

# Risk Sharing When Unemployment Hits: How Policy Design Influences Citizen Support For European Unemployment Risk Sharing (EURS)

## *Executive Summary*

Results of a survey experiment by the University of Amsterdam (the Netherlands)



With support of INAPP (Italy)<sup>1</sup>



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## Why conduct a survey on public support for cross-border risk sharing?

In the aftermath of the Eurozone crisis, the European Commission has argued repeatedly that the European Monetary Union has to be completed by automatic fiscal stabilisers. Welfare states have built-in automatic stabilisers that cushion economic shocks; for instance, unemployment benefits support the purchasing power of people who lose their job. The argument with regard to the European Monetary Union is that a monetary union needs mechanisms to buttress or complement the automatic stabilizers of its member states. To achieve this, one of the options would be the re-insurance of national unemployment benefit schemes at the Eurozone level. Another option, tabled by the European Commission, would be a scheme that supports Member States' public investment capacity when they are hit by a crisis and have to cope with reduced revenue and increased spending on unemployment benefits. Both options share a common insight: it is important that Member States' automatic stabilisers can play their role in times of crisis whilst simultaneously their public investment capacity is protected; therefore, the monetary union has to be, to some extent, an 'insurance union'.

However, are EU citizens ready to share the risk of unemployment crises hitting their countries? This remains a crucial, yet unresolved question. This report sheds light on that question, on the basis of a survey conducted in 13 Member States, covering 70% of the EU's population, involving 19641 respondents. Risk sharing can be organized in many different ways. Thus, the generic idea that the stability of the European Monetary Union can be bolstered by the cross-border sharing of risks related to unemployment shocks has led to a large variety of detailed policy proposals. Our survey is designed to take that large diversity as much as possible into account and to translate it to citizens of all straits of the population in an understandable way. The core idea in all the policy variants we tested is that a new European policy would support unemployment benefits in countries that are in need, due to a significant increase in unemployment. Therefore, we refer to our core idea as 'European Unemployment Risk Sharing' (EURS). Our results show that the specific design of policies, aiming at particular modes of risk sharing, matters for public support among citizens. They also highlight differences in support across countries, and differences among citizens related to their social and economic condition and their personal world view.

## Our main conclusions

Our evidence leads to the following conclusions with regard to European unemployment risk sharing (EURS):

- Fundamental opposition to EURS is confined to a relatively small segment of the population.
- Citizens are sensitive to the design of EURS: although this sensitivity differs across countries, they generally tend to prefer packages that are more generous (more generous means: a larger amount of European subsidies and, thus, a higher guaranteed minimum

level of unemployment benefits in the participating countries), that require countries to offer education and training to all their unemployed citizens, that entail no tax increases, and that require individual beneficiaries to fulfill at least some conditions (e.g. accept a suitable job offer).

- Generous packages can carry majorities in each of the countries in our sample, even if a generous package would require additional taxation (whether that would indeed be the case is not something we discuss; this is not more than a hypothesis which we test). In some countries, domestic redistribution from rich to poor of the eventual tax burden (if there would be a tax burden) is necessary to rally sufficient support.
- In most countries, support is larger if the implementation of EURS is decentralized: this adds to arguments developed elsewhere that one should not try to build a true European benefit scheme but a *re-insurance* scheme that supports national benefit systems with lump sum transfers.
- In all countries, support increases if EURS is associated with *social investment* policies, that is, a good combination of training, education and activation.
- A debate that exercises the policy community a lot, i.e. the question how tolerant the scheme should be with regard to structural between-country redistribution, seems less important for citizens, when they express preferences, than for policymakers. This is not to say that such debates are not important; but other issues – such as education, training and activation requirements – seem to carry more weight for citizens' judgment.

Rather than insurmountable polarization, we observe room for constructive democratic deliberation.

### **Our methodology: a survey experiment with 'conjoint analysis'**

In order to explore citizens' attitudes with regard to these complex questions, we fielded a focused survey experiment. We confronted all individual respondents with three pairs of two alternative policy options (hence, six policy options in total). We thereby asked respondents two sets of questions: for each pair, they had to tell us which of the alternative policy options they would prefer; and for each of the six policy options they had also to indicate whether they would strongly oppose it, somewhat oppose, somewhat support it, or strongly support it (or, neither support nor oppose it). Thus, we simultaneously gathered information about relative preferences across alternative policy packages, and information about the absolute level of support or resistance against these policy packages.<sup>3</sup>

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<sup>3</sup> In addition to questions about the policy packages, we ask questions about: (a) the respondent's age, level of education, citizenship and residence on a NUTS2 level, main activity in the recent past, income level and main source of income, and household composition; (b) the respondent's personal experience with unemployment,

The alternative policy options share a number of features (in our report, we call these ‘the fixed points’); but they differ importantly across six dimensions (in our report we label these ‘the moving parts’).

The ‘fixed points’ of all the policy packages judged by our respondents are the following:

- 1) The disbursement of European support for a Member State is triggered by significant increases in unemployment in that Member State; the scheme does not generate a permanent cash flow to each Member State.
- 2) European support is earmarked to unemployment benefits: it is used to subsidize national unemployment systems.
- 3) The scheme sets a common floor to the generosity of unemployment benefit levels in all the participating countries. The respondents are informed that the participating member states can provide unemployment benefits that are higher than the common floor, but at their own expense.

