



EU Job Guarantee – a commitment to full employment and decent work

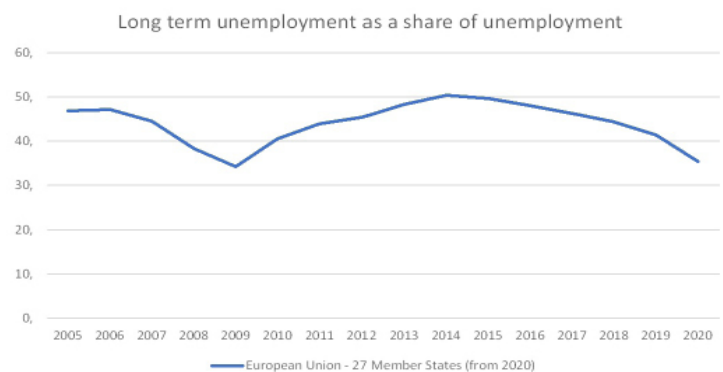
Key Points

- A Job Guarantee is a public job creation program for unemployed people who want to work, but are unable to find a job on the private labour market. It should be implemented at the EU level as a policy program for continued social and economic integration and stabilization.
- It would help reduce unemployment and promote a just green and digital transition while also advancing upward social convergence. Moreover, it would contribute to reducing poverty and fostering the inclusion of the most vulnerable.
- A European Job Guarantee would address long-term unemployment. It would be based on recent pilot projects, which include the fight against long-term unemployment and the human right to decent work.
- The goal is to reduce the ratio of long-term unemployment to unemployment to 10 %. This would lead to less disruption on the labour market as long-term unemployed are less likely to be hired.
- Jobs should be created in areas of unmet social needs, prioritizing care work and supporting just transition strategies.
- Job Guarantee programs should be financed by permanent social bonds. SURE could serve as a blueprint. Additionally, the ECB could establish permanent programs similar to the temporary Public Sector Purchase Programs (PSPP) to provide support for member states which issue debt to finance Job Guarantee programs. Expenditure on Job Guarantee programs could be excluded from the EU fiscal rules. Also, the Social Fund Plus (ESF+) could provide financial means.

Background

Since the 1990s, the European Union has struggled with fluctuating but high unemployment rates. Consequently, the ratio of long term unemployed to all unemployed people ranged between 34% and 50%, indicating that labour market policies faced severe difficulties in reducing long-term unemployment. It is obvious that innovative solutions are needed. Unemployment is a burden for individuals, the society, and the economy. Social exclusion, an increasing poverty risk and worsening physical and mental health are common consequences. Prospects for re-employment diminish over time due to hiring discrimination. The duration of unemployment becomes an obstacle by itself. On top of that, unemployment causes high societal costs and provides no benefits for the economy and the society as a whole.

Long-term unemployment is not likely to disappear. Demographic projections indicate an ageing population. While this might have a dampening effect on unemployment in the upcoming years, it probably will increase long term unemployment amongst the ageing population, as the risk rises with age. Furthermore, digitalisation and the green transformation will impact the labour market and increase the risk of long-term unemployment as changing jobs and tasks again will have an disproportionately high impact on vulnerable groups on the labour market.



Main findings

A Job Guarantee as a solution to many problems

In recent years, scientists and policy makers have been discussing the idea of a Job Guarantee as a promising instrument which could be used to achieve full employment, stabilize the economy and support the green transition. The idea is simple: The government offers a job opportunity with minimum wage for everyone, who is looking for work, but is unable to find a job on the private labour market. Thereby, it offers quality jobs, which are characterized by permanent contracts and incomes and labour rights in line with “prevailing conditions” and collective agreements. This combines public job creation with [the right to decent work](#). It might focus on the most disadvantaged and vulnerable groups, thus preventing social exclusion and strengthening the European social model.

As unemployment increases the poverty risk, a job guarantee is an appropriate instrument to reduce poverty, what is also highlighted in a [report by the United Nations](#). In addition, it can help promote regional development strategies, strengthen public services, and facilitate the green transition. Thereby it would be in line with the goals of the European Green Deal and uphold the principles of the European Pillar of Social Rights.

Democratic involvement reduces market interferences

Targeting the long-term unemployment ratio minimizes interferences with the labour market as a whole because labour market demand for long term unemployed is lower than the demand for unemployed people in general. Democratic decision-making in the process of selecting which jobs should be created plays a crucial role in ensuring that there is adequate demand for those jobs. Beside others, people could be involved through public meetings on the municipal level, online surveys, online platforms, service vouchers, expert surveys, and the consideration of the needs and wishes of the unemployed. Job creation must be anchored in social dialogue by the social partners and the participation of other actors of the region to ensure that the program responds to the unmet needs of the area. The job opportunities should be in alignment with the individual participants’ competencies and career aspirations.

