



Employers' views on European Commission initiative on the long-term unemployed

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Introduction

The European cross-industry employers' organisations agree that long-term unemployment (LTU) is an issue that needs to be addressed, for a number of reasons:

- It will allow for better utilising the available talents and skills in Europe, thereby increasing prosperity, growth and competitiveness. This will in turn help to facilitate further job creation.
- Better mobilising the untapped potential on European labour markets is also important in the context of Europe's changing demographic composition and the resultant decline in the projected size of the working age population. This means that enterprises will have an increased demand for workers.
- Furthermore, having more people in work is fundamental to financing social protection systems and ensuring their sustainability. Some Member States are in fact in deficit when it comes to the financing of their unemployment benefit scheme.
- By contributing to active employment, combined with effective and well-targeted social spending, combatting LTU can help to better foster social inclusion.
- Last, but not least, employment participation is the best means through which to reduce poverty, which has been increasing in recent years.

Scope of the proposed initiative

It is essential that any initiative aiming to reduce LTU is not seen in isolation, but in the broader context of the need to foster employment, economic growth and job creation; the modernisation of education and training systems; and changes to Europe's demographic composition requiring people to work longer.

To reduce LTU, it is crucial that certain systemic factors are in place:

- **Flexible labour markets** characterised by an appropriate number of different forms of contractual arrangements that can simultaneously help encourage employers to create jobs and foster the labour market integration of the long-term unemployed;
- **Coordinated, efficient and well-targeted tax, benefit and activation systems** which encourage more people to work.

- **Education and training systems that are more responsive to labour market needs**, in particular in relation to up-skilling and re-training opportunities that are delivered as part of active labour market policies;
- **Increased labour market participation of under-represented groups**, such as for example young people, women or older people;

Linked to this, it is important to create an **enabling environment for enterprises and workers** that fosters the labour market integration of people furthest away from the labour market and addresses enterprises' skills needs.

A **balance between rights and duties of jobseekers** is also necessary. Benefit systems and active labour market policies are there to help support the LTU, but equally there needs to be a genuine commitment from people receiving benefits to find work. In this respect, more can be done to incentivise people to look for work. This includes, for example, progressively raising the level at which people start to pay tax on their earnings. This is a principle that could be promoted at European level to help make people better off by working.

Support is also needed for **public employment services** (PES) so that they can better identify and match people to specific job vacancies. It is important to avoid situations where people attending interviews are not well suited or have no commitment for the position. Therefore, public authorities, working together with social partners and private employment agencies need to ensure that appropriate and effective active labour market policies are in place. This includes promoting and supporting active job search and re-training opportunities that enable the unemployed to (re-)integrate into the labour market.

Employers propose a two stage approach

As a **first step** it is essential to **focus on the overall systemic factors** and the roles of and interaction between different actors and services. In line with the Commission's 2013 Social Investment Package, the overall goal should be to ensure that social spending is more effective and efficient and improves employment activation.

This requires Member States to reform social protection systems to better foster social and labour market inclusion; to better protect vulnerable groups; and to provide that people at work are better off, also through welfare support and support for workers to progress in skills and earnings.

We recall in this context the [2008 Commission Recommendation on Active Inclusion](#) which established common principles for member states to encourage the active inclusion of people excluded from the labour market. This correctly emphasized the need for a coherent approach combining sufficient income with inclusive labour markets and access to services.

We agree with the conclusion of the [report](#) of 23 April commissioned by the European Commission to the European Social Policy Network, taking stock of national progress on social investment reforms, that Member States (in some cases) have moved ahead in their reform efforts, including stepping up activating and enabling support for labour market reintegration, but that more and quicker progress is needed.

National reforms should ensure that working conditions, taxation and benefit systems allow people to enter, remain and develop in the labour market, including with a view to addressing in-work poverty. This requires the following:

- Fostering employment through labour markets that encourage job creation, with a range of forms of contractual engagement and reduced barriers to labour market entry
- Setting wage growth in ways which reflect productivity performance, whilst respecting the national competence and nature of national industrial relations systems. If minimum wages are set too high it could be detrimental to the integration of the LTU;
- Reducing non-wage labour costs notably for low paid jobs through targeted cuts in employers' social security contributions. This can stimulate demand by encouraging employers to hire more staff, which can be particularly beneficial to the long-term unemployed;
- Where national social security systems make this appropriate, providing income support for low work intensity.

We also agree, as highlighted in the abovementioned report, that unemployment benefits and minimum income can be more effective in preventing poverty and helping people enter employment when they are joined up with measures that help people to develop their skills and employability.

In terms of practical measures, the EU could facilitate the following:

- Exchange of practices between Member States, including in the context of the European semester, on how to achieve the above, while respecting their exclusive competence on taxation and national social partners' competence on pay, taking into account the diversity of industrial relations practices across Europe;
- Capacity building of PES through the exchange of views and best practices. The Heads of PES network seems well placed to provide a forum for this. Stronger cooperation and mutual learning between public and private employment services is also needed;
- A Council recommendation is no silver bullet. However, It can be helpful if conceived as part and parcel of an overall systemic approach aiming to achieve job creation and higher levels of employment participation, by focusing on:
 - more efficient, effective and integrated services to the unemployed reflecting available best practices;
 - more cooperation and mutual learning between public employment services and private employment agencies, municipalities and social services;
 - Appropriate engagement of employers to strengthen the demand side approach. This includes closely aligning re-training and up-skilling opportunities offered as part of activation support measures with enterprises' needs.

Once effective services are in operation, as a **second step**, the practice shows that a more targeted individualised approach is important to achieve better matching of available workforce with available jobs. However, an individual action offer, per se, that targets specific groups is not the right approach.

This also relates to some actions taken by the European social partners. For example, the development of individual competence development plans is one of the measures agreed by the European social partners and taken up jointly by a number of national social partners to implement the 2010 European Social Partners Framework Agreement on Inclusive Labour Markets.

Delivery of the initiative

The European Social Fund already plays an important role in supporting Member State actions to reduce LTU. The majority of Member States have had their operational programmes for the 2014-2020 cycle adopted and a large number of these contain actions to address LTU. Therefore, any additional initiative from the Commission needs to be integrated with current approaches and resources that aim to address the wider goals of fostering employment, growth and job creation.