The ‘moving parts’ are related to six dimensions, across which policy packages differ. We make respondents think about a ‘*generosity*’ dimension (D1), a ‘*training and education*’ dimension (D2), a ‘*between-country redistribution*’ dimension (D3), a ‘*taxation*’ dimension (D4), an ‘*administration*’ dimension (D5), and a ‘*job search effort dimension*’ (D6). Concretely, the moving parts differentiate the policy packages as follows:

- 1) The *generosity dimension* concerns the generosity of European support when a country is in need, and – intrinsically related to this – the level of the common floor for unemployment benefits that is set in all the participating countries. Three levels of European support/common floor are envisaged; they are expressed as a percentage of the last wage, covering the first six months of unemployment: (i) 40%, (ii) 60%, or (iii) 70%.
- 2) The *training and education dimension* concerns the presence (or absence) of a condition that countries must fulfill to obtain support: (i) either there is no condition to obtain support, or (ii) the participating countries must offer training and education opportunities to all their unemployed citizens.
- 3) The *between-country redistribution dimension* refers to the following question: may some countries, in the long run, receive more support from the scheme than they pay into it? Here, we make a distinction between (i) a ‘pure insurance’ scheme, whereby in the long run countries cannot receive more support from the scheme than they paid into the

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feelings of economic insecurity and his/her perception of the evolution in his/her relative income position; (c) the respondent’s general socio-economic ideology, electoral preferences, values, religion and identity; (d) the respondent’s opinion on the responsibility of governments to secure a decent standard of living for the unemployed, the actual standard of living of the unemployed in his/her country and the job search effort of unemployed people; (e) the respondent’s trust in trade unions, in national institutions and the EU, and in the current political leaders in his/her country and the EU; (f) the respondent’s concern with globalization, trade and migration and other societal problems.

scheme (no between-country redistribution in the long run); (ii) a ‘tolerant’ scheme, which allows any kind of between-country redistribution that might emerge in the long run; (iii) a ‘redistributive’ scheme: next to insurance against severe unemployment shocks, it deliberately generates distribution from rich to poor countries.

- 4) The *taxation dimension* concerns the long-run impact on levels of taxation in the respondents’ own country. Three scenarios are tabled: (i) no long-run impact on levels of taxation; (ii) taxes will increase with 0,5% of income for everyone in the country; (iii) taxes will increase with 1% of income, only for the rich in the country.
- 5) The *administration dimension* distinguishes schemes that are (i) administered by the European Union and schemes that are (ii) administered by the national governments. One may interpret this as a distinction between a ‘genuine European unemployment benefit scheme’ (whereby an EU fund would cash out benefits directly to individual European citizens) and a ‘re-insurance’ scheme (whereby an EU fund disburses lump sum budgetary transfers to Member States, but the whole unemployment benefit system remains national); but the survey does not go into that level of detail, and tests the general sensitivity of respondents to ‘European’ versus ‘national’ administration of such a scheme.
- 6) The *job search effort dimension* concerns conditions applying to individual unemployed people. We distinguish three scenarios: (i) there are no conditions for unemployed people; (ii) the unemployed must accept any suitable job or lose the benefit; (iii) the unemployed must apply for at least one job per week, and accept any suitable job offer, or lose the benefit.

These ‘moving parts’ generate 324 different combinations of policy options ( $3 \times 2 \times 3 \times 3 \times 2 \times 3 = 324$ ): all 324 alternative policy packages organize cross-border risk-sharing, but each policy package does it in a different way. Each of our 19500 respondents has been confronted with 6 packages, drawn *randomly* from the total set of 324 alternative policy packages. In order to obtain robust conclusions about the respondents’ attitudes and their sensitivity to alternative design options, it is crucial that they are confronted with the result of a random draw. This methodology is called a *survey experiment with conjoint analysis*.

It is important not to misunderstand the nature of our ‘moving parts’, for instance with regard to the taxation dimension. We are *not* saying that implementing cross-border risk sharing would imply either no tax increases or tax increases equivalent to 0,5% of incomes. These figures are meant to indicate to respondents that some packages come with extra contributions for unemployment insurance whilst other packages may not imply extra contributions; ‘0,5%’ and ‘1%’ are simple figures that convey that message, nothing more.

Whilst there are some important ‘fixed points’ and a number of ‘moving parts’, some design features are left open in the survey: issues related to the coverage of the benefits<sup>4</sup>, whether or not the scheme can issue debt<sup>5</sup>, which countries would participate and whether or not it would be limited to the Eurozone<sup>6</sup>, and details of the financial and administrative operations.<sup>7</sup> We motivate this choice in detail in the report.

Our 324 packages cover the essence of the huge diversity of outstanding policy proposals in a way that is both relevant and accurate, but also accessible to respondents. It differentiates fundamental modes of risk-sharing, rather than going into any detail. It is, to the best of our knowledge, the first time that such a complex ‘policy design’ problem, referring to policies that respondents *have to imagine* since they do not yet exist in practice, is fielded in a survey. We wanted to avoid the risk of making that exercise in imagination too complex for respondents.

### A sample drawn from 70% of the EU population

The survey was implemented in Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Netherlands, Poland, and Spain. These countries vary considerably with respect to their level of economic development, their welfare state model (notably the generosity of their current unemployment benefit systems, the strictness of their policies vis-à-vis people living on unemployment benefits, i.e. the availability requirements, the monitoring of job search efforts, the sanctions that are applied); their economic performance over the last 10 years, their geographical location, the length of their membership of the EU, and their membership of the Eurozone. Fieldwork was conducted by means of an online panel, by the survey company IPSOS and took place in October and November 2018; it assured a representative sample in each country.