Job Guarantee for Long Term Unemployment would increase labour market dynamics

Long-term unemployed persons often suffer from the devaluation of skills, material- and social deprivation and hiring discrimination. Economic downturns lead to hysteresis, long term unemployment increases and solidifies. Job Guarantee programs tackle employment

obstacles of long-term unemployed people. They could provide on the job training and help to sustain and update skills. As only the minimum wage would be paid, private companies competing for employees could relatively easy offer higher wages in order to recruit the labour force they need. Therefore, a job guarantee increases labour market dynamics, helps to smoothen business cycles and serves as a macroeconomic buffer.

Evaluations of existing programs in the EU

The idea of a job guarantee is not at all a new one and has been implemented in several countries around the world. Recently, experiments have been started in the EU. Namely, Kinofelis in Greece, the French “Territoire Zéro Chômeur de Longue Durée” (TZCLD), the zero unemployment regions in Wallonia, and the experiment “Modellprojekt Arbeitsplatzgarantie Marienthal” (MAGMA) in Austria. Moreover, lessons can be drawn from the experience of the EU youth guarantee. These programs were targeted based on the participants’ and regional characteristics. For example, in Wallonia it is embedded in regional development strategies. Referring to these experiments, the European Committee of Regions emphasizes the potentially positive effects of a European Job Guarantee and recommends expanding it.

In September 2016, [the public work scheme program “Kinofelis”](#) started in Greece. The program was [rolled out in successive waves](#) over a three-year period and reached roughly 200.000 long-term unemployed persons. In 2019, the new government prolonged the program.

In 2016, the French government passed a law to finance and conduct the TZCLD. Today, it has 2.100 participants, is conducted on the local level, targets long-term unemployed and receives national funding. In 2020, it entered a second phase in which 47 regions joined the prior ten, with approximately 2.000 additional participants.

Inspired by the TZCLD, on 28.4.2023, the Wallonia Government launched their [own zero unemployment program](#). It includes 17 projects offering jobs for at least 750 people. The project is part of the Wallonia [recovery plan](#), which additionally helps to finance more than 65.000 jobs in the social economic sector and local official state. Half of the funding comes from the European Social Fund (ESF), the other half from Wallonia. The Wallonia TZCLD projects respond to unmet local needs and make it possible to hire people who have been unemployed for two years.

Austria has a long tradition of public job creation programs, starting with the “Aktion 8.000”, the “Aktion 20.000” and between 2020 and 2024 the first job guarantee experiment MAGMA in Gramatneusiedl.

MAGMA offers an employment guarantee to those who have been unemployed for more than one year and it has nearly eliminated long term unemployment. A first evaluation finds positive effects on participants' economic and non-economic [wellbeing](#).

The initiatives are combining existing labour market policies and make use of existing networks adding the right to decent work and guaranteeing the creation of jobs if necessary. They can serve as a blueprint for further Job Guarantee programs and can be understood as a further innovative development of labour market policies.

Unemployment is more expensive than a European Job Guarantee

A Job Guarantee program should ideally be implemented at the EU level, not least in order to safeguard funding and ensure continuity. At first glance, Job Guarantee programs might appear expensive. [Costs](#) of a European Job Guarantee were estimated at about 1.5% of GDP. However, if reduced unemployment costs, higher tax returns, and social contributions due to newly created jobs are considered, effective costs are significantly lower.

[The costs of unemployment vary significantly](#) between countries, ranging from 18.000 Euro per year per unemployed person in the UK to 33.443 Euros in Belgium. Annual costs of long-term unemployment are even lower. For instance, Austria spends on average 15.600 Euros per year on a long-term unemployed person. The costs of a Job Guarantee for long-term unemployed in Austria, taking into account lower unemployment costs and higher tax returns, would amount approximately to 8.000 Euros per person per year. In 2020 about 5,3 M people in the EU27 were affected by long term unemployment. Based on the Austrian figures, a Job Guarantee for all long term unemployed in the EU would cost about 42 billion Euro a year.

In the long run, even fiscal gains are possible. Recent [evaluations of Job Guarantee projects](#), alongside [model calculations](#), demonstrate that that concept also might be self-financing within two to four years. This is achieved by contrasting the passive costs of unemployment with the proactive investments in job creation. Therefore, financing the job guarantee with debt would be reasonable, as a positive net effect in the long run is very likely.

