of the allowance companies pay their employees, up to a ceiling of 4.5 times the minimum wage; the rate is 100 per cent for employees paid the minimum wage. Given the large number of requests, applications can now be submitted retroactively within a 30-day time limit. In addition, employers are not required to contribute to the costs (Ministère du Travail 2020; OECD 2020).

4.2 Active labour market policy measures

Both countries are, by European and OECD standards, among those with the highest spending on and most intensive use of active labour market policies. While in total, active labour market policies in France are somewhat more expensive and cover more people. This is not the case when looking at expenditure per member of the target group, however. The main groups of measures in each country include very different instruments in some respects, which cannot be set out in detail here. It is important to note that these statistics do not include permanent and general subsidies, such as France’s reduction in costs for employers which employ staff paid the statutory minimum wage or a certain amount above it.

¹⁶ <https://www.service-public.fr/professionnels-entreprises/vosdroits/F23503>

Figure 4: Active labour market policies in France and Germany in 2017, expenditure and participants



Source: OECD, data set: Public expenditure and participant stocks on LMP; own chart

5. Governance of the unemployment benefit schemes and labour market policies

This section addresses the key characteristics of the organisational structure of the unemployment benefit schemes and labour market policies. Therefore, it presents and compares the following structural characteristics in Germany and France:

1. The financing structure, in the form of contributions from employers and insured people, and, in connection with this, the approach taken to surpluses/deficits or reserves and tax-financed supplements.
2. The role of the social partners and the state in shaping and managing the schemes, as well as the structure of the implementing authorities and how they are embedded in the state's structures.

5.1 Funding and financial sustainability

Germany

Contributions to unemployment benefit are paid by employees and employers on an equal basis. Currently, the contribution rate is 2.6 per cent, and it has been lowered temporarily by means of a

statutory instrument to 2.4 per cent until the end of 2022. A reduced flat-rate contribution rate exists for business founders. In principle, the setting of the contribution rate is a political decision in Germany, which the social partners can only influence in an advisory role (see below).

Germany's unemployment insurance scheme has led to financial deficits at times in the past, which were covered by federal loans or subsidies. Generally, however, the Federal Employment Agency can now build up and draw on reserves and in this way contribute to cyclical stabilisation (Hausner and Weber 2017). In Germany, the Federal Employment Agency is required, under Section 366 of Book III of the Social Code, to build up a reserve fund from the surpluses resulting from revenues exceeding expenditures. In 2018, the Federal Employment Agency had a reserve fund of around €23.5 billion, which is expected to have risen to almost €26 billion in 2019. The Institute for Employment Research (IAB) takes the view that a reserve fund equivalent to around 0.65 per cent of gross domestic product, roughly the size of the current reserve, is useful to ensure macroeconomic stability in the event of a recession (Hausner and Weber 2017; Research Services of the German Bundestag 2019). The size of the reserve fund or deficit does not automatically causes an adjustment of the contribution rate.

While unemployment benefit is funded on the basis of contributions, the costs of basic income support for jobseekers are funded from taxation: the cost of cost-of-living benefits and activation measures are borne by the federal level, the costs of accommodation and heating are shared by the federal and municipal levels, other benefits as well as education and participation benefits are borne by the municipal level.

France

France's unemployment insurance scheme is financed mainly by employers' contributions (meeting 60 per cent of the costs), which are set by the unemployment insurance fund UNEDIC that is managed by the social partners. The current contribution rate for private-sector employers is 4.05 per cent of gross wages. The state contributes the remaining funding for the unemployment insurance scheme and finances the minimum income benefits ASS and RSA. To this end, a portion of the *CSG activité* has been transferred to the unemployment insurance scheme since 2019. The CSG is a kind of tax on various types of income, although the component of the *CSG activité* used to fund the unemployment insurance scheme is only levied on income from employment.¹⁷ The proportion of the *CSG activité* transferred to the unemployment insurance scheme is set each year by legislation. In 2019, it accounted for 37.5 per cent of the unemployment insurance budget. Since October 2018, the previous employees' contribution to unemployment insurance has been replaced by a general social contribution as part of the CSG, which has been increased from 7.5 to 9.2 per cent. This led to a slight improvement in net wages.

A special scheme exists for employers of artists; they have to pay higher contributions due to the special design of the social benefits for artists.

In order to limit the spread of very short fixed-term contracts, a special arrangement existed regarding employers' contributions to unemployment insurance; however, this has now been abolished. The *prime de précarité*, which is a taxable severance pay equivalent to 10 per cent of the

¹⁷ <https://droit-finances.commentcamarche.com/faq/61901-macron-et-csg-la-hausse-de-la-csg>; <https://www.unedic.org/a-propos/comprendre-le-financement-de-lassurance-chomage>

wage received during a fixed-term job still exists, however,. Since the start of 2020, employers have paid a levy of €10 per contract (instead of the *prime de précarité*) for certain highly flexible fixed-term contracts (*CDD d'usage*).¹⁸

From 2021, a new bonus-malus system is supposed to complement the French unemployment insurance scheme, due to which employers' contributions will vary depending on the proportion of fixed-term contracts in the company. In the introductory phase, this will be limited to seven sectors of the economy. Initial variations in contributions equivalent to roughly one percentage point from the general rate of 4.05 per cent can be expected from March 2021.¹⁹

The *Contribution pour le remboursement de la dette sociale* (CRDS) has been levied in France since 1996, in order to reduce the social security system's existing debt. The CRDS contribution rate is 0.5 per cent, irrespective of the level of income.²⁰ Unlike in Germany, the general social contribution (CSG) and the social debt repayment contribution (CRDS) have to be paid on unemployment benefits. At the end of 2018, the unemployment benefit fund had around €35.6 billion in debt.

