

The Top Priorities of the EU Employment Policies¹

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Abstract: *The article examines the development prospects of the labour market taking into consideration the top three priorities of the EU employment policies. The study is based on a multidisciplinary methodology which involves the empirical analysis of economic phenomena together with the study of public policy. After being analyzed the main priorities, one by one, the conclusions were formulated. The main finding of our research relates to the fact that, in order to cope with the impact of the crisis on employment and to improve prospects for the labour community in the long term, it is essential that all Member States develop monitoring, evaluation and anticipation of qualifications and compatibility between supply and demand on the labour market.*

Key-Words: *supply, demand, labour market, employment.*

JEL Classifications: *D6, I38, P51.*

1. Introduction

The integrated guidelines for the economic and employment policies of the member states reflect the current economic policy priorities of the Juncker Plan², which are based on investment, structural reform and fiscal responsibility while focusing on four key areas:

- ❖ *The stimulation of the labour demand* especially by creating new jobs, by providing incentives for labour taxation and subsidy for wages payment ;
- ❖ *The growth of the labour supply and skills diversification* by eliminating structural weaknesses in education and training, and combating youth unemployment and long-term unemployment;
- ❖ *A better functioning labour market*, with a particular emphasis on reducing the segmentation of the labour market through flexicurity policies by both flexibility and security.
- ❖ *Combating poverty* by facilitating access to the labour market and promoting equality among disadvantaged groups.

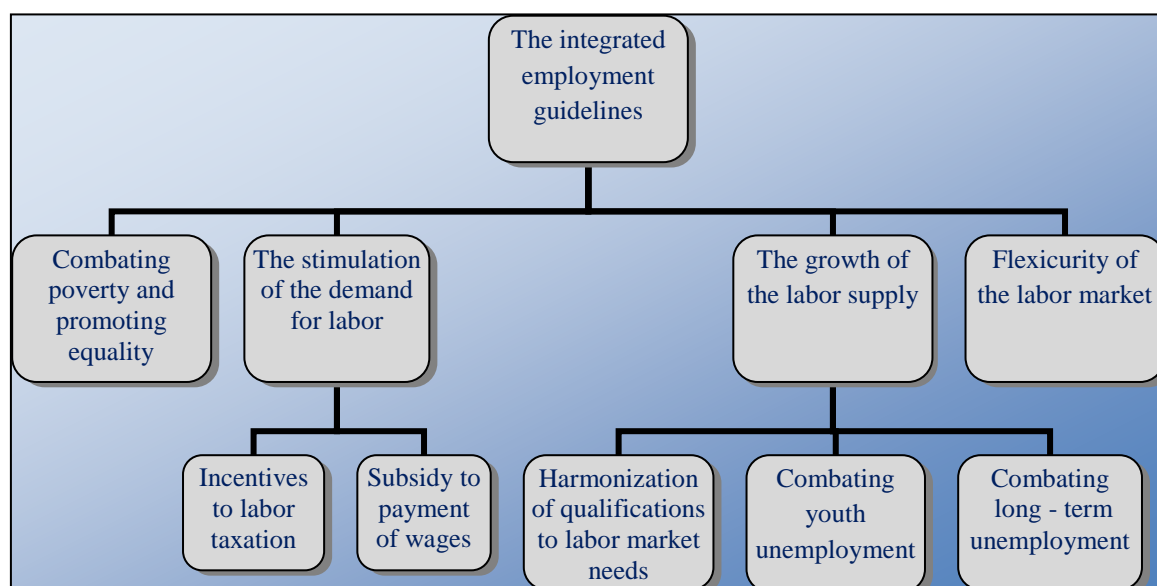
The employment rate in the EU is now above the 2008 level (in 2015 the employment rate in the EU reached 70.1%), however, the employment rate is still below the 2020 target (75% of the 20-64 year-olds to be employed) and there are major differences between the Member States.

Currently the European Union is facing a number of economic and social problems, which are caused primarily by imbalances in the labour market, namely: increasing long-term unemployment, high unemployment among young people and not the least the mismatches between skills and available jobs. Therefore, solving these complex issues by promoting and implementing active employment policy is a current EU priority.

