

# The **founding models** of the unemployment indemnification system

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## European comparisons

The comparative study of the various European unemployment insurance systems relies on the prior distinction of the traditional conceptions on the basis of which the social protection regimes were built:

- a conception based on employment which creates a right to a substitution income linked to the carrying out of a professional activity (the Bismarckian model);
- a conception based on the belonging to the national community which gives a right to benefits to the members of the national community, in their capacity as citizen, regardless of their carrying out a professional activity or not (the Beveridgian model).

These two fundamental approaches are traditionally indicative of, on the one hand, the logic whereby one is insured and, on the other hand, of the logic where one is assisted. They differ from one another by the principles on which they are based, and by the characteristics resulting thereof (including the financing, architecture of the system, parameters of the indemnification).

The result of different social histories and implementation contexts, the various European insurance systems, whilst heterogenous, all refer to one of these two archetypes, without however being the strict transposition thereof. Thus, the comparison of the systems may only be conducted in the light of these founding principles.

Let us now study these models, which the recent developments of the French unemployment insurance system – in its financing notably – invite us to challenge again.

### The Bismarckian model of social protection: a professional insurance-based logic

The German social protection system was developed at the end of the 19<sup>th</sup> century around a contributive social insurance logic. At the beginning of the 1880s, the chancellor Otto Von Bismarck had thus initiated a policy of social reforms and given Germany an income security system based on the principles of social insurance. This social protection system aimed at protecting the workers by guaranteeing them an income in the event of an illness (1883), work accident (1884), incapacity or old age (1889). It was only thirty about years later, at the beginning of the 1920s, that the first features of an unemployment insurance were sketched.

The Bismarckian model is a model of **interprofessional solidarity** against social risks. The fundamental novelty lies in the **compulsory and national** nature of the insurances, which specificity can also be found in the following characteristics:

- With respect to the beneficiaries: **the acquired rights derive from the salaried employee status**, as contributor to the financing of the system (initially, all the workers and employees of the industrial sector whose salaries were below a certain amount, and then extension to insured categories and creation of derivative rights to the benefit of the worker's family members). The protection is, as a result, limited to the salaried employees, who, via their work, become entitled to rights;

- With respect to the objectives pursued and the technique used: the social insurances aim at **compensating the loss of salary** and at safeguarding the standard of life. **The contributions and the benefits are proportional to the salaries** of the affiliates. In terms of organisation, the system is self-administered by the social partners which are jointly in charge of the management of the funds (*caisses*). The expenses are allocated between the insured and the employers, along variable terms depending on the sectors (the State participates to the financing only with respect to pensions).

## The Beveridgian model of social protection: a universal insurance-based logic

The period following the Second World War is a period of renewal, both from an economic point of view and in terms of ideas and conceptions in social protection matters. William Beveridge – a British economist and politician whose works at the beginning of the century had already led to the adoption of a law on the health insurance, disability insurance and unemployment insurance – set out, in his report of 1942<sup>1</sup>, the theoretical basis of a new doctrine. This report constituted a key step in the history of the social protection and of the welfare State.

Based on a **national solidarity logic**, Beveridge's doctrine broadened the scope of application of the Bismarckian regime by relying on three large principles: **unity, universality and uniformity**.

The unity principle applies to the organisation of the mechanism, and consists in unifying all the social insurance regimes into a national insurance system placed under the aegis of a single authority. This **management unity** is due to the universality of the protection system implemented.

The universality principle, Beveridge's main contribution to the modern conception of social protection, calls for an **extension of the protection to all citizens and social risks**. The persons protected are no longer exclusively determined by their belonging to the salaried employees category. Now, all citizens are covered and each person is recognised specific rights.

The uniformity principle is based on the conception of the social protection as such. The system is financed by a single contribution and the benefit paid is identical for all in the event of a loss of income. This logic reflects the refusal to include, into the social protection domain, the disparities observed in the primary distribution of incomes. The main objective of the social security system is to guarantee a **basic egalitarian protection**, not to guarantee a person's former standard of living.

The British social security plan uses the social insurance and assistance techniques, but Beveridge recognizes an **absolute priority to the social insurance technique**. The national assistance must remain complementary and limited. It must apply to persons who do not meet or no longer meet the conditions for being entitled to rights to benefit from the insurance and to those who have specific needs (in terms of care for example).

*« The protection granted by the assistance must be felt by the person as being less favourable than the protection granted by the insurance; otherwise the insured person will be entitled to nothing in consideration for his/her contribution. (This is why) the assistance will give rise to a justification of the needs and a review of the resources; it will also be subject to conditions of behaviour, the objective of which will be to accelerate the restoration of the means of existence ». (Beveridge Report of 1942 n°369)*

Beveridge's works influenced other European States – except Germany which remained attached to its social insurances – but these countries did not all translate this objective in the same manner.

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<sup>1</sup> W. Beveridge, Report to the Parliament on social security and ancillary benefits, November 1942.

## Bismarck's and Beveridge's influence on the social protection systems in Europe

The States which remained faithful to the Bismarckian logic generalised their protection system (progressive extension to all the workers, then to the salaried employees and licensed professionals (*professions libérales*)), whilst maintaining the carrying out of a professional activity as a condition to become entitled to rights. This is notably the case of Germany, which historically follows this model, but also of Belgium, Luxembourg, The Netherlands or Switzerland, with various arrangements depending on the countries.

The States which are sensitive to Beveridge's doctrine, such as Great-Britain, Ireland or Sweden, established a universal regime, along two variations of the universality principles, which both suppress all reference to the professional activity:

- The « contributive » universality, the founding principle of the national insurance, whereby everyone has to contribute;
- The « human rights » universality, which leads the national collectivity to recognise itself as debtor of the benefits .

In this European landscape, the French model of protection against the social risks, historically organised in the socio-professional context, borrows elements from the Bismarckian model and from the Beveridgian model. The recent developments of the unemployment insurance regime, with respect to financing, scope of intervention, or even governance, make it a regime which, although built on the basis of a professional insurance, now incorporates elements of the Beveridgian model.

## In summary

	Bismarckian model	Beveridgian model	
Objectives	Maintain a standard of living and guarantee a substitution income	Fight poverty and cover the primary needs	
Principles	Interprofessional solidarity	National solidarity	
Techniques	Insurance	Insurance	Assistance
Beneficiaries	The salaried employees and their families	The entire population (Universality)	
Benefits	Contributive Proportional to the salaries	Contributive Fixed and identical for all (Uniformity)	Non-Contributive Fixed and identical for all (Uniformity)
Financing	Contributions calculated on the basis of the professional income	Social contributions and taxation	Taxation
Management	Role of the social partners in the governance	State (Unity of management)	

Source: Unédic