In total, the French unemployment insurance system's debt currently stands around €37 billion, which the French state would ultimately have to guarantee. The debt is equivalent to around one year of contribution payments. This level of debt and the ongoing deficits were also the reason for the most recent reforms, although it can be argued that the unemployment insurance scheme's finances are essentially stable and sound, whereas the benefits for artists and the partial financing of the public employment service, Pôle Emploi, initially led to the deficit (Coquet 2019). The most recent reforms are intended to save around €1 billion to €1.3 billion per year from November 2019, for at least three years. They were preceded by a new statutory provision, which allowed the government to intervene by decree if negotiations between the social partners on the fiscal stabilisation of the unemployment insurance scheme failed.

5.2 Governance and the role of the social partners

Germany

Both countries have a tradition of the unemployment insurance scheme being self-governed by the social partners; in Germany, however, this is now of limited significance in terms of the design and implementation of the law on unemployment insurance (see, for example, Steinmüller 2018; Eichhorst and Schröder 2019). The key entity in the self-governance system in Germany is the Board of Directors (*Verwaltungsrat*). It oversees and advises the Executive Board (*Vorstand*) in the performance of its duties and provides important impetus for the further development of the Federal Employment Agency. In addition to providing information requested by the Board of Directors, the Executive Board reports to the Board of Directors regularly on all important issues and developments. The Board of Directors is composed of representatives of three groups, each accounting for one-third of its members – employees, employers and public bodies. The role of the social partners has been reduced, in particular as a result of the Federal Employment Agency's conversion into a service

¹⁸ <https://droit-finances.commentcamarche.com/faq/44820-prime-de-precarite-indemnite-de-fin-de-cdd>; <https://droit-finances.commentcamarche.com/faq/2456-cdd-d-usage-duree-et-prime-de-precarite>

¹⁹ <https://droit-finances.commentcamarche.com/faq/76910-bonus-malus-chomage-et-cdd-ce-qui-va-changer>

²⁰ <https://www.vie-publique.fr/fiches/21974-contribution-pour-le-remboursement-de-la-dette-sociale-crds>

provider with private-sector structures as part of the Hartz reforms. The Federal Employment Agency's operational policies relating to unemployment insurance are presented to and discussed with the social partners. The main decisions are taken by politicians, whereas the social partners are involved in the implementation process. Almost all arrangements in the field of unemployment insurance are statutory provisions, which the Federal Employment Agency implements in compliance with the law. The Federal Ministry of Labour and Social Affairs is the authority responsible for legal supervision.

France

In France, Pôle emploi - an integrated agency comparable to Germany's Federal Employment Agency - has existed since 2009, as a result of an administrative merger of the previously separate unemployment insurance body, UNEDIC, and the public employment service, ANPE. The Board of Directors of Pôle emploi is composed of representatives of the government, the trade unions, the employers' associations, the regions, and other experts; like Germany's Federal Employment Agency, it has a regional substructure. Pôle emploi is responsible for the registration of jobseekers, checking and calculating benefit entitlements as well as the benefit distribution, and it supports jobseekers in the process of integrating into the labour market.

However, the unemployment insurance body, UNEDIC (*Union nationale interprofessionnelle pour l'emploi dans l'industrie et le commerce*), continues to exist as an institution of the social partners. Through it, the social partners directly influence the concrete design and administration of the unemployment insurance scheme. In France, the social partners thus play a significant role within the non-governmental agency UNEDIC, and they can actively initiate changes to the design of benefits. To this end, they regularly agree on bipartite *Conventions d'assurance chômage*, i.e. collective agreements, for specified periods, which are then submitted to the Ministry of Labour for its approval; to date, this has normally been given. In other words, by comparison with Germany's mainly state-controlled system, the French system has stronger bipartite and tripartite elements (Steinmüller 2018: 76-77); however, the possibility of government intervention exists. For example, after the failure of negotiations between the social partners in early 2019, the government implemented the most recent reforms by decree on 26 July 2019.²¹ In view of the deficits run by the unemployment insurance scheme, the government had previously called on the social partners to negotiate, within strict time limits and narrow guidelines, a change to the design of benefits, and had changed the law to enable it to intervene.