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² COM(2016) 581 final. Strengthening European Investments for jobs and growth: Towards a second phase of the European Fund for Strategic Investments and a new European External Investment Plan, <http://eur-lex.europa.eu/legal-content/RO/TXT/HTML/?uri=CELEX:52016DC0581&from=EN>

Figure 1: The new integrated employment guidelines



Source: Author based on EU data

2. The active employment policies for reducing the long-term unemployment

The European Commission (2016) showed that long-term unemployment is a major concern of the governments of the Member States, because of its negative influences on the financial and social aspects of private life, on the social cohesion and, ultimately, on the economic growth.

In the EU, the average long-term unemployment was approximately 4.0% from 2002 to 2016, reaching a peak of 5.3% in the first quarter of 2014, compared with a record low of 2.4% in the third quarter of 2008. According to the latest data provided by Eurostat, in the EU area, the long-term unemployment fell to 4.2% in the first quarter of 2016, from 4.3% in the fourth quarter of 2015.

The prevalence of this alarming phenomenon is the best evidenced by the high percentage of long-term unemployed to total unemployed people. According to the latest Eurostat data, the long-term unemployment as a percentage of total unemployment was 46.4% across the EU-28 and 49.4% in the Eurozone-18, in the first quarter of 2016. The highest level of long-term unemployment as a percentage of total unemployment was recorded namely in Greece, 72.2%, while the opposite was Sweden, with 18% in the same period.

Duell, Thuram, and Vetter (2016) propose a series of *active measures* to reduce long-term unemployment, which is adapted to the specific characteristics of the labour market in each Member State. Among these are the following four main categories:

1. *The development of active, coherent and comprehensive employment policies*

- ❖ It is necessary to develop strategies for active employment for those who are not looking for any job, but want to work in conditions ensuring adequate jobs according to their level of training. In this respect, it is required to organize efficient employment services through early identification of the barriers to employment, which are faced by the people looking for a job. The profiling and the classification of long-term unemployed people are the first steps in establishing the services and programs required to find suitable jobs.

2. *The integration of the active employment policies in a mix of economic and social policies*

- ❖ In order to combat the long-term unemployment and its negative effects on society must be involved different policies, namely: the social policies of inclusion and combating discrimination, the structural policies, the regional policies and, not the least, the education policies.
- ❖ The countries from Southern and Eastern Europe should focus on promoting industries with high added value, in order to create more employment opportunities and better-paid jobs.

3. Investing in continuing education programs

- ❖ At all levels (local, national and EU) should be a joint commitment to reduce inequalities in the labour market and to stimulate investment in training programs.
- ❖ By re-qualification programs, the job applicants must be supported to adapt their professional skills to the labour market demand, namely to the employers requirements. These policies can play an important role in adapting the skills supply to the demand, particularly in countries, which are in the process of sectoral restructuring. Although the continuing education programs are expensive, these measures may lead to social cost savings on the long-term. Strengthening the links between measures of training and experience may increase the effectiveness of active employment policies.

4. Providing a wide range of measures and services targeted to vulnerable groups

- ❖ In the context of high unemployment, the financial incentives (tax breaks or wage subsidies) can promote the employment of those who have been unemployed for 12 months or those from disadvantaged groups, especially youth, and may have a positive impact on employment growth and unemployment diminution. However, once the unemployment rate fell enough, the use of these facilities should be targeted and limited to the most disadvantaged and vulnerable groups.

Stiglitz (2013), which has quoted the former IMF Managing Director Dominique Strauss-Kann, has stressed that "ultimately employment and equity are the building blocks of economic stability and prosperity, of political stability and peace." According to Stiglitz (2013), "the most important influencing welfare policy, with important consequences for the distribution is to maintain full level of employment".

3. The social policies for the youth employment growth

The strategy "Europe 2020" is based on a *smart growth* by improving the performance of the education system, promoting innovation and use of digital technology, but also on an *inclusive growth* by generating more better paid jobs and by integrating the excluded people. By dint of increasing employment among young people, the Member States can ensure the smart and the inclusive growth in the same time.

