

THE DURATION OF UNEMPLOYMENT BENEFITS IN EUROPE

To provide a safety net for the unemployed is one of the central tasks of social policy. It protects those affected and their families against a sudden loss of income. At the same time it gives them an opportunity to seek new employment. However, the granting of unemployment benefit, unemployment assistance and welfare benefit, which are the forms taken by this safety net, does not merely realize the aims of social and labor-market policy. It is also an important cause of the high rate of unemployment in the low-wage sector. The level of these payments drives the wages upwards for which the unemployed are willing to work. And the period during which they are granted affects the intensity of their efforts to find a new job.

In most European countries, the period during which unemployment benefits are granted has remained unchanged in recent years. Only Austria and Sweden have extended the basic period of benefit for the older unemployed. Now, however, the German government is planning a radical reform of its system of income compensation. In his government declaration of March 14, 2003, Chancellor Schröder announced a reform of unemployment benefit and the abolition of unemployment assistance. Thus the period over which the unemployed are entitled to full benefits is to be

reduced. All those younger than 55 will only be eligible to draw them for twelve months. Up to now the threshold had been fixed at 45 years. From the age of 55, the maximum period for full entitlement will be reduced from 32 to 18 months. Moreover, the requirement for recipients of unemployment benefits to accept work will become much tougher. Those no longer entitled to unemployment benefit will only receive unemployment benefit of *category II* at the same level as welfare benefit.

The reduction of the period of granting benefits will shift Germany to a middle position among European countries. The longest periods of unemployment benefit are granted in Belgium (unlimited) and Denmark (four years). France, the Netherlands and Norway also grant long benefit periods, but make eligibility dependent on the applicant's age and duration of employment. At the other end of the spectrum are Great Britain and Italy. Great Britain grants unemployment benefit for only six months. In Italy, unemployed persons from the age of 50 can draw another three months of benefit on top of the standard six months (see diagram).

Unemployment assistance is granted for an unlimited time in Belgium, Finland, France, Germany, Ireland and Austria. Portugal and Spain continue to pay it for a limited period after unemployment benefit runs out. After the abolition of unemployment assistance, Germany would join countries such as Denmark, Great Britain, Italy and Sweden.

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