The law sets out four elements for which UNEDIC, the agency of the social partners, is responsible:

1. It ensures the financing of the unemployment insurance scheme's wage replacement benefits by setting the contribution rate to be paid by employers
2. It monitors the correct application of the agreed rules on unemployment insurance, especially via regional joint bodies (IPR) of the social partners and UNEDIC
3. It passes on 10 per cent of the contributions to Pôle emploi for managing the unemployment insurance scheme and supporting jobseekers (11 per cent from 2020)

²¹ <https://droit-finances.commentcamarche.com/faq/62011-reforme-de-l-assurance-chomage-2019-reforme-macron>

4. Together with the government and Pôle emploi, it defines the fundamental objectives of income protection and of support for jobseekers, and monitors the achievement of these objectives using indicators and analyses.²²

UNEDIC also advises the social partners on labour market trends and the effects of active and passive labour market policies.

The actual collection of unemployment insurance contributions in France is the task of various specialised organisations, which are overseen by UNEDIC; they include

- The Central Agency of Social Security Organisations (*Agence centrale des organismes de sécurité sociale*, Acof) and the associated network of regional collection agencies (*Unions de Recouvrement des Cotisations de Sécurité Sociale et d'Allocations Familiales*, Urssaf)
- Agricultural social mutual funds (*Caisses de mutualité sociale agricole*, CCMSA)
- Pôle emploi itself in the case of the special schemes for artists (*intermittents du spectacle*), for posted workers and for people in transfer phases after losing their jobs, similar to the transfer short-time work allowance in Germany (*Contrat de Sécurisation Professionnelle*, CSP)

UNEDIC thus plays an intermediary regulatory and oversight role between the contribution collecting agencies, on the one hand, and Pôle emploi, which manages the benefits and is in contact with jobseekers, on the other.

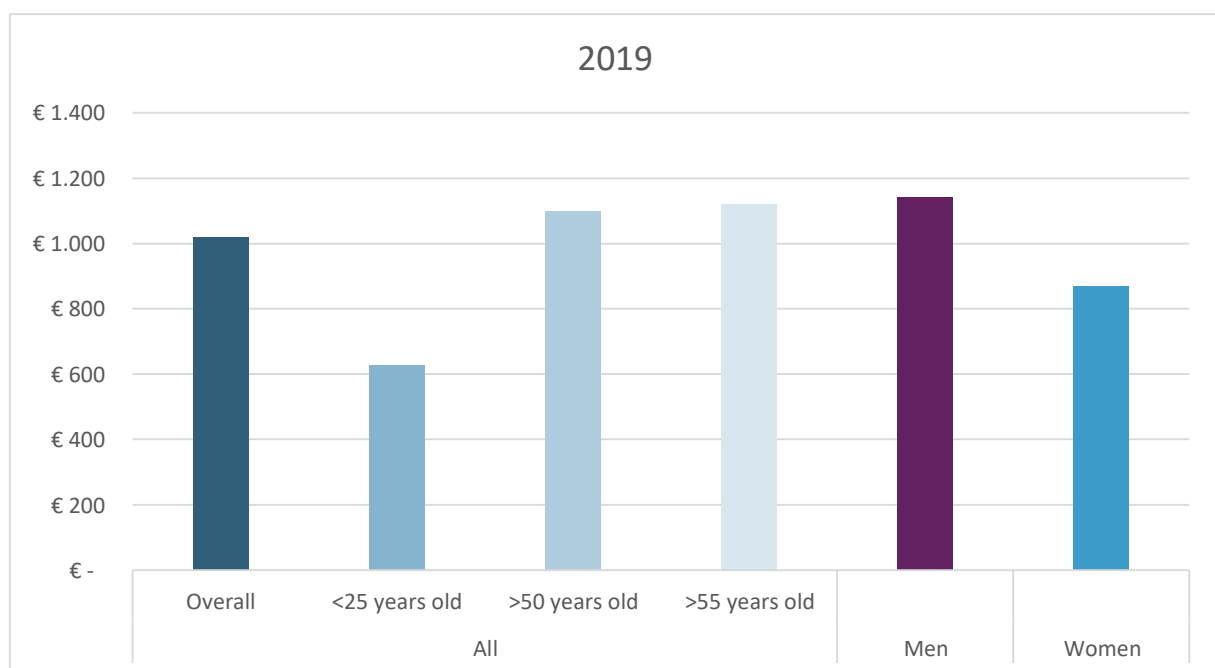
²² <https://www.unedic.org/indemnisation/vos-questions-sur-indemnisation-assurance-chomage/quel-est-le-role-de-lunedic-par>

6. Selected effectiveness indicators

This section sets out the main effects of unemployment benefits. It focuses on several key indicators, including the replacement rate, the coverage rate and macroeconomic stabilisation.

As far as the replacement rate is concerned, net wage replacement rates are higher in France than in Germany. This is particularly true in the case of higher incomes, as the contribution assessment ceiling is almost twice as high (despite the recent reductions). This is shown by standardised model calculations by the OECD. However, OECD calculations also show that the net replacement rate, when supplementary social benefits are included, is almost identical in both countries in the case of lower and middle incomes (high income groups are not modelled by the OECD). In other words, the generosity of unemployment benefits is less pronounced in France when viewed in the context of other benefits rather than in isolation (Coquet 2019).