Financing a European Job Guarantee

As costs are high in the beginning, the European Union should provide financial support to help member states implement a Job Guarantee. This would also contribute to upward social convergence. For example, social bonds would also have a stabilizing effect

on public budgets as they would separate automatic stabilizers (unemployment benefits) from financial markets' ratings of government bonds. The EURO crisis painfully demonstrated the negative impact of panic driven government ratings which led to doom loops between low ratings and increasing government debts.

The disjunction of short-term fiscal expenditures and long-term revenues can pose a significant obstacle for governments when considering the implementation of a Job Guarantee program, due to fiscal constraints and political considerations. Public budgets are typically planned on an annual basis, while the benefits and revenues generated by a Job Guarantee program may materialize only in the medium and long run, sometimes only in the term of the next government. To bridge this fiscal gap and facilitate the adoption of a Job Guarantee, the issuance of an EU social bond should be considered.

During the COVID-19 pandemic, the [EU demonstrated its capability to prevent a major economic and labour market crisis](#). The Support to mitigate Unemployment Risks in an Emergency ([SURE](#)) provided financial support for short time work schemes all over Europe. Such a mechanism could serve as a role model for a new initiative to finance Job Guarantee programs in Europe. In general, an EU fiscal capacity, based also on the experience gained in the context of Next Generation EU, could provide the funding for member states' Job Guarantee programs. However, also financing it by using the Multiannual Financial Framework, for example through the European Social Fund, might be conceivable. Moreover, at the national level, expenditures on Job Guarantee programs could be excluded from fiscal rules. Such an exclusion would allow member states to invest in structural programs, such as jobs for long-term unemployed which meet social and ecological criteria.

On top of that, member states could issue securities on financial markets, to finance their Job Guarantee programs. The European Central Bank can establish permanent programs such as the temporary Public Sector Purchase Programs (PSPP) to provide support for those securities. Linking the Job Guarantee to the climate crisis consolidates the idea to finance a Job Guarantee with instruments similar to former EU crisis measures.

Demands

- The EU should provide financial resources to help member states to finance their Job Guarantee programs. With 30 billion Euros a year, member states could reduce the ratio of long-term unemployment to 10% of all unemployed. While paying for unemployment is expensive and does not create any gains, expenditures on job creation would help to achieve the objectives outlined in the European Green Deal and uphold the principles of the European Pillar of Social Rights.
- A European Job guarantee should have the objective of reducing the ratio of long-term unemployment, for example to 10% of all unemployed. Targeting long-term unemployed helps to reduce market interferences and supports common labour market policies where they struggle the most. On top of that, it would help to reduce poverty.
- A European Job Guarantee should be based on the following main principles:
 - Offering job opportunities which align with individual competencies and career aspirations.
 - Participation is voluntary, with no conditionalities in case of refusal or for participants who leave the program.
- Job offers must be of high quality, with permanent contracts and wages and rights in line with “going rate”, “prevailing conditions” and the relevant collective agreement and national labour standards.
- A bottom-up strategy anchored in social dialogue, with involvement of the social partners and the participation of other actors of the region to ensure that the program responds to the unmet needs of the territory.
- The Job Guarantee program should be financed at the European level through permanent social bonds. SURE could be a role model. Additionally, the ECB could establish something like the Public Sector Purchasing Program (PSPP) to provide support for member states that issue securities on financial markets for their Job Guarantee program. Moreover, the expenditures should be excluded from fiscal rules. Financial support for job guarantee programs could also be provided via the EU budget, as for example the ESF+.
- Job creation should be implemented on the regional level, wherever necessary, and help to support regional development goals, while paying into the green transition.

Literature

ESF+: [Der Europäische Sozialfonds Plus](#)

SURE: [Erhaltung von Arbeitsplätzen und Schutz von Arbeitnehmern Abschlussbericht](#)

PSPP: [Asset purchase programmes](#)

Authors

Theurl Simon, Researcher and a political expert for labour market policy at the Arbeiterkammer (Federal Chamber of Labour) in Vienna
simon.theurl@akwien.at

Judith Vorbach
judith.vorbach@akeuropa.eu

Dezember 2023

AK EUROPA

The Austrian Federal Chamber of Labour is by law representing the interests of about 4 million employees and consumers in Austria. The Austrian Federal Chamber of Labour is registered at the EU Transparency Register under the number 23869471911-54.