Austerity measures across Europe

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Introduction: The austerity spectrum

With the exception of Switzerland, the nine countries in this following discussion[1] are members of the EU and therefore not fully independent in their reactions to the financial crisis of 2007-2008; evidence suggests that the role of the institutions of the EU and the European Central Bank (ECB) have been considerably strengthened in the wake of the crisis, particularly when the Eurozone crisis erupted in late 2009.

The initial response to the meltdown, prompted especially by the US Federal Reserve and the Bank of England, was to bailout collapsing financial institutions and stimulate the market through quantitative easing. However, the European focus since has predominantly been on implementing austerity policies to try and tackle government deficits.

Austerity measures have been pursued by governments of all colours, with measures that seek to reduce government spending by slashing department budgets, which inevitably leads to reducing welfare payments and cutting public sector jobs. For some, such as Prime Minister David Cameron in the UK, this has been taken further to a call for a permanently 'leaner' state.

There is a clear spectrum of severity when it comes to the austerity measures being implemented by governments across Europe. Austerity drives in Germany, Switzerland and Sweden have been moderate, and they generally mirror the weaker effects the 2007-2008 financial crisis had in these countries. This isn't to say there's been no acknowledgement of financial constraints; for instance, in Germany the narrative of *Sparpolitik* ('savings') and balancing the books is a prevalent one, but it isn't that new and it doesn't match the swingeing reforms being pursued in other countries. France didn't make it through the financial crisis unscathed but policy responses there haven't necessarily had a fundamental impact on labour market policy or the social security system.

However, the severity of austerity measures increases when we look at Poland and the UK. Here governments have introduced wide-ranging policies to cut public spending, with plenty more to come. And at the far end of the spectrum we find the most considerable austerity drives which, as expected, are those places hit hardest by the financial crisis: Italy, Spain and, most notably, Greece. In fact, the reforms in Greece have been 'all embracing', leaving practically no section of society unaffected.

Yet austerity-driven reforms of the welfare systems in these nine countries have been less comprehensive than might have been expected, especially in light of recent academic and public debates. There has arguably not been a revolution, but rather a constant gnawing erosion of the social security safety net. And what matters most is that this is happening alongside changing patterns of employment in the labour market which predate the financial crisis.

A precarious labour market

The labour market across Europe has clearly become more precarious since the financial crisis and job losses aren't the only indicator of this. For instance, according to the OECD, since 2008 the percentage of part-time workers who consider their work status to be involuntary has, with the exception of Germany, increased across all nine countries in the LIVEWHAT study. In 2013, it ranged from 6% of part-time workers in Switzerland to a staggering 66% in Spain, with almost half of part-time workers in Greece and Italy in this position, and a third in France (OECD Stat, 2014). Across all of the European Union this amounts to around 8.5 million people who might consider themselves lucky to have jobs, but are in need of more hours.

The most worrying labour market trends however are for the youth of Europe. In February 2014, unemployment rates for those aged 15-24 in the EU were double the overall unemployment rate. In the third-quarter of 2014 youth unemployment rates in Greece and Spain stood at over 50%, and at over 40% in Italy. In Sweden, Poland and France over a fifth are unemployed, a rate matched in the UK in 2012-2013 before it appeared to drop to around 17% in 2014. Much lower rates of 11% and 8% are recorded in Switzerland and Germany, respectively (OECD Stat, 2014).

Furthermore, of those who are employed in this age range, around 50% or more are in temporary contracts (the exception being Greece and the UK, where the numbers are much lower, at 27% and 16%, respectively). Worse still is the issue of entrenched youth unemployment, that is, those who have been without work for over a year: these account for over 50% of the unemployed youth in Greece and Italy, about 40% in Spain, and around a quarter in the UK, Poland, France and Germany (OECD Stat, 2014).

In the last two years these problems appear to be abating, but only slightly, and it isn't yet clear if this improvement is a definite trend. As it stands, a report from the House of Lords (2014) described the youth in Europe as being a potentially 'scarred generation'. Whilst the details vary from country to country, the report further acknowledges that the financial crisis rarely caused these problems, but accentuated existing and long-term structural issues that have been present in labour markets since the 1980s. Yet, when it comes to getting people into work during times of austerity, the overriding narrative of government responses across Europe has been focused not on structural issues but on the individual worker.

Austerity and flexicurity

In the UK the idea of worklessness being the fault of the individual, as opposed to the fault of the labour market, was most clearly articulated by the Freud Report, commissioned by New Labour and published in early 2007 – before anyone recognised the financial crisis was about to unfold.

This approach to the problem of unemployment chimes with the idea of 'flexicurity', an increasingly popular approach to labour policy. The idea is to create a job market in which workers are *flexible* and expected to accept the heightened loss of jobs if there is some *security* provided by unemployment benefits and other help such as further training (see Crouch, 2014).