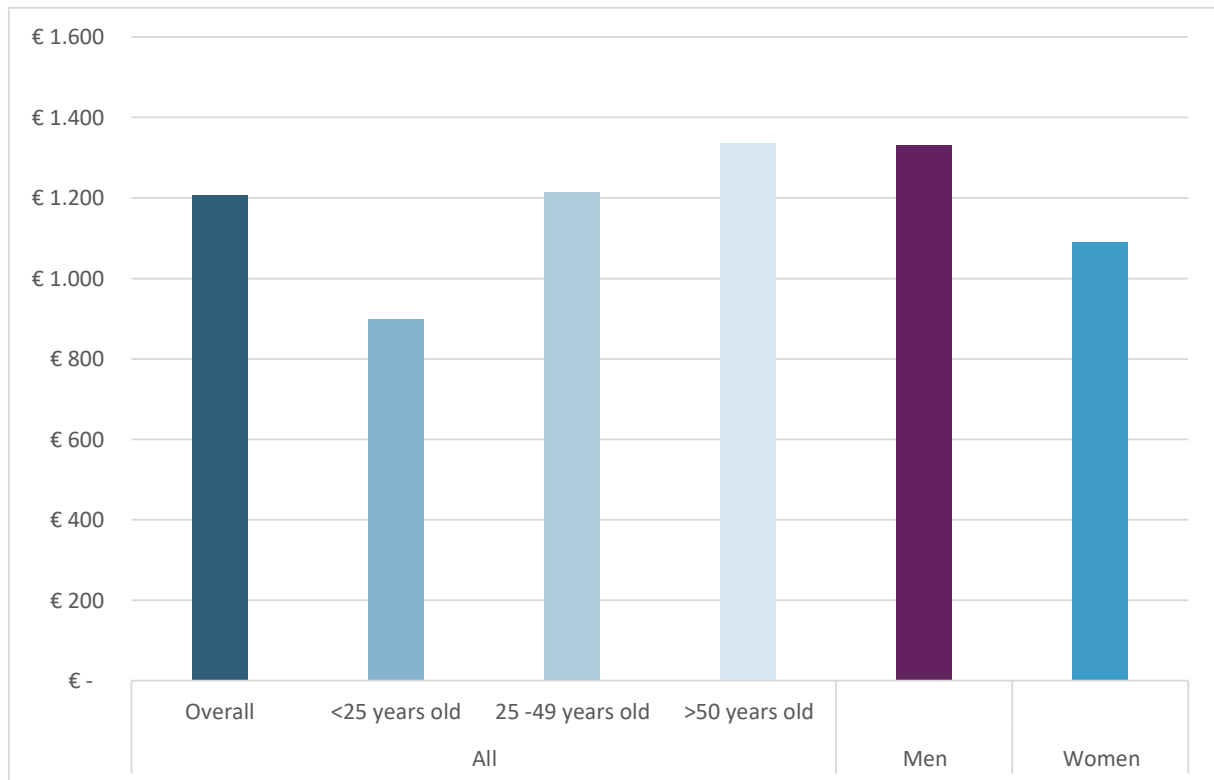
Figure 5: Unemployment insurance benefits by group, Germany, October 2019



Note: Data from the last data set from October 2019.

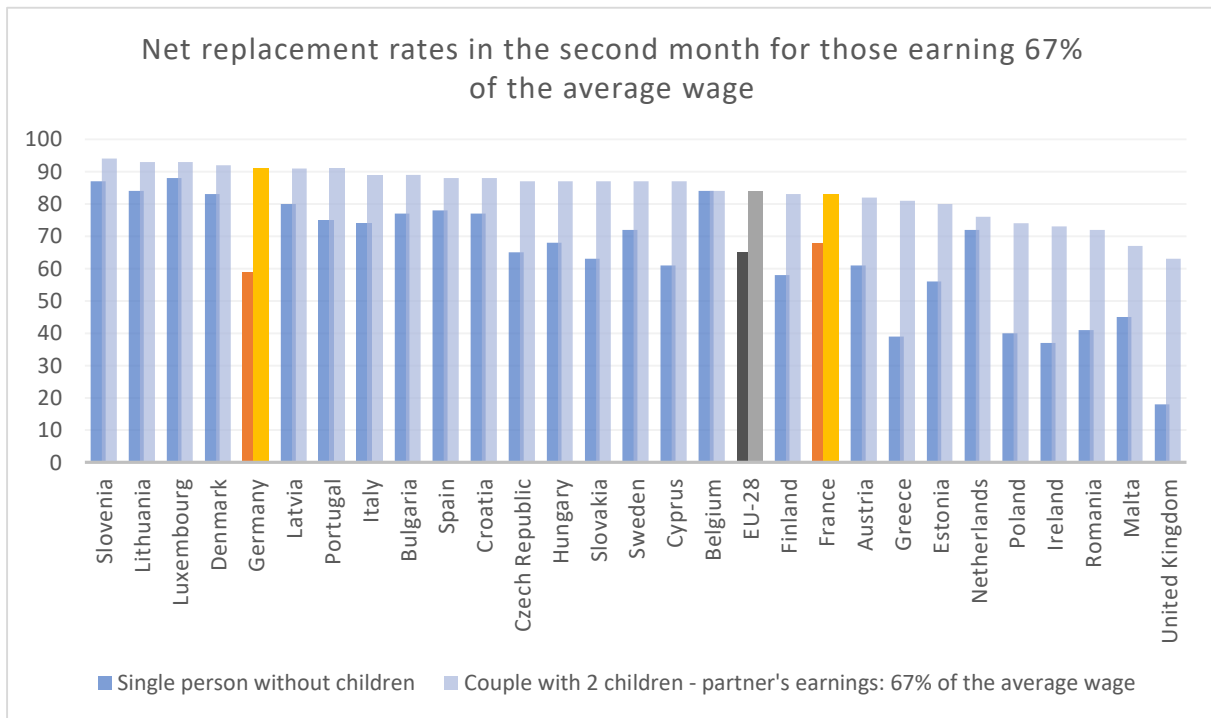
Source: Federal Employment Agency; data set: unemployed recipients of unemployment benefit broken down by gender, age, level of entitlement and duration of entitlement, territorial structure of December 2019 (*Arbeitslosengeldempfänger bei Arbeitslosigkeit nach Geschlecht, Alter, Anspruchshöhe und Bezugsdauer, Gebietsstand Dezember 2019*)