### Nudging and judging the respondents: a careful approach

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<sup>4</sup> National unemployment benefit systems differ considerably in terms of their coverage of the unemployed, because of different waiting periods, eligibility rules and labour market institutions. The logic of the schemes we propose to respondents is that they also imply some guidelines with regard to the coverage of the unemployment benefits. This is bound to be an aspect of any concrete policy proposal in this domain, but we do not confront respondents with it. The quality of the scheme, in terms of the generosity it entails, is captured by a focus on the level of the benefits, expressed as a simple linear percentage of the last wage (thus also making abstraction of minima, caps, differentiation on the basis of household composition, etc.).

<sup>5</sup> Whether or not such a scheme can issue debt, is a salient policy question. The issuance of debt allows the intertemporal smoothing of shocks, which means that the functionality of the scheme is not limited to so-called ‘asymmetric shocks’, hitting only one or a limited number of countries. The issuance of debt is not mentioned in the survey experiment. But the framing and the wording of the questions are compatible with debt issuance, and the respondent is nudged to think in a long-term perspective, which, in actual practice requires an intertemporal perspective (for instance, the questions on between-country redistribution and taxation explicitly refer to ‘long run’ impacts).

<sup>6</sup> The question which countries participate is not part of the survey; the survey is framed in terms of ‘EU Member States’, which implies that it is not necessarily limited to the Eurozone (two countries in the sample do not belong to the Eurozone).

<sup>7</sup> We do not confront respondents with precise mechanisms that would ensure ‘pure insurance’ (such as ‘experience rating’ of contributions paid by participating countries, or ‘claw-back’ mechanisms). Neither do we confront them with the exact, administrative way in which the schemes would be funded.

We did not nudge the respondents by referring to the potential positive outcomes of risk-sharing schemes, or to potential pitfalls. The positive outcome expected from cross-border risk-sharing is more stability everywhere, and, as consequence, less unemployment and lower social security contributions in the long run. We do not mention this to our respondents, which means that we undersell the proposal: it is presented in terms of principles of ‘need’ (across countries) and solidarity (implicitly, not using the word). Neither do we mention potential pitfalls related to moral hazard: countries may become less worried about the risk of severe unemployment crises, and therefore less pro-active in their overall policies, when there is some insurance against severe crises; the incentives for individuals to avoid unemployment (or to find a new jobs as soon as possible) may diminish when the upshot of the scheme is that benefits become more generous. However, in our ‘moving parts’, the *education and training dimension* and the *job search effort dimension* can obviously be interpreted by respondents as remedies to moral hazard, both at the level of national policies and at the level of individual behavior by benefit recipients. In this sense, the problem of moral hazard is present in the survey’s design, and these questions may nudge respondents to think about the risk of moral hazard.

In the analysis of our results, we take into account three phenomena, which are inevitable in such a survey design: inattentive respondents, inconsistent respondents, and inconsistent packages.

Since we want respondents to reason about differences in policy design, lack of attention can be seen as a problem, at least if the aim is to present the results of *considered judgment*. On the other hand, lack of attention is a reality in the formation of personal opinions and the views of ‘inattentive citizens’ cannot be discarded out of hand. Our survey includes an attention check, which allows to eliminate *inattentive respondents*, i.e. respondents that show, by the *end* of the survey, that they are no longer attentive (or simply not attentive) to detail. We present our main results with the exclusion of the respondents that fail this attention check; this eliminates 19% of the respondents. In addition, we also provide results with inclusion of those respondents.

Respondents are confronted with three pairs of alternative packages: they have to tell us their preferences over each pair, and indicate their absolute level of support (or resistance) for each single package. A respondent who chooses package A over package B, and then expresses a higher level of support for B than for A, gives, *prima facie*, an *inconsistent response*. If this happens two or even three times, the respondent is *repeatedly inconsistent*. Again, the views of such inconsistent respondents cannot be discarded out of hand in a democratic political process; but if our aim is to present the results of considered judgment, they pollute the analysis. The share of respondents who give one (and only one) inconsistent response is 11,9%; we consider this a relatively low figure, given the complexity of the questions tabled. Only 2,6% of the respondents are repeatedly inconsistent. We present our main statistical results with the exclusion of repeatedly inconsistent respondents. Eliminating both the inattentive respondents and the repeatedly inconsistent respondents eliminates 20,6% of the respondents.



The random generation of policy packages is necessary to draw robust conclusions with regard to the sensitivity of respondents to changes in the individual dimensions of the policy design. Yet, random combinations inevitably create (*prima facie*) internally inconsistent packages. To take one example: if the scheme is based on the ‘pure insurance’ option, in the long run there are no net beneficiaries and no net contributors at the country level. Taking a long-run perspective (with smoothing out of temporary fluctuations), this implies the following: if the domestic level of taxation in country X does not increase, it is not possible to improve the generosity of the current benefit level in that country X, since it cannot rely on structural external support to do that. Consider, for instance, Estonia, a country in which the level of generosity of unemployment benefits is very low today. An Estonian respondent who is confronted with a package that combines ‘pure insurance’, ‘no extra taxation’, ‘a benefit (at least) equal to 70% of the last wage for the first 6 months of unemployment’, has to judge a package that is – in Estonia – not feasible in current conditions (it might be feasible if unemployment would further decrease, or if other social programmes are cut or public deficits allowed to increase, but that is not something proposed in our survey). The example shows that the internal inconsistency of a package is a country-specific feature: there is one country in our sample, in which a 70% target for the level of benefits (for the first 6 months of unemployment) without any additional domestic funding is not *prima facie* unfeasible.

