

KEY RESULTS

“Why invest in employment ? A study on the cost of unemployment” by Idea Consult

The cost of unemployment is defined in the report as the additional public intervention induced by unemployment and the potential loss of revenue for the government.

The results of the estimations for 2010 show that the average unemployment cost ranges from 18,008 euro in the UK and 19,991 euro in Spain to 33,443 euro in Belgium. Germany, France and Sweden are in a median position, with an average cost varying from 25,550 euro in Germany to 28,737 euro in France.

Cross country overview of the average yearly cost of an unemployed (in euro)

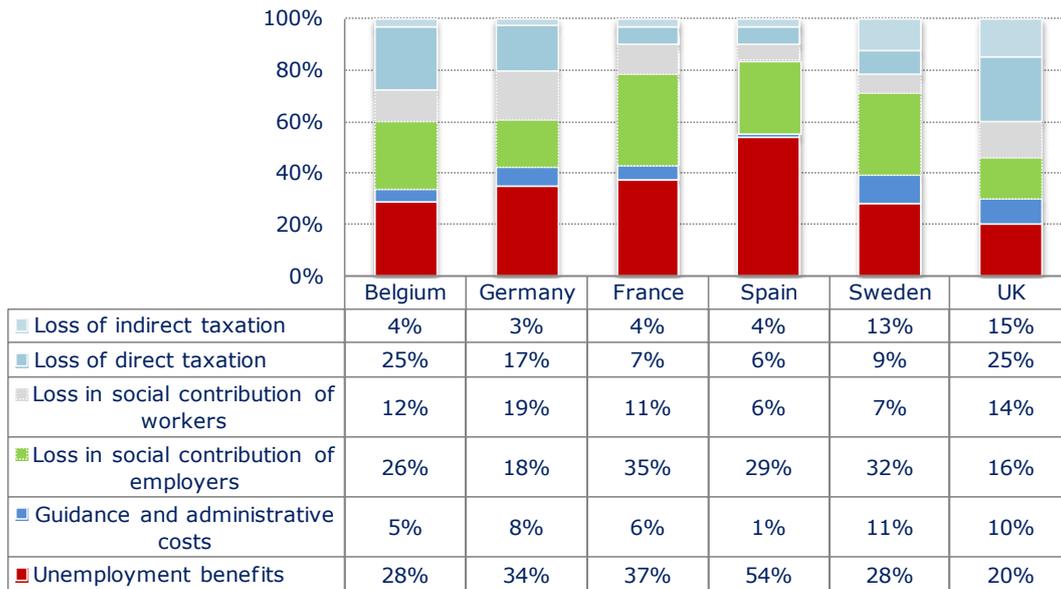
Type of costs		Belgium	Germany	France	Spain	Sweden	UK
Public intervention	Unemployment benefits	€ 9,493	€ 8,793	€ 10,686	€ 10,778	€ 7,475	€ 3.561
	Guidance and administrative costs	€ 1,683	€ 2,020	€ 1,641	€ 242	€ 3,018	€ 1.746
Total public intervention		€ 11,176	€ 10,813	€ 12,327	€ 11,020	€ 10,493	€ 5,307
Potential loss of revenue	Loss in social contribution of employers	€ 8,747	€ 4,606	€ 10,172	€ 5,756	€ 8,585	€ 2.955
	Loss in social contribution of workers	€ 4,104	€ 4,893	€ 3,294	€ 1,222	€ 1,911	€ 2.539
	Loss of direct taxation	€ 8,240	€ 4,463	€ 1,888	€ 1,291	€ 2,489	€ 4.498
	Loss of indirect taxation	€ 1,177	€ 776	€ 1,057	€ 700	€ 3,427	€ 2.710
Total potential loss of revenue		€ 22,267	€ 14,737	€ 16,411	€ 8,970	€ 16,412	€ 12,702
Total average cost of an unemployed		€ 33,443	€ 25,550	€ 28,737	€ 19,991	€ 26,905	€ 18,008

Important differences are observable between countries in terms of type of costs.

For example, while in Spain, the most important cost is induced by unemployment benefits, the potential loss of revenue is more important in the other countries. In some countries, the cost is mostly induced by the loss of social contributions of employers (France, Sweden), while in other countries the loss of social contributions of employees (Germany), the loss of direct taxation (Belgium, the United Kingdom) or the loss of VAT revenue (Sweden, the United Kingdom) play a significantly more important role.

All these variations can be explained by important differences between countries in the level (and characteristics) of the public intervention for the unemployed, in the social contributions and taxation system.

Proportion of cost in the country cases



It is important to note that, due to the nature of these factors, the absolute cost of unemployment in a country or its relative position cannot be used in a normative judgement.

However, the absolute cost of unemployment is also linked to the standard of living in the analysed countries. When we compare the average cost of unemployment of each country with its average salary cost, we observe that an unemployed has the highest relative cost in Germany (90% of the salary cost) and Belgium (88% of the salary cost) and the lowest in the UK (59% of the salary cost). France, Spain and Sweden are in a medium position, with an average cost of unemployment varying from 75% of the salary cost in Sweden to 84% in France.

The average cost of unemployment compared to the average salary cost