Figure 6: Unemployment insurance benefits by group, France, March 2019



Source: Pôle emploi; amount of unemployment benefit paid to jobseekers by the unemployment insurance scheme: as at 31 March 2019 (*montant de l'allocation chômage versée aux demandeurs d'emploi indemnisés par l'assurance chômage: situation au 31 mars 2019*), p. 2.

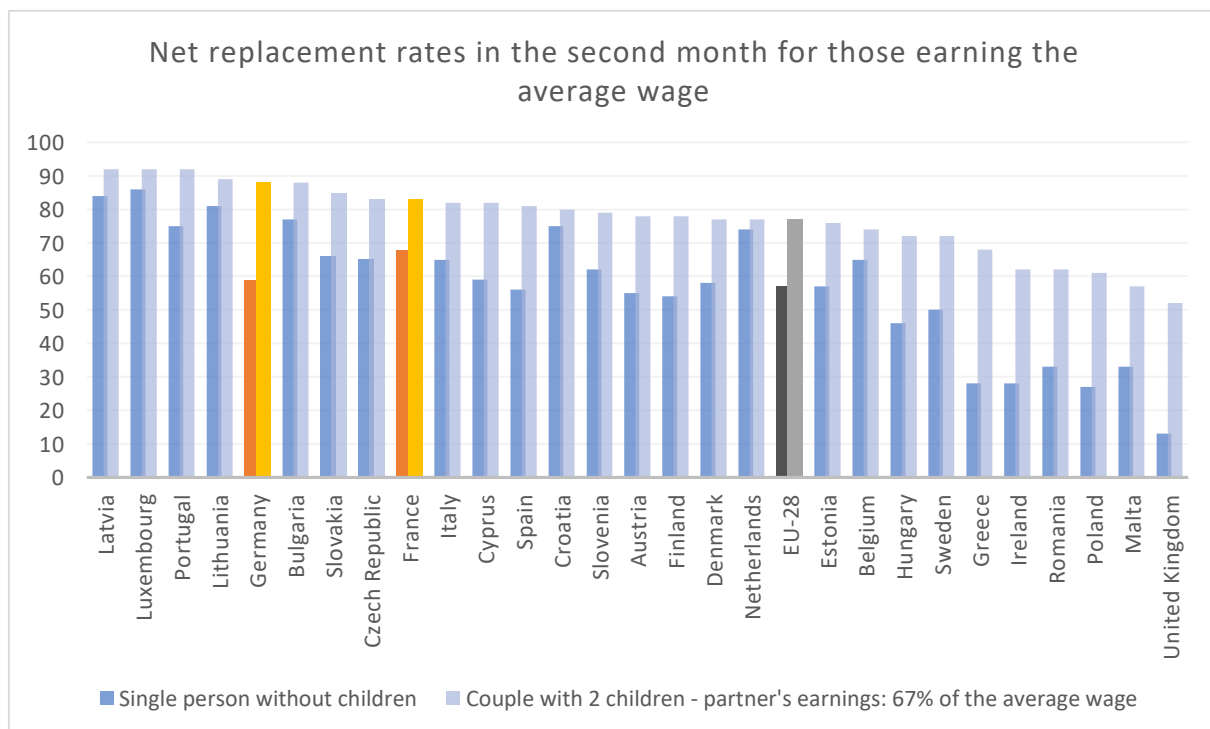
Figure 7: Net replacement rates for various categories, 2018



Note: The data refers to a person previously earning 67 per cent of the average wage; in the case of couples, the partner earns 67 per cent of the average wage.