Given the nature of our research we can only make a rough judgment about which packages are, *prima facie*, internally inconsistent. For our main conclusion, we zoom in on packages that are internally consistent.<sup>8</sup>

### First observations: limited fundamental opposition, differences across countries

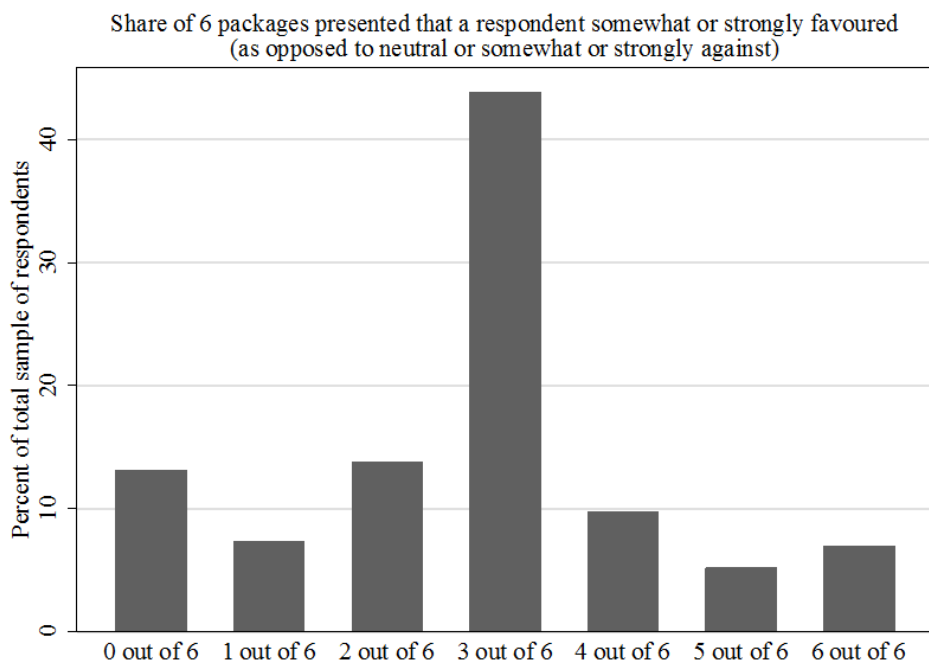
Fundamental opposition to cross-border risk-sharing is limited: less than 10% of the respondents rejects the majority of the six packages they reviewed (whereby ‘reject’ means: somewhat oppose or strongly oppose). We also considered the converse pattern, the share of respondents who positively support (somewhat or strongly support) three or more of the six packages they saw: this share is equal to 66%.<sup>9</sup> This is shown in Figure ES1.

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<sup>8</sup> The report makes a distinction between internal inconsistency of the ‘free lunch’ type, and internal inconsistency of the ‘cheap talk’ type. The report also sheds light on the problem of *external inconsistency of package combinations*. *External inconsistency* refers to a combination of preferences across countries, which would be incompatible if they would be implemented simultaneously. Consider for instance the following situation: preferences expressed in countries X, Y, Z imply the receipt of structurally redistributive transfers (in the long run) from other countries, whilst in all the other countries the preferred option is ‘pure insurance’, which excludes structural redistribution in the long run: it is not possible to combine these preferences in an EU scheme. Our analysis allows to highlight both these external inconsistencies and the existence of unique packages that would mobilize sufficient support to be accepted in each of the countries under review. Figure ES4 in this Executive Summary illustrates this.

<sup>9</sup> This figure does not change when we exclude all packages (for respondents in all countries) that might be internally inconsistent, on a large construal of that notion, because they combine a generosity level of 70% and no increase in taxation. The percentage increases marginally (to 66,9%) when the respondents who fail the attention check are also excluded.

Figure ES1: Fundamental support for packages, pooled sample, 13 countries

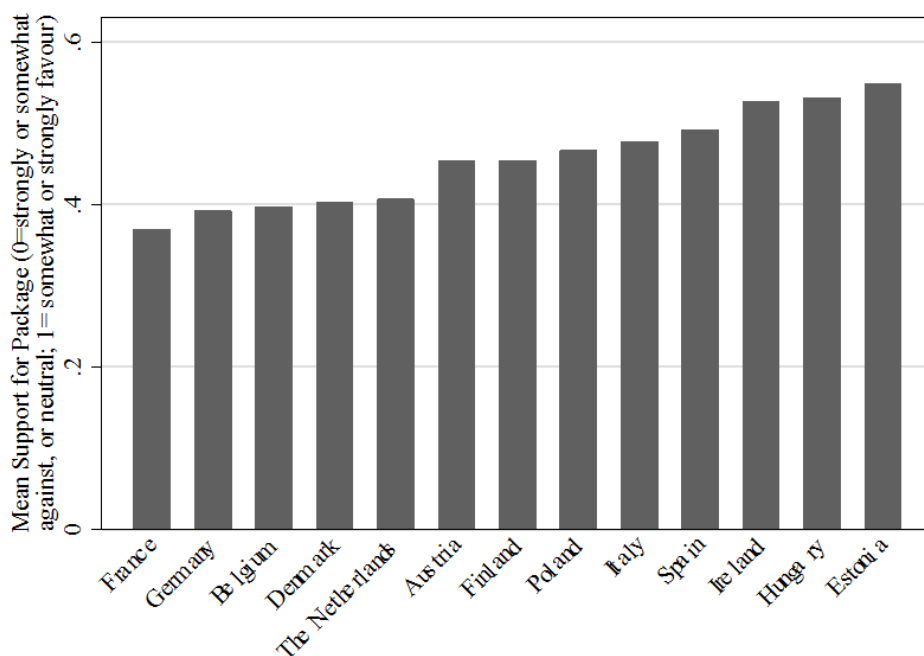


Reading note at Figure ES1

The bar in the middle shows that 44% of all respondents, over all countries, say that they are ‘somewhat in favour’ or ‘strongly in favour’ with regard to 3 out of the 6 policy packages with which they are confronted. The bar on the far left shows that 12,9% of all respondents say that they are ‘somewhat in favour’ or ‘strongly in favour’ for *none* of the 6 packages they have seen (in other words, the attitude of 12,9% of the respondents with regard to all 6 packages is either ‘somewhat against’, ‘strongly against’, ‘neither in favour nor against’).

