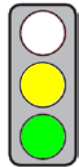


## KEY ISSUES

**Objective of the Recommendation:** The (non-binding) recommendations of the Commission to the Member States will help to reduce long-term unemployment.

**Affected parties:** The long-term unemployed, other unemployed people, employers, public authorities.



**Pro:** (1) A single point of contact may reduce red tape for the long-term unemployed and speed up their reintegration.

(2) The "job integration agreement" provides legal certainty both for the long-term unemployed and for the point of contact.

(3) The inclusion of employers helps to ensure that the long-term unemployed gain needs-based skills training.

**Contra:** Subsidies for employing the long-term unemployed may create incentives for recruitment but, in practice, the condition imposed by the Commission - the avoidance of deadweight loss and displacement effects - cannot be achieved.

## CONTENT

### Title

**Recommendation COM(2015) 462** of 17 September 2015: Proposal for a Recommendation of the Council on the **integration of the long-term unemployed into the labour market**

### Brief Summary

#### ► Context and Objective

- Long-term unemployment exists where a person is unemployed for more than twelve months whilst actively seeking work (p. 2).
- As a result of the Euro crisis, the number of long-term unemployed in the EU has risen sharply. Whereas, in 2007, there were six million long-term unemployed people in the EU, by 2014 the number had doubled to twelve million and has remained high since then. Half of all unemployed people are long-term unemployed. (p. 2)
- In 2014, the rate of long-term unemployment based on the overall size of the active population - i.e. citizens of a country aged between 15 and 74 - in the Member States ranged between [SWD(2015) 176, p. 6]
  - 1.5% in Austria and Sweden and
  - 19.5% in Greece.
- The level of long-term unemployment not only depends on the quality of the reintegration measures but also on the macroeconomic situation, economic structure and labour market functioning in each Member State (p. 3).
- Tackling long-term unemployment requires in particular structural reforms - e.g. in the areas of employment, the economy, and fiscal policies - as well as investment in human capital (p. 3).
- In order to bring down the number of long-term unemployed in particular, the Commission, in its recommendations to the Member States, proposes the following additional measures:
  - increasing the registration rate of the long-term unemployed,
  - introducing a single point of contact for the long-term unemployed,
  - introducing an "individual assessment" and a "job integration agreement" as well as
  - involving employers to improve the reintegration of the long-term unemployed.
- The large differences between the Member States in their approach to reducing long-term unemployment rates mean that Member States with high levels of long-term unemployment can adopt the successful methods used in other Member States (p. 3).
- European structural investment funds, particularly the European Social Fund, can contribute to the costs of these measures (p. 4).

► **Increasing the registration rate of the long-term unemployed**

- The registration rate - i.e. the proportion of long-term unemployed registered as unemployed - is 73% EU-wide. In some Member States it is below 50%. (p. 8)
- In most Member States, the unemployed only receive assistance ("support measures") when they are registered. Assistance includes - in addition to job search assistance - training, language courses, debt counselling, migrant integration, child and care services as well as financial support for housing and transport. (p. 16-17)
- Member States will increase the registration rate of the long-term unemployed through "improved information provision" on the assistance available.

► **Single point of contact for the long-term unemployed**

- Many Member States grant special unemployment benefits for a maximum of one year. After that, social assistance benefits can be applied for (p. 9).
- It is often the case that various different national agencies - such as employment services, social services and local authorities - are responsible for financial and other support. This disrupts the reintegration of the long-term unemployed and increases red tape. (p. 9)
- Member States will appoint a single point of contact for the long-term unemployed. This will coordinate the work of the national agencies that are responsible for unemployment benefits and social support as well as assistance. (p. 13)
- For this purpose, the Member States will allow the point of contact and the responsible national agencies to have immediate access to information about the respective long-term unemployed person, such as case reports and details of the financial benefits and assistance they have received (p. 13).