Source: OECD.Stat

Figure 8: Net replacement rates for various categories, 2018



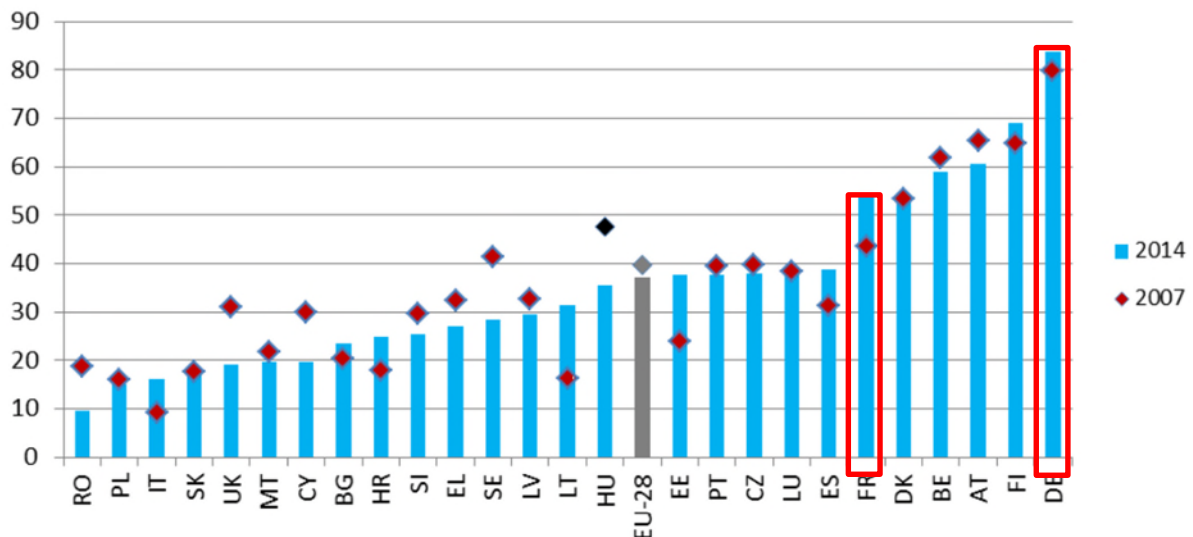
Note: The data refers to a person previously earning the average wage; in the case of couples, the partner earns 67 per cent of the average wage.

Source: OECD.Stat

Unemployment benefit coverage can be analysed using national sources and comparative data. According to Federal Employment Agency statistics from December 2019, benefit recipients accounted for an average of 91 per cent of all people in unemployment within the jurisdiction of Book III of the Social Code in 2019 (Federal Employment Agency 2019, p. 12). Pôle emploi reports an unemployment benefit coverage rate, defined as benefit recipients as a percentage of people entitled to receive benefits, of just under 74 per cent in June 2019.²³

The European Commission has calculated coverage rates for unemployment benefit schemes in the EU based on data from the European Labour Force Survey (EU - LFS).

Figure 9: Wage replacement benefits coverage for the short-term unemployed, 2007 and 2014



Note: Data from the European Labour Force Survey (EU-LFS) showing the percentage of the short-term unemployed receiving wage replacement benefits.

Source: European Commission (2016): The coverage rate of income support measures in the EU: measurement and challenges, <https://op.europa.eu/en/publication-detail/-/publication/450fba76-b601-11e6-9e3c-01aa75ed71a1> (accessed on 12 February 2020).

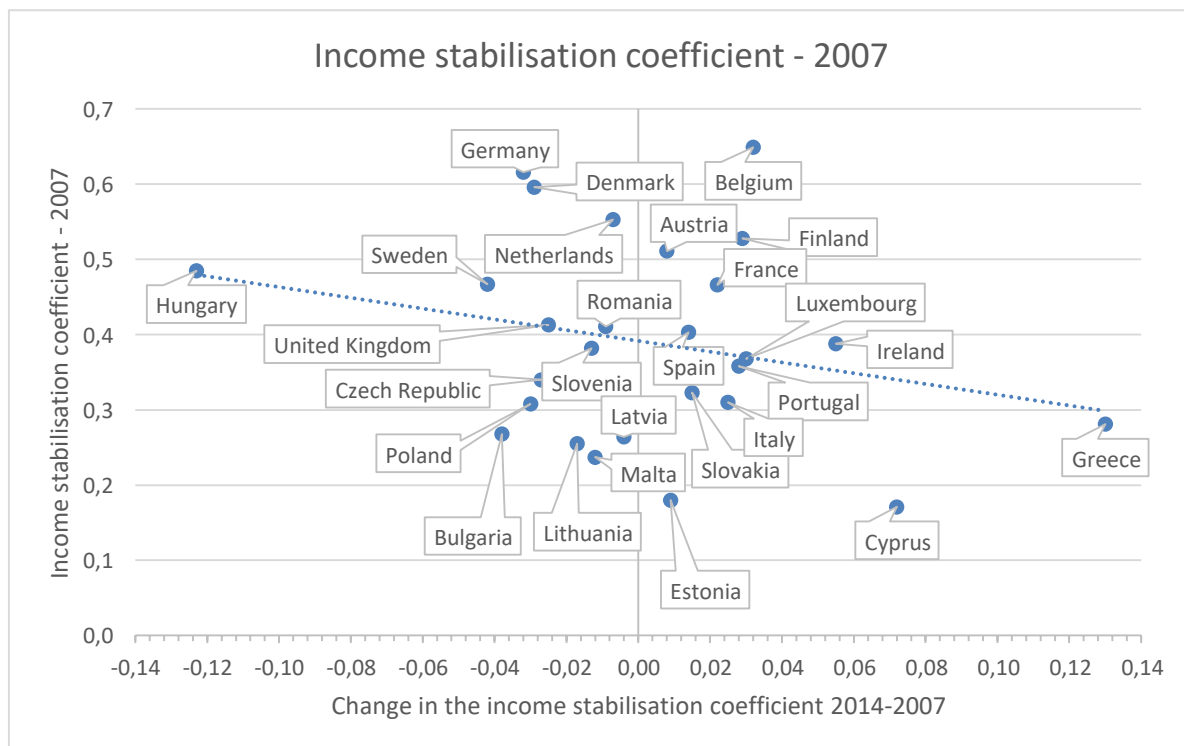
A study of what effects the individual unemployment benefit schemes have on macro indicators (such as the national level of employment or the unemployment rate) is beyond the scope of this