Levels of support however differ across countries, as shown in Figure ES2. Figure ES2 displays the ‘mean level of support’ per country, over all packages seen by respondents:

Figure ES2: Mean support for packages, by country



Reading note at Figure ES2

In France, ‘mean support’ is equal to 38%; in an (imaginary) series of ‘votes’ by French respondents on *all* the packages they have seen, 38% of the votes would be ‘somewhat in favour’ or ‘strongly in favour’. In Estonia, ‘mean support’ is equal to 55%. Please note that the ‘vote’ is about *all* the packages seen by the respondents, including packages that are far less popular than other packages.

Intuitively, the pattern that emerges is that mean support is lower in most of the richer countries with mature and well-established welfare states (notably France, Germany, Belgium, Denmark, the Netherlands). It is considerably higher in the poorer member states, with less developed welfare states (such as Estonia and Hungary), and in member states that have been hit hardest by the Eurozone crisis (in our sample: Italy, Spain, Ireland).

Respondents are sensitive to the design of the scheme. They generally tend to prefer packages that are more generous (70% wage replacement), that require countries to offer education and training to their unemployed, that entail no increased tax burden, and that require individual beneficiaries to fulfill at least some conditions (e.g. accept a suitable job offer). However, interestingly, this sensitivity differs across countries.

Our survey allows much more fine-grained analysis than what is presented here, notably with regard to the impact of individual socio-economic characteristics of respondents, the impact of their world view, and how these individual features interact with differences in the design of the policy. Our report sheds some light on such individual-level determinants of support. An unsurprising observation is that a positive attitude towards the EU increases support for an EU

initiative to organize cross-border risk sharing. More surprising is the finding that, simultaneously, the type and purpose of the risk sharing proposed in our survey attracts marginally more support from people with low incomes than from people with high incomes. This will be explored in additional academic publications.

### Potential majorities in each country

Our survey allows us to *predict* levels of support for specific packages, as if a vote would have been cast. Obviously, one should be cautious when deriving ‘predicted votes’ from survey results, but our method provides the most robust evidence to do so. Figure ES3 shows predicted levels of support when all countries are pooled, as if an (imaginary) supranational vote would take place. The *bars* capture the share of voters who somewhat or strongly support a specific EURS package (whereby EURS stands for ‘European Unemployment Risk Sharing’), relative to those who declared either support or opposition. In other words, the bars assume that ‘neutral’ answers (‘neither in favour nor against’) are not voting, or, when forced to vote in favour or against, would split in a proportional way between the support and oppose camps. The *solid horizontal lines* on each bar show the share of support assuming that all ‘neutral’ respondents would turn against the package when the vote is cast. Thus, the top of the bars and the solid horizontal lines indicate an upper and a lower bound.

Figure ES3: Predicted Vote for Sample Packages, Pooled Sample (13 countries)

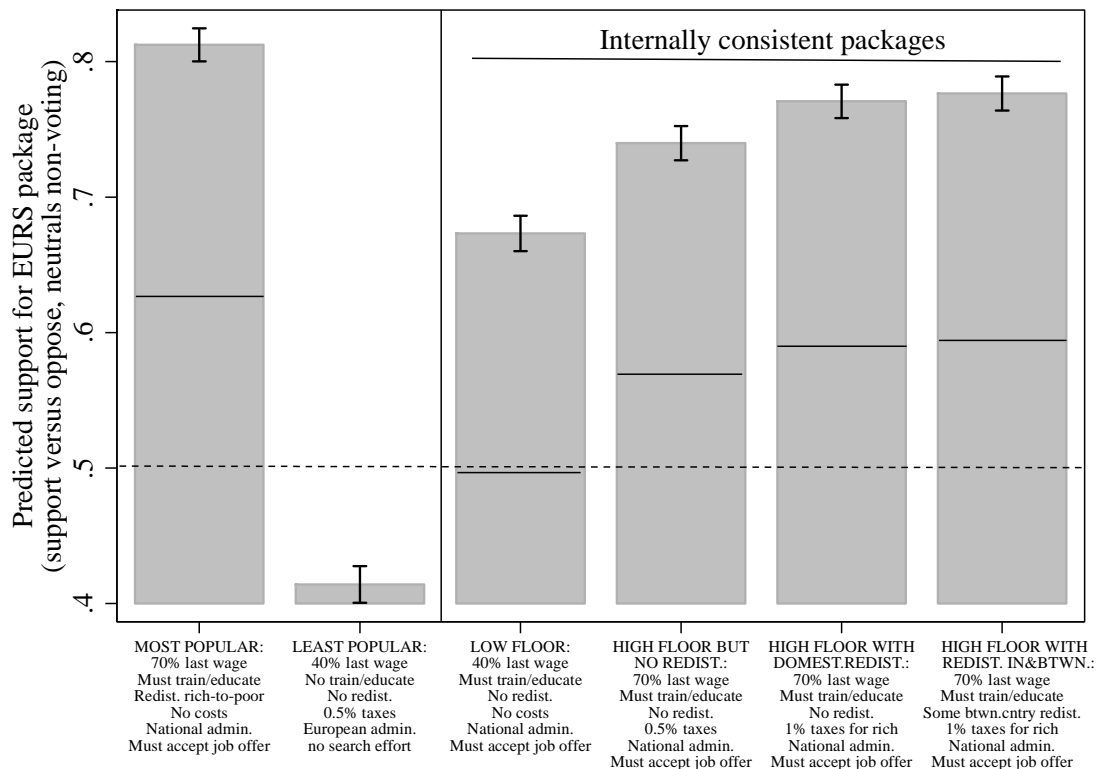


Figure ES3 focuses on six EURS packages. The first two packages are only interesting in theory: the first (starting from the far left of the graph) is the ‘most popular’ and the second is the ‘least popular’ package. Both are internally inconsistent and clearly not viable as political projects. The most popular package (more than 80% of the vote, excluding neutrals) is a ‘free lunch’ where respondents want the most generous assistance without having to pay anything extra for the assistance. We consider this as internally inconsistent in most of the countries under review. The least popular (somewhat more than 40% of the vote, but no majority) is also internally inconsistent, since it combines a low common floor for the benefits with a general increase in taxation, whilst such a low common floor does not require an increase in taxation. Its lack of popularity is due to the increase in taxes and the low level of generosity, and the fact that no conditions apply to participating countries and their unemployed citizens.

The remaining four packages represent mixes that are *prima facie* internally consistent. They are roughly ascending in generosity and character of domestic and between-country redistribution. As can be seen by the descriptions of each, not all dimensions vary. For instance, it’s clear that respondents tend to prefer that participating countries provide training and education for their unemployed; that administration be at the national (rather than European) level; and that individual beneficiaries should be required to at least accept a suitable job offer. Hence we keep these three features constant. But we differentiate along three dimensions:

- *generosity*: a package that subsidizes 40% of the last wage versus a package that subsidizes 70% up the last wage (for 6 months);
- *between-country redistribution*: a package that does not allow between-country redistribution in the long run, in contrast to a package that tolerates between-country redistribution;
- *taxation*: a package that implies no extra taxation in the respondent’s country in the long run, a package that implies a long-run increase of taxation of 0,5% of income for everybody in the respondent’s country, and a package whereby taxes only increase for the rich (by 1%).

Table E1 summarizes the features of these packages, which we label *LOW FLOOR*, *HIGH FLOOR & NO REDISTRIBUTION*, *HIGH FLOOR & DOMESTIC REDISTRIBUTION* and *HIGH FLOOR & DOMESTIC AND BETWEEN-COUNTRY REDISTRIBUTION*.

Table ES1: Features of the four internally consistent EURS packages under review in Figure ES3 and ES4

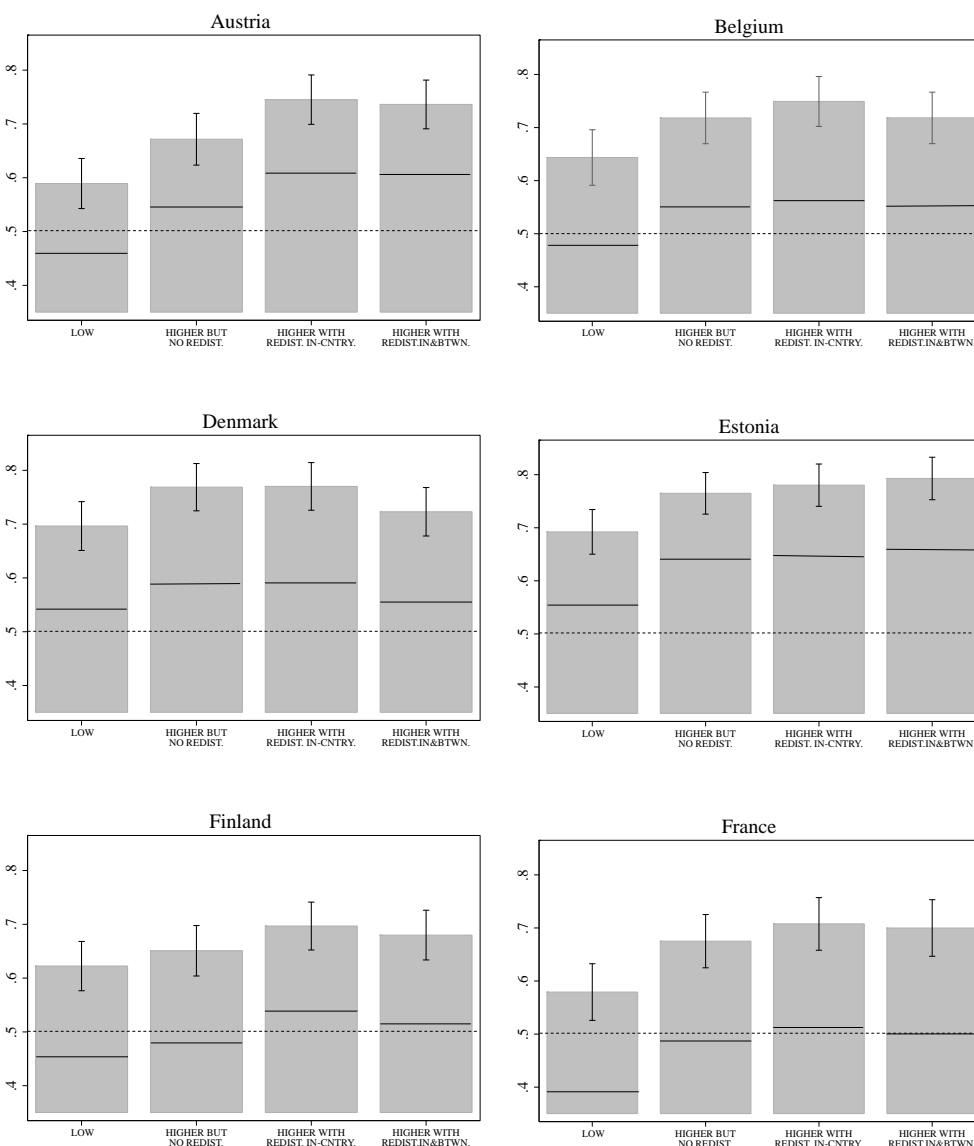
	LOW FLOOR	HIGH FLOOR, NO REDISTRIBUTION	HIGH FLOOR & DOMESTIC REDISTRIBUTION	HIGH FLOOR & DOMESTIC AND (possibly) BETWEEN-COUNTRY REDISTRIBUTION
D1	40%	70%	70%	70%
D2	the participating countries must educate and train			
D3	no between-country redistribution in the long run			tolerant: in the long run any between-country redistribution is possible
D4	no extra taxation in your country	everybody pays 0,5% extra in your country	the rich pay 1% extra in your country	
D5	national administration			
D6	unemployed people must accept any suitable job, or lose the benefit			