► **"Individual assessment" and "job integration agreement"**

- Every long-term unemployed person will receive an "individual assessment" from the employment service after no more than 18 months of unemployment (p. 18).
- The individual assessment covers (p. 18)
  - advice based on the previous employment experience and job search efforts of the long-term unemployed person and
  - an examination of the long-term unemployed person's skills and deficits based on the needs of the labour market.
- The single point of contact will offer every long-term unemployed person a written "job integration agreement" after no more than 18 months of unemployment (p. 18). This includes the commitment (p. 12)
  - by the single point of contact
    - to the national agencies, to coordinate assistance which is adapted to the individual needs and skills of the long-term unemployed person,
    - to the long-term unemployed person, to provide support with the job search and with the provision of assistance and
  - by the long-term unemployed person to the single point of contact, to actively seek work, accept a suitable offer of work as well as to participate in education and training measures.
- The "job integration agreement" will be regularly monitored and adapted to any changes in the personal circumstances of the long-term unemployed person (p. 19).

► **Involvement of employers in the reintegration of the long-term unemployed**

- Employers will be involved in the reintegration of the long-term unemployed into the labour market (p. 13).
- The barriers to employing the long-term unemployed will be lowered by (p. 13, 19 et seq.)
  - the pre-screening of potential candidates by the recruitment services and
  - workplace mentoring and training for the long-term unemployed person following placement.
- In addition, employers will receive financial incentives in the form of recruitment subsidies and exemptions from payment of social insurance contributions (p. 10).
- The financial incentives must be designed so as to ensure avoidance of the following:
  - subsidising jobs which would have been created anyway (deadweight loss) and
  - non-subsidised employees being pushed out of the market by the subsidised long-term unemployed (displacement effect).
- The measures of the Member States for the long-term unemployed will focus on the needs of businesses (p. 13). For this purpose, partnerships will be set up between employers and employees, employment services, social services and other agencies (p. 19).

► **Assessment of the measures taken in the Member States**

- Three years after adoption of the recommendation by the Council, the Commission will assess the measures taken up to then by the Member States and report on them to the Council (p. 20).

## Statement on Subsidiarity by the Commission

High levels of long-term unemployment in the Member States can have a negative impact on the whole EU economy. It may undermine social and economic cohesion across the EU (p. 6). Coordination at EU level is therefore appropriate.

## Policy Context

The Recommendation is part of the Growth Strategy Europe 2020 [COM(2010) 2020; see [cepPolicyBrief](#)]. According to his Political Guidelines of 2014 [see [cepInput](#)], Commission President Juncker regards job creation as one of the most important policy challenges. In March 2015, the Council called on the Commission to draw up proposals to support the long-term unemployed. A public consultation took place between February and May 2015. The model for the Recommendation was the Council Recommendation on the Introduction of the Youth Guarantee which gives young people aged between 15 and 24 a guarantee of employment or training [COM(2012) 729; see [cepPolicyBrief](#)]. On 29 October 2015, the European Parliament adopted a Resolution [P8\_TA-PROV(2015)0389] on the Recommendation. In it, the Parliament supported the Commission's proposals but also criticised the fact that, in view of the high level of long-term unemployment, the Commission had been slow to act.

## Options for Influencing the Political Process

Directorates General:	DG Employment, Social Affairs and Integration (leading)
Committees of the European Parliament:	Employment (leading), Rapporteur David Casa (PPE), Javi López (S&D), Jana Žitňanská (ECR), Yana Toom (ALDE), Paloma López Bermejo (GUE/NGL), Terry Reintke (Verts/ALE), Laura Agea (EFDD), Dominique Martin (ENF);, Budgets, Regional Development, Culture and Education
Federal Ministries:	Employment and Social Affairs (leading)
Committees of the German Bundestag:	Committee for Employment and Social Affairs (leading), Committee for Economic Affairs and Energy, Committee for European Union Affairs
Decision-making mode in the Council:	Qualified majority (adoption by 55% of the Member States representing 65% of the EU population)

# ASSESSMENT

## Economic Impact Assessment

### Ordoliberal Assessment

The Commission rightly points out that, in order to reduce long-term unemployment, the Member States primarily have to implement structural reforms - particularly reforms to make the labour market more flexible - and investment in human capital. In fact, the effect of the proposals contained in the Recommendation can only be complementary.

### Impact on Efficiency and Individual Freedom of Choice

In order for a long-term unemployed person to receive training or to be placed with an employer, he/she must be registered as unemployed. Whether the proposed improvement in the provision of information about the available assistance will result in the long-term unemployed having a better overview of the available assistance therefore making them register as unemployed, depends on whether the information actually reaches them. Since the Commission does not indicate how the provision of information is to take place, its impact depends on the Member States.

Appointing a single point of contact to coordinate the assistance eases the problem of several authorities being responsible for looking after one long-term unemployed person. Thus, until now, in many Member States one authority has been responsible for financial support and another for placement of the long-term unemployed. **A single point of contact may also reduce red tape for the long-term unemployed and speed up their reintegration.** Lastly, it may prevent the situation where a long-term unemployed person does not receive all the necessary assistance, or prevent a lack of coordination between the various types of assistance. The requirement for this is - as proposed by the Commission - that the single point of contact and the responsible authorities have access to all the information they need about a long-term unemployed person.

The proposed "individual assessment" for the long-term unemployed also facilitates the supervision of the long-term unemployed. It permits the identification of individual deficits which prevent a reintegration into the labour market. Thus necessary qualifications can be renewed or obtained and additional, tailor-made assistance offered which makes it easier for the long-term unemployed person to look for and find a job.

A "job integration agreement" which sets out, in writing, the rights and duties of the long-term unemployed person and of the point of contact, provides - in addition to a clear overview of the obligations of both parties - a target/actual comparison between the requirements which the long-term unemployed person has to meet and his/her entitlement to benefits. **The "job integration agreement" also offers legal certainty both for the long-term unemployed person and for the single point of contact**, for example in the case of sanctions or the refusal of assistance. The principle of providing support while setting requirements can thus be more effectively implemented.

**Involving the employers** in reintegration **facilitates needs-based skills training for the long-term unemployed.**

**Although subsidies for employing the long-term unemployed**, such as those proposed by the Commission, may reduce divergences between labour costs and the often lower productivity - at least to start with - of the long-term unemployed and thus **create incentives for recruitment, in practice the condition for such subsidies imposed by the Commission - the avoidance of deadweight loss and displacement effects - cannot be achieved.** Neither does the Commission explain exactly how this is to work. In particular, reliably identifying these effects will not generally be possible, so the fact that they do not arise will not amount to a suitable basis for granting recruitment subsidies.

Deadweight loss distorts competition between companies because the labour costs, of those companies who claim the financial benefits, will fall. From a fiscal perspective, deadweight loss is no problem if a positive net effect arises, i.e. wage subsidies are lower than the social expenditure for the long-term unemployed. Displacement effects result in redundancies or at least to people not being employed who would be if it were not for the subsidies.

#### Impact on Growth and Employment

As the Commission admits, the proposed measures cannot compensate for a lack of structural reforms by the Member States, but are only complementary.

Any reduction in long-term unemployment which results in a drop in the overall unemployment level will have a positive impact on growth.

#### Impact on Europe as a Business Location

Any fall in long-term unemployment which also reduces the overall number of unemployed people will give scope for reducing taxes and social insurance contributions which, in the long term, has a positive influence on Europe as a business location.

## Legal Assessment

### Legislative Competency

The Council can, on a proposal from the Commission, make recommendations to the Member States (Art. 292, sentence 1 - 3 TFEU). Competency with regard to the subject matter arises from the legal basis for incentive measures designed to encourage cooperation between Member States and to support national employment measures (Art. 149 TFEU).

### Subsidiarity