²³ <https://statistiques.pole-emploi.org/indem/indempub/201152>

research report. However, general insights into the macroeconomic function of unemployment benefit schemes can be gained from a recent study.

Dolls et al. (2019) study the automatic stabilisers in the EU Member States in the period from 2007 to 2014 and show that the level of heterogeneity between the countries remains very high. The authors calculate stabilisation coefficients which indicate what proportion of a hypothetical labour market shock is cushioned by each country's tax and benefits system. Figure 10 below shows the results in the case of an unemployment shock which, like the income shock in the simulation, leads to a 5 per cent reduction in the gross income of all households. The chart's y-axis shows stabilisation coefficients for 2007. The change in the stabilisation coefficients from 2007 to 2014 is depicted on the x-axis. The stabilisation coefficients for 2007 range between 0.17 (Cyprus) and 0.65 (Belgium). The average stabilisation is 0.42 in the euro area, and 0.44 in the EU-27. The stabilisation coefficients are above the EU average in most Scandinavian and western European countries, and often below average in southern and eastern European countries. In most cases, the changes are relatively small. Germany had a very high value of 0.616 in 2007, which declined to 0.584 by 2014; France, meanwhile, had a stabilisation coefficient of 0.466 in 2007, which rose to 0.488 by 2014. Dolls and Peichl note that the relation between the income stabilisation coefficient in 2007 and the values in 2014 is generally negative.

Figure 10: Income stabilisation coefficients for European countries, 2007 and 2014



Source: own chart based on Dolls and Peichl 2019.

7. Summary and outlook

The unemployment benefit schemes in France and Germany have, as this study has shown, many traditional common features. In a Europe-wide comparison, the two schemes have to be classified as being relatively similar. This is true, at least from a historical perspective, when it comes to funding, the types of benefit and governance structures. The generosity of the benefits is also similar in both countries, according to most indicators.

Since the 2000s, however, there have also been divergent trends. These were primarily the result of Germany's Hartz reforms, which included a shift from a three-tier to a two-tier system and which limited the social partners' role in the design of benefits. The latter now represents a major difference compared to the situation in France. However, the French unemployment benefit scheme has undergone significant reforms in recent years, which can in some respects be interpreted as renewed convergence with the German development trajectory. For example, the role of the social partners has been reduced (albeit to a lesser extent than in Germany); there has been an intensification of activation measures and sanctions for jobseekers, particularly with the most recent reforms, which is very similar to the approach taken in Germany; and the wage replacement rate for very high incomes has been limited. The main impetus for reform is likely to have been the French unemployment insurance scheme's much weaker financial situation compared to Germany's, although this is not caused solely by the scheme itself and is also due to the completely different labour market situation. Another difference which should be highlighted is that the French system is more fragmented than Germany's, with individual occupational groups, particularly in the public service, receiving separate benefits.

Overall, it can be said that Germany and France have unemployment benefit schemes, which show a high degree of compatibility in terms of their underlying philosophy, the type and level of benefits, and funding. The different roles of the social partners, which continue to have more influence on the design of benefits in France, would be relevant in any further convergence of the schemes.

Overall, a common development trajectory is recognisable in both countries, which, in the absence of disruptive change, could lead to very similar systems with the following features:

- A two-tier system of unemployment insurance benefits and a means-tested minimum income scheme, which can also be used to top up low earnings from work
- Moderate eligibility requirements for unemployment insurance by European standards, in terms of the qualifying and framework periods
- A period of entitlement of more than one year and, within this period, increasing use of activation measures (at present, older jobseekers are entitled to receive benefits for longer periods in both countries)
- A high level of coverage as a result of the elimination of special arrangements for various occupational groups
- Average net wage replacement rates by European standards (at present, major differences still exist in the level of generosity for those on high incomes)