Across these internally consistent packages, Figure ES3 displays a quite clear pattern of Europeans tending to prefer packages that are more generous and entail more redistribution – particularly within countries through progressive taxation, but also between countries by allowing participating countries to draw on more from the insurance facility than they pay in. The LOW FLOOR package has the least predicted support: 65% when ‘neutrals’ are excluded, but just under 50% should one assume all neutrals vote against the package. The remaining, more generous and redistributive packages are above the 50% threshold, even one assumes that all neutrals would vote against. The package that our models predict would receive the most voter support is that which combines a generous replacement of last wages with redistribution within countries and tolerance for distribution between countries in the long run.<sup>10</sup>

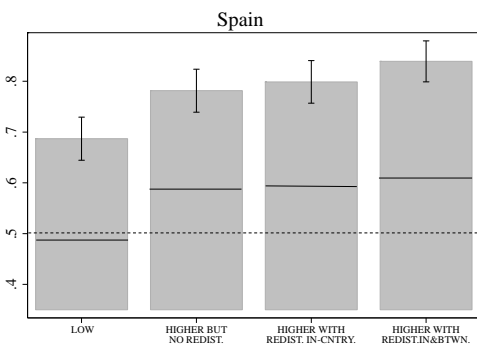
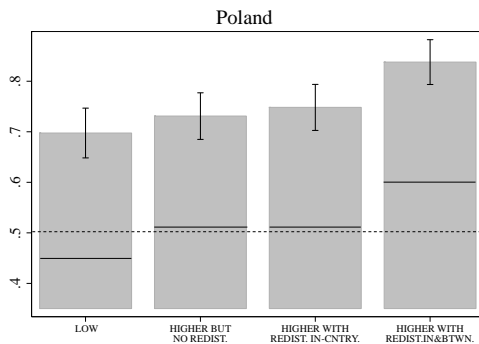
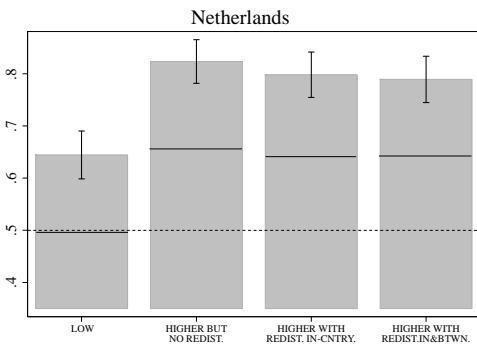
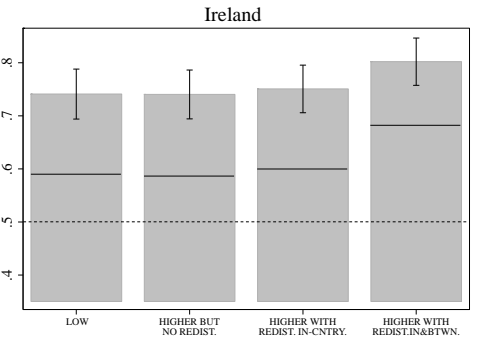
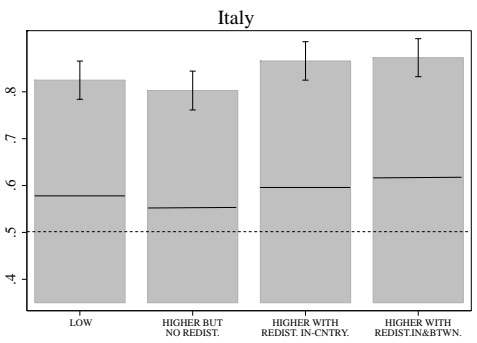
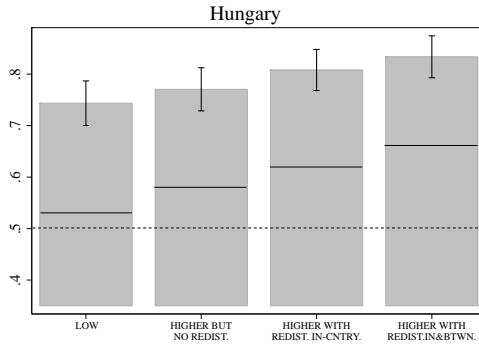
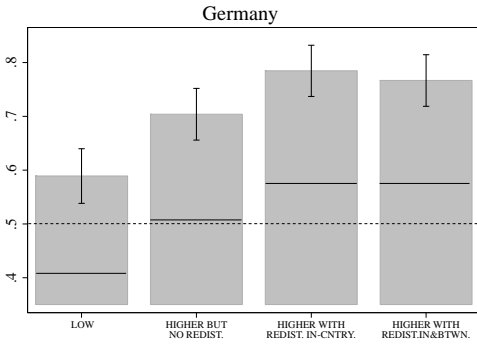
<sup>10</sup> These packages feature the second variant of the ‘between-country redistribution’ dimension, as explained in the section on methodology (cf. *supra*): they *allow* redistribution, but do not impose it; the third variant in the ‘between-country redistribution’ dimension *imposes* redistribution from rich to poor countries. The differences in support

Political deliberation on a European unemployment risk sharing will not be based on a supranational vote, but on decision-making in the European Council. Therefore, the country-specific patterns are also important. Figure ES4 shows the results per country.

Figure ES4: Predicted Vote for Sample Packages, by Country



between the second and third variant are small. The second variant can be understood as most conform to the principle that countries ‘in need’ always deserve support, even if in the long term they turn out to be net beneficiaries of the scheme. ‘Need’ here refers to severe unemployment problems, rather than being a poor country; protecting against unemployment shocks is the core, principled rationale of the scheme, rather than redistribution from rich to poor. To the extent that respondents buy into this rationale, this may explain why there is generally marginally more support for the second variant than for the third variant, even if the differences are very small.





### Reading note at Figure ES4 (for Italy)

In the graph on Italy, the *bars* show the share of Italian respondents who somewhat or strongly support four specific EURS packages (whereby EURS stands for ‘European Unemployment Risk Sharing’), relative to those who declared either support or opposition. In other words, the bars assume that ‘neutral’ respondents (‘neither in favour nor against’) are not voting, or, when forced to vote in favour or against, would split in a proportional way between the support and oppose camps. Support expressed by Italian respondents always surpasses 75%, but is higher for the packages with HIGH GENEROSITY and DOMESTIC REDISTRIBUTION (with between-country redistribution adding hardly anything in terms of support). The *solid horizontal lines* on each bar show the share of support assuming that all ‘neutral’ respondents would turn against the package when the vote is cast: even in that case, there would be majority support by our Italian respondents for the 4 policy packages shown.

Figure ES4 reveals important country-specific patterns that can deviate from the pooled pattern captured by Figure ES3. Space forbids going into the detail of all the interactions between a respondent’s country and that respondent’s sensitivity to particular design features of the scheme, interactions that emerge from this analysis. In most of our countries, citizens prefer more generous and more redistributive programs. But there are two countries, Ireland and Italy, that prefer (modestly) less generous insurance. Additionally, a number of countries are not particularly more enthusiastic about packages that have domestic redistribution (compared to an across-the-board modest tax burden to pay for the programme). This applies to Belgium, Ireland, Poland – but is most marked in the Netherlands. Finally, compared to the pooled Figure ES3 pattern, a number of countries are substantially more or less enthusiastic about both domestic and between-country redistribution. The countries that are particularly enthusiastic about this redistributive combination are Poland, Estonia, Ireland and Spain. And the countries that are substantially *less* enthusiastic about such cross-country and domestic redistribution include Austria, Belgium, Denmark, Germany and the Netherlands. This is, of course, a predictable split in terms Euro-zone political economy and net debtor and creditor status, and the pattern comports with earlier studies suggesting very divided support in Europe for particularly cross-nationally redistributive European schemes.

However, the take-home message is that the *HIGH FLOOR* packages carry potential majorities in each of the countries under review. Whether or not between-country redistribution further enhances support, or reduces it, depends on the country. In some countries, domestic redistribution of the eventual tax burden (if there would be a tax burden) is necessary to rally sufficient support (France and Finland). The *domestic* distributive impact of an eventual increase in taxation would obviously be a matter for domestic decision-making, and not something to be decided jointly in the Council.

### Pointers for policies

The aim of our report is not to debate the potential benefits and pitfalls of European unemployment risk sharing (EURS) and the intrinsic pro’s and con’s of specific design features.

We focus on what they mean for public support. The examination of citizens' attitudes towards EURS nevertheless leads to some pointers for policy-makers:

- fundamental opposition to EURS is confined to a relatively small segment of the population;
- citizens are sensitive to the design of EURS: although this sensitivity differs across countries, they generally tend to prefer packages that are more generous, that require countries to offer education and training to their unemployed, that entail no tax increases, and that require individual beneficiaries to fulfill at least some conditions (e.g. accept a suitable job offer);
- generous packages can carry majorities in each of the countries in our sample, even if a generous package would require additional taxation (whether that would indeed be the case is not something we discuss). In some countries, domestic redistribution of the eventual tax burden (if there would be a tax burden) is necessary to rally sufficient support;
- in most countries, support is larger if the implementation of EURS is decentralized: this adds to arguments developed elsewhere that one should not try to build a true European benefit scheme but a *re-insurance* scheme that supports national benefit systems with lump sum transfers;
- in all countries, support increases if EURS is associated with *social investment* policies, that is, a good combination of training, education and activation;
- A debate that exercises the policy community a lot, i.e. the question how tolerant the scheme should be with regard to between-country redistribution, seems less important for citizens, when they express preferences, than for policymakers.