



European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

AUSTERITY FOR THE UNEMPLOYED

ETUC AUSTERITY WATCH NR 2

Unemployment benefit systems saved the economy from a full blown depression. Thanks to benefits, workers that lost their jobs could maintain demand, thereby averting the danger of job cuts triggering further job losses.

Unfortunately, and similar to the case of public finances and deficits, finance ministers twist things around so that unemployment benefits suddenly get transformed from a shield against depression into a structural problem. Unemployment benefits are now considered to be 'subsidized leisure'. In this way, unemployment becomes the fault of the unemployed themselves and too generous social systems, not the fault of a lack of demand in the economy.

Not even the IMF still takes such a simplistic attitude to unemployment benefits: In a recent study, together with the ILO, the IMF finds that benefit systems do not tend to prolong the period during which unemployed remain without a job. Any correlation between benefits and longer unemployment spells can only be found for cash constrained households, implying that unemployed in such households are forced to take up any sort of jobs out of necessity in the absence of cash benefits.

Nevertheless, several European countries are now using austerity in order to renew with the policy of 'making work pay' by cutting the generosity and the duration of unemployment benefits (see overview in table). This will weaken the economy in several ways: Unemployed that do not find a job will still be forced to cut back on spending and demand. Employers, knowing that the unemployed do not much of an alternative, will downgrade wages and working conditions and overall demand will be even more weakened. And finally, when the next economic crisis comes, benefit systems will be so much hollowed out that they no longer provide a shield against the downwards spiral of lower demand generating even lower demand.

Organising the witch hunt on unemployment benefit systems

Denmark	Max duration from 4 to 2 years. It becomes harder to re earn right to unemployment benefits. Trade unions are looking to increase job protection as a result.
Sweden	Lower benefits, higher fees. Fees now depend on unemployment risk in each sector
Germany	Benefit cuts for the long term unemployed
Switzerland	Duration reduced, job suitability criteria strengthened
Estonia	In return for easier firing, government committed to increase benefits from 50 to 70%. However, the government renounced on this.
Czech Republic	Criteria are about to be tightened
Spain	Temporary agency work agencies get a say in granting benefits to workers

Source: ETUC annual collective bargaining questionnaire.