At the same time, however, social policy challenges are emerging which highlight a need for reforms in both countries. One such challenge is dealing with short-term employment contracts. In this context, a difficult balance needs to be found between improving access for those with fragmented employment histories (for example in the form of Germany's recent extension of the framework period) and avoiding de facto subsidies for flexible employment practices being provided by the unemployment benefit scheme. Such practices have been regarded as a serious problem in France in

recent years and the current reforms have specifically sought to tackle them (including by increasing the qualifying period, especially when it comes to the renewal of existing entitlements); meanwhile, the separate scheme for artists remains in place. In the framework of future convergence, Germany could benefit from France's experiences. In particular, the plan for contributions to be based on the proportion of fixed-term employees in a company (an experience rating) from 2021 is a noteworthy policy. Variable contributions are intended, in principle, to create incentives for more long-term employment and to prevent the costs of flexible employment strategies from being passed on to the community. To achieve this, however, the increase in the contribution rate must be noticeable. It is possible that this kind of approach could allow a moderate reduction in the qualifying period (and thus better integrate people with precarious employment histories into the unemployment insurance scheme) without subsidising excessive use of fixed-term contracts.

A similar challenge involves how to deal with own-account workers, for example in the growing creative industry. Neither the French nor the German system is ultimately designed to provide protection from entrepreneurial risks, even if the self-employed have recently been included in the unemployment insurance scheme to a limited extent. For example, it is often impossible in practice to determine whether a cessation of business or interruption of work is voluntary and whether suspensions periods would therefore have to be imposed. On the other hand, own-account workers face substantial social risks, which currently cannot be covered by the traditional welfare state.

Finally, both countries still have scope to increase human capital investments during periods of unemployment. Some European countries offer more far-reaching measures in this context, which could prove to be a valuable investment in an era of rapid technological change.

At the start of this study, the question was posed as to whether a comparison of the German and French schemes would reveal obstacles to or opportunities for a European unemployment (re)insurance scheme.

From a purely technical perspective, no obstacles exist for France and Germany in this context, as such a European unemployment insurance scheme would not require any harmonisation of the various schemes; it would be a "minimal scheme" which is likely to already be fulfilled by most of the other euro area countries. The basic idea of a European unemployment insurance scheme is for it to act as an automatic stabiliser in the context of asymmetric business cycles and a common monetary policy. The obstacles here appear to lie less in differences between the schemes, and more in the question of how transfers are to be organised against the background of long-term macroeconomic divergence. This involves, for example, the highly political question of how structural unemployment and cyclical unemployment are defined.

One possible scenario for the introduction of a European unemployment insurance scheme without harmonisation, which is advocated by Dullien (2015), for example, is a basic form of protection with a common European risk pool. This basic protection would deliberately be kept at a low level – with a net wage replacement rate of around 50 per cent, for example – and could be expanded in each country in line with social preferences. If, for example, a country set a net wage replacement rate of 67 per cent, insured additional groups of people (on privileged terms) or enabled unemployed people to receive benefits after a shorter qualifying period, these would constitute additional benefits which could be financed by national funding. There would thus be two parallel systems: a minimal European scheme (which would very likely be lower than the level in Germany and France), and various additional benefits which would remain in place. There would be no noticeable difference for the public. Part of their benefits would simply be financed by a different fund.

However, even such a permissive system raises questions regarding the necessary level of convergence. For example, these parallel systems would have to be linked by a single activation

regime. After all, it is not possible to require someone to fulfil different levels of conditionality for the “national” and “European” components of their unemployment benefit, for example.

This final aspect is also relevant from a political economy perspective. Ultimately, a European unemployment insurance scheme not only needs to be technically feasible; it also requires legitimacy and support via democratic processes. Indeed, a recent experimental study shows that strict conditionality increases acceptance of a European unemployment insurance scheme (Kuhn et al. 2020). In this respect, it therefore seems desirable, and perhaps even necessary, to agree on a uniform standard for the approach to be taken to jobseekers. The euro crisis has shown that transnational solidarity often fails because of perceived differences in cultural preferences (in terms of “work ethic”, for example). Without transparent and at least partially standardised criteria, it is likely to be difficult to win popular support for a project of this kind. Against this background, it is noteworthy that Germany and France are following an increasingly similar philosophy with regard to activation measures and sanctions, in particular. More generally, a consensus on stricter activation measures for jobseekers seems to have emerged in many European countries in recent years.

Current models of a permanent European unemployment reinsurance scheme require even less harmonisation of national schemes than in the case of a European unemployment insurance scheme (Dolls and Peichl 2019). Instead, these models are based on payments by the Member States, which result in disbursements for a limited period in the event of substantial rises in unemployment triggered by a shock, i.e. a significant, short-term divergence in unemployment rates; this would stabilise the national unemployment insurance schemes and thus the economies of the Member States. On the whole, unemployment reinsurance is thus regarded as a less far-reaching means of achieving economic stabilisation without intervening in the individual national systems. More far-reaching harmonisation is not considered necessary in this context. That said, the fiscal sustainability of the national unemployment insurance schemes in “normal” times can be seen as an important criterion for political acceptance of such models. The discussion about a European set of core parameters (“minimal parameters” or “basic protection”) for the design of unemployment benefit schemes can continue to contribute to this. In any case, the models in Germany and France appear similar enough to be able to be included in a European solution.

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