The EU-28 unemployment rate for persons with ages between 15 to 24 years old fell significantly in the 2005-2007 period, reaching a low of 15.2% in the first quarter of 2008. Since the second quarter of 2008, this indicator showed an upward trend, reaching a maximum of 23.8% in the first quarter of 2013, and then went down to 21.2% at end 2014 and to 19.8% in December 2015.

In August 2016, a total of 4.199 million young persons (under 25) were unemployed in the EU-28, of which 2.927 million people were in the Eurozone. In the same month, the youth unemployment rate was 18.6% in the EU-28 and 20.7% in the Eurozone, compared with 20.1% and respectively 22.3% in August 2015. In terms of unemployment between people aged under 25, there were recorded significant differences between the Member States: the lowest rate was observed in Germany (6.9%) and the highest in Greece (47.7% in June 2016), Spain (43.2%) and Italy (38.8%)(Eurostat, 2016).

However, the EU statistics not fully express the social dimension of unemployment among this group called NEET literature - "not in employment, education or training", who are not employees or involved in education or continuing training programs. In this respect, the NEET group presents a higher risk of social exclusion, which manifests itself in many of the Member States by their lower levels of trust, political interest and not least, social involvement in society (Eurofound, 2012).

The European Commission stressed that the solutions to youth employment must be established in the long term on a sustainable basis and that are not enough solutions in the short term, given that they need jobs offer of good quality and stable. The European Union experts recommend Member States to support the young people in finding a job and to ensure qualifications necessary for a successful integration of the labour market.

The EU Member States have endorsed the principle of the *Youth Guarantee* in April 2013 on a recommendation from the European Council. In order to develop and deliver a Youth Guarantee, the system requires close collaboration between all actors on the labour market: public authorities, employment services, consultants on career guidance, educational and professional training, employers, trade unions etc.

The EU experts recommended that each EU country develop its own plan for implementing the guarantee for young people. For example, through a pilot project that runs in 4 Member States (Latvia, Finland, Portugal, and Romania) is supported the promotion of this initiative. The concept, the products and the effects of this pilot project were made available to all national, regional and local authorities wishing to use this

motion. In addition, the Mutual Learning Programme of the European Strategy for Employment facilitates the exchange of best practices between governments.

Although it is estimated that guarantee benefits for young people are much higher than the costs, the exact numbers for each EU member state are difficult to be determined. According to the International Labour Organisation, the total estimated cost of the guarantee schemes for young people is 21 billion per year, representing 0.22% of the GDP of the Euroarea (European Commission, 2016). The costs of the young people employment, either by offering jobs or by enrolling in some form of education or training, are estimated to a total of 153 billion annually (1.21% of the EU GDP), taking into account unrealized gains and tax exemptions, according to Eurofound Report on Youth Unemployment (European Commission, 2016). *But not all employment measures for young people are as costly, given that efficient activity in many cases does not require the use of high budgets, but only the strengthening of cooperation between the parties involved.*

Also, the European Commission specifically draws attention to the fact that the Member States should prioritize the employment measures for young in national budgets to avoid higher future costs of social exclusion. According to the Community experts, *employment is the most effective way to give people independence, financial security and a sense of belonging to society.*

4. Increasing employment through the qualifications diversification

The European Commission is aware that the fourth industrial revolution will transform the EU labour market and is considering a range of tools to stimulate employment and young workforce adaptation to the technological progress. The young people are the most affected by lack of qualifications that are adapted to the new technological developments, as the new created jobs require a highly skilled workforce. But, a lack of adequate training makes youth unemployment to be higher, even double than the general unemployment in the EU.

According to Nouriel Roubini (2015), the recent technological progress has three characteristics: they tend to be capital intensive (benefiting the holders of financial resources), suppose an intensive qualification (favoring those with high levels of experience) and stimulate a lower demand for labour ("labour-saving" - assuming reducing the number of unskilled jobs in the economy and low-skilled). He points out that the benefits of technology must be directed to a wider segment of the population, through *an education system capable of providing the necessary training for an economy based on knowledge, specific to the digital era.*

Andrea Nahles (2016), member of the German Bundestag and minister of Labour and Social Affairs, believes that the digital economy can create new employment opportunities through technology and new working arrangements, and it offers greater opportunities to increase participation in labour market of disadvantaged groups such as the disabled or those seeking a balance between work and family life. In her opinion, *the introduction of the auxiliary robots could reduce the work in routine activities, in unhealthy environments and in extremely demanding areas. Also, the digital economy can bring a competitive advantage for developed countries by lowering labour costs.* On the other hand, she draws attention to the fact that the digital economy requires a highly qualified workforce and an education system that keeps pace with technological developments. But to meet these new requirements, it needs more counseling opportunities and easier access to training programs, especially for low-skilled and older workers over 55 years (Nahles, 2016).

At the Annual Meeting in Davos World Economic Forum (WEF) on "Management of the fourth industrial revolution" that took place in late January 2016, it was released a report entitled *"Future jobs. Strategy on employment, skills and employment in the context of the fourth industrial revolution"* - referred as the WEF report - which presents information and data collected by the organization on many issues related to the future employment workforce. In the WEF report, were presented a number of recommendations for measures, both short and long term:

- ❖ *To use new tools and incentives for various forms of continuing education.* The governments and companies will have to work together to ensure that everyone has the time, the motivation and the means to seek opportunities for improvement.
- ❖ *To ensure access to specific "jobs of the future",* it is necessary to enhance the collaboration and multi-sector industrial partnerships or public-private ones.
- ❖ *To reform the actual education systems.* The most actual education systems at medium and higher levels offer a curriculum that is unrelated to the realities and labour market developments and continue a number of practices of the twentieth century, hindering the development of qualifications in accordance with the requirements the fourth industrial revolution and create problems for the integration of graduates into the labour market.

At the 2016 World Economic Forum has emphasized the idea that the change of the business models will have a profound impact on employment in the coming years. The vast majority of the fundamentals of upgrading industries will have a significant impact on jobs, by creating new ones, by increasing labour productivity and by diversification of skills. In many industries and countries, the most popular majors did not exist a few years ago, and the pace of changes is projected to accelerate. According to the WEF report, about 65% of children now starting primary school, after graduation will have completely new jobs based on specialization still there today. Given that the labour market is evolving rapidly, it is difficult to predict its future structure and prepare the workforce for the future skill needs, that it is why will represent a big challenge to businesses, governments, and individuals. Therefore, it is necessary to seize the opportunities for creation of new jobs through technological advancement and mitigating long-term unemployment, due to the lack of adaptation of these changes. The previous waves of technological progress and demographic changes have led to increased prosperity, productivity and creating new jobs, and a good management of the results of its Fourth-Industrial Revolution can induce the same positive effects.

5. Conclusions

The long-term unemployment is a major problem for the European Union as a whole, and especially for some of its Member States (Greece, Italy, Slovakia, Bulgaria), being strongly influenced by the recent economic downturn. According to the experts in human resources, the long-term unemployment is one of the most destructive economic and social phenomena, with negative consequences for individuals, families, communities, and not least on society, while the long-term unemployed are part of the social group that are the most exposed to poverty and social exclusion.

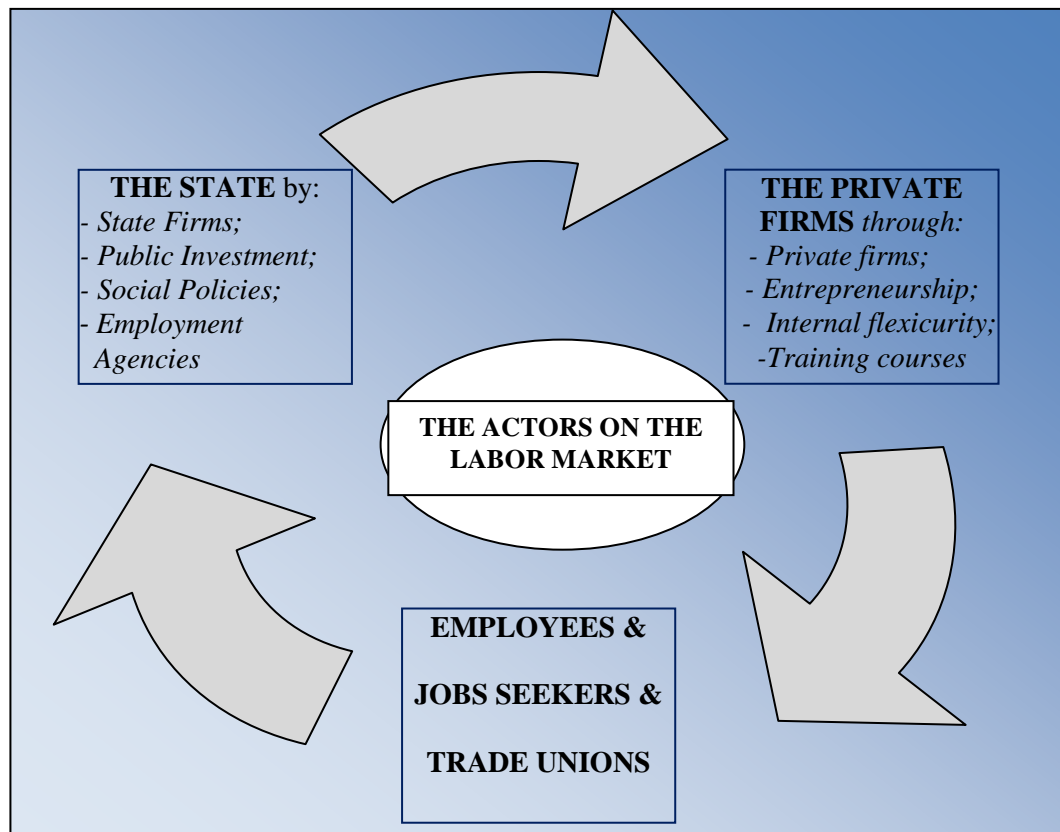
It is important to keep in mind that, when the active employment policies have produced positive results in the Member States, the development and implementation have been accompanied by a sustained series of measures related to legislative, institutional and human resource management.

The European Commission has stressed the need for increasing the early intervention and the introduction of reforms aimed to improve the education and training systems. The Member States are regarding the implementation of the “guarantee for young people” as an investment in the future and as a means of achieving the employment objectives of “Europe 2020”.

As the labour markets become more specialized and require higher levels of skills, the governments and the companies are investing increasingly more in the future of education, both through training programs funded by the public sector and through apprenticeships subsidized by private firms. The multi-sectoral partnerships and collaboration between the public and private sectors are essential components of the viable solutions to safeguard jobs and to promote “the skills of the future”, in terms of the Fourth Industrial Revolution.

The structure of the education system and the sectoral distribution of employment vary considerably from one Member State to another and from one region to another. The new member states have relatively high levels of training of human capital, but a bigger effort is needed decisively on their part to overcome the industrial base legacy and to launch new industries and services based on higher technology, generating higher value added and growth potential. *In order to cope with the negative impact of the future crisis on employment and growth and to improve the employment prospects in the long term, it is essential that all Member States perfect the monitoring, the evaluation, and the anticipation of qualifications and the compatibility between supply and demand on the labour market (See Figure 2).*

Figure 2: The proposed scheme for the employment policy flow



Source: Author

The success of future active employment policies in Romania as in other Central and Eastern European countries depend on decentralization and finding solutions locally and regionally, through their integration into regional development strategies. The main actors in the labour market: the state, the private sector, employees, those seeking of work and the unions will have to work together to find the best solutions profitable for both employees and employers, by ensuring flexicurity in the labour market (flexibility and security). The flexicurity requires a climate of trust and social dialogue between public authorities and social partners, in which all stakeholders take responsibility for changes to ensure efficient and equitable social policies, at the same time. Supplementary, the flexicurity implies a balance between rights and obligations of the main players on the labour market, requires the adaptation to the specific characteristics of the labour market and to technological progress in each Member State and does not involve a single labour market model.

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