The problem with an approach that emphasizes flexicurity is that during an austerity drive it is easier to do the first part (removing people from work), but harder to organise and fund the apparatus to achieve the second part (helping people get work).

For instance, let's say we want to dismiss a *middle-aged man who has been employed in the private sector for twenty years*. In Germany, he should be informed about the dismissal seven months in advance, while in Greece the period is four months (it was six months until 2010). In Poland, Switzerland, and the UK the period is only three months whilst in Spain he gets 15 days (it was a month until 2010). Collective agreements affect the notice period in France, Italy and Sweden.

If we dismiss *a young person with a short working history of six months*, then the notice period is significantly shorter – from one week in UK to four weeks in Germany, Greece, Sweden or Switzerland. In France and Italy, the notice period is still dependent on collective agreements.

Now let's say we're being dismissed, and we think our dismissal was unfair. If we wanted to argue such a case, we might find it a considerable struggle. Focusing just on the UK, as of April 2012, the length of required work at a company before an employee can claim for unfair dismissal was extended from one to two years. Consultation periods for large-scale redundancies were halved and compensation was capped. Workers making applications to employment tribunals must now pay charges of up to £1,200.

Yet even as dismissal times are reduced (or inadequate to begin with) and claims against unfair dismissals are made harder, not everyone is covered by them anyway: particularly workers with short-term contracts. Many younger workers in Greece, Italy, Poland and Spain are completely excluded from employment protection (see detailed analysis of this in McKay et al., 2012). And the next stage of worker dispute – taking strike action – has also been made more complicated. For instance, in the UK, stricter requirements on Trade Unions to keep their membership lists up-to-date or face fines were snuck through in the Transparency and Lobbying Bill of 2014.

So flexibility of the labour market has been on the increase – what about the security? It is quite clear that during the austerity drive, state support for the unemployed across Europe has not increased in scope to match. Most safety nets are not increasing at all. In fact, in many instances across Europe unemployment benefit has been frozen, reduced or capped, most dramatically in Greece, where the amount received for basic unemployment benefit was cut by 22% in 2012. Eligibility for receiving unemployment support has been made stricter in France, Spain, the UK, and in Poland, where budgets for services aimed at the unemployed were also cut by 50% in 2011. Finally, sanctions against those who do not follow the benefit conditions have generally increased; taking the UK again as an example, in the second half of 2010 there were 387,000 sanction decisions applied to people claiming Job Seeker's Allowance. By the second half of 2013 this stood at 473,000 (DWP, 2014).

So whilst it's clear that austerity measures which cut government spending will worsen the situation of public sector employees, we can expect negative long-term impacts on people in work or seeking work across all areas of employment. Because of imbalance in the flexicurity approach – weighted towards the creation of a flexible workforce – it doesn't even require large austerity drives or radical overhauls of the social security system for these problems to materialise for people out of or even in work. Italy serves as a clear example here as social insurance has remained more or less stable – even becoming more generous in specific areas – but it fails to cover an increasing proportion of the workforce: those who can only get temporary or freelance contracts.

Conclusion: Not revolution but erosion

This combination of austerity and flexicurity, then, has knock-on effects. For instance, standard maternity/paternity pay is linked to employment, as is saving up a pension. In some cases health insurance is an issue. Across these nine countries sick pay has escaped the worst of the cuts but it too has generally been made less generous (the UK sticks out here as the only country where the statutory sick pay is a flat-rate amount not linked to income: equal to only 17% of the median weekly wage). Whilst austerity has gripped Europe for half a decade, the long-term and cumulative effects are still yet to be felt.

Overall, reforms of the social security systems across Europe have been less comprehensive than might have been expected in light of recent media, public and academic debates. These systems still exist, even in Greece. There has not been a revolution in which the safety net has been completely withdrawn. However, governments everywhere are making the holes in these nets bigger, whilst simultaneously jobs become less secure and harder to get. In Europe the UK sits about halfway on the spectrum of severity when it comes to these issues, but this isn't a time to celebrate that we aren't at the bottom. What it shows is that the UK is not alone in travelling in a direction that points towards further insecurity and hardship for most workers. As this erosion continues, and if living costs continue to outstrip wage increases, another phenomena intensifies: working poverty. It reflects badly on governments if even those citizens in full-time work are struggling to get by; this does not happen under a 'leaner' state, it happens under a neglectful state.

Note

[1] *Based* on the analysis of policy documents and over 100 interviews with key informants in government and civil society the LIVEWHAT project (http://www.livewhat.unige.ch) has

compared welfare policy changes and austerity measures from 2005-2014 across nine European countries: France, Germany, Greece, Italy, Poland, Spain, Sweden, Switzerland and the UK. This project was funded by the European Commission under the 7th Framework Programme (grant agreement no. 613237).

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