# European governments end furlough schemes amid jobs massacre

By Richard Tyler
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The first response of governments in Europe and around the world to the developing coronavirus pandemic was to protect profits and private wealth. Various forms of grants, interest-free loans, and other schemes funnelled trillions from the public purse into the accounts of shareholders and the super-rich.

The scale of this state-funded largesse dwarfed even the bailout of the banks following the 2008 crash.

With coronavirus infections spiralling exponentially, and massive public pressure to protect lives by stopping all non-essential production and other social activities, such as keeping schools open, governments belatedly imposed various forms of lockdown. Millions faced the prospect of losing their paycheques. The spectre of mass protests developing that could rapidly careen out of the control of the usual reformist and trade union channels forced the introduction of various measures to provide some degree of income protection.

Furlough schemes were introduced in most Western European countries, providing state finances to subsidise the payrolls of companies who could no longer operate due to the pandemic.

Nevertheless, while multi-billionaires such as Jeff Bezos and Elon Musk saw their already grotesque wealth increase during the pandemic, workers saw their incomes fall, or disappear altogether. Now, with COVID-19 cases approaching 4 million in Europe and over 207,000 deaths, workers are being driven back into unsafe factories, offices and schools so that the flow of profits can be restored and increased. To that end, furlough schemes are either being phased out or the level of support cut back, to provide an economic imperative to return to work.

It is estimated that over the course of pandemic, the wages of more than 40 million workers in Europe were covered by the state. Without these payments, the employers would undoubtedly have fired millions straight away.

In Britain, the Job Retention Scheme (JRS) has covered up to 10 million workers and provided employers 80 percent of gross wages, to a monthly income limit of £2,500. The government's homicidal back to work agenda has significantly reduced the number of workers on the furlough scheme down to about 12 percent, according to a survey of businesses by the Office for National Statistics.

There was no compulsion for employers to make up the other 20 percent of wages not paid by the JRS, meaning many low-paid workers placed on furlough saw a significant cut in their monthly pay packet. The level of state subsidy was reduced in August and will fall to 70 percent this month and 60 percent from October, with the scheme ceasing altogether from November 1.

In France, 2 million workers remained on the "partial unemployment" scheme in July, down from a high of around 11 million. The level of support has been reduced from 84 percent of net salary, falling to 60 percent in October, although the duration of the scheme has been extended and employers will pay a larger share.

In Spain, temporary furlough scheme payments known as ERTEs, which cover up to 70 percent of salary, are due to expire in September. Between April and May, 3.4 million Spanish workers were furloughed, reducing to 843,000 in August as the Socialist Party/Podemos government pushed the back-to-work drive.

The scheme, already prolonged twice, is due to expire at the end of September. A tripartite meeting between government officials, unions and employers' organisations is set for September 4 to discuss prolonging it again. Spain will receive some €21.3 billion from the European Union's recently established SURE (Support to mitigate Unemployment Risks in an Emergency) towards its "social shield." There remain some 550,000 Spanish workers left without receiving any benefits or subsidies.

In Italy, the programme paying furloughed workers for up to 18 weeks is to be extended to the end of the year, with a ban on firings. However, the share paid by the employer is set to increase, meaning many companies will simply lay off workers rather than pick up the tab.

In Germany, the system of Kurzarbeit (short-time working) can pay up to 87 percent of net wages. At the height of the lockdown, 10.1 million workers were on furlough, including a third of the workforce in industry. In May, 7 million workers received such payments, with the number falling to 5.6 million in July. The coalition government is extending the programme until the end of 2021.

In the Netherlands, the furlough scheme will expire at the end of September. In Portugal, it ended in most cases in July. Greece has extended its measures to the end of September, but workers only receive a pittance of €534 if they do not work for a month.

**Mass unemployment threatens**

Governments have paid the wages of private sector employees, with corporations benefitting from the state-funded bailout to the tune of hundreds of billions of euros. The same firms have responded by massively downsizing their workforces. The number of layoffs has steadily risen throughout the course of the pandemic. Employers have been able to use the time to bring forward long-planned restructuring measures that threaten tens of millions of jobs in Europe.

A recent study by the think tank McKinsey Global Institute estimated that 59 million workers in Europe—over a quarter of the entire workforce—are in jobs that are seriously at risk.

"The future of work in Europe" found that the coronavirus crisis had strongly affected Europe's labour markets, which it says, "may take years for employment to return to its pre-crisis levels."

According to the authors, the areas most threatened are wholesale and retail (14.6 million), accommodation and food (8.4 million) and a substantial number in manufacturing and construction.

The threat to employment arises not simply from the pandemic, but from longer-term structural changes that have far-reaching consequences. McKinsey lists automation and AI (artificial intelligence) as the two most significant factors that will impact on jobs. The report argues that nearly 70 percent of jobs at risk due to automation are also threatened by COVID-19, which could "accelerate some displacement [a euphemism for mass sackings] once projected to take 10 years."

Those most likely to lose their employment are low-skilled workers, with 80 percent of jobs at risk (46 million) held by people without a degree.

Christophe Catoir, president in France of recruitment and employment agency Adecco, spoke of a "huge wave of restructuring coming, especially in Germany, France and the United States." September and October would see an additional 1 million unemployed in France, "not just people on short-term work, but highly skilled people."

Senior research manager at the EU's research arm Eurofond, John Hurley, said, "unemployment is going to come home to roost, especially when generous furlough programmes start to ease off." There is "going to be a shakeout, and it's going to be fairly ugly."

The prospect of a jobs massacre was underscored in the comment of Governor of the Bank of England Andrew Bailey, who said it was "unlikely" that many jobs will return after the crisis.

In an August 22 piece, the *Economist* magazine warned, "Mass unemployment threatens," in presenting the brutal situation facing British workers. Millions will be thrown onto the dole "as the furlough scheme winds down and the deepest recession for a century hits employment."

"The official unemployment rate, as of the end of June, was just 3.9%—remarkably low at any time, let alone when GDP had dropped by more than a fifth. America's June figure was 11.1%. It has stayed low in Britain because of the furlough scheme, under which the government paid 80% of the wages of employees."

It continued, "Britain produces its unemployment figures with a two-month lag, so nobody knows what the jobless rate is now; but huge redundancies are being announced."

The magazine cited predictions by the Bank of England that unemployment is set to nearly double to 7.5 percent and around 12 percent by the Office for Budget Responsibility. Other surveys predict unemployment may treble to nearly 15 percent.

It concluded. "Britain will soon have neither a furlough scheme nor generous unemployment benefits. Universal credit [welfare benefit] was increased by just £20 a week at the budget in March. The replacement ratio—the percentage of their previous income that British workers receive from benefits—is among the lowest in the OECD, and lower than in the early 1990s. A rise in unemployment will thus not only be painful for victims, but also suck spending power from the economy."