Programs Support Individuals through Unemployment Insurance and Wage Subsidies

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Original post here.

Governments are providing extraordinary relief to the unemployed during the COVID-19 pandemic. Countries are both extending existing coverage and establishing temporary new income-support programs to help individuals who have been furloughed, lost their jobs, or face an imminent layoff. Key considerations for these programs include:

1. Channel: What is the channel for providing the benefits?
2. Size: What is the monetary value of the benefits provided?
3. Private-sector Funding: Do employers share the cost?
4. Eligibility: Who is eligible to receive the benefits?
5. Length: What is the timeframe for the benefits?
6. Administration: How does the individual receive the benefits?

Channel

Governments can provide income support directly to individuals or through their employers. Standard unemployment insurance programs provide direct support and payments to individuals who are laid off. In response to the COVID-19 pandemic, the US CARES Act expands existing unemployment insurance benefits. Australia replaced existing unemployment insurance programs with the expanded JobSeeker Program. The Australian government also announced the Coronavirus Supplement, which provides an additional AUD $550 every other week to eligible individuals.

The other channel is through the employer, which is common in some European countries. The European Commission for example, has announced a plan based on the German Kurzarbeit, or “Short-Time Work Scheme,” which provides wage support to eligible employers who would otherwise lay off employees due to a forced suspension or reduction of work. During the Global Financial Crisis, this program supported more than 1.4 million individuals. In response to COVID-19, multiple countries are adopting or expanding temporary short-time work schemes, such as France, Austria, Australia, Denmark, New Zealand, and others. Though the support is based on employer eligibility, the aid ultimately benefits the individual who would otherwise be unemployed.

Size

Governments may base the size of a benefit on an individual’s average earnings or pay a flat rate to everyone, regardless of their prior income. Australia's JobKeeper program pays a flat rate of AUD 1,500 per employee every other week, which is the equivalent of 70% of the median wage in Australia. Greece will provide EUR 800 per month to all individuals who are unable to work due to the COVID-19 pandemic. The New Zealand wage subsidy program provides a weekly flat rate payment based on the employee’s average weekly hours: $585 for those working more than 20 hours per week, or full-time, and $350 for those working less than 20 hours per week.
Most European countries provide benefits based on a replacement rate, that is, a percentage of an individual’s average earnings. Replacement rates vary across countries but are typically between 60 and 80 percent. For example, Germany pays 60% of lost wages or 67% for people with children. Belgium provides direct benefits equal to 70% of an individual’s prior average earnings. In Belgium, individuals can also receive additional daily allowances if they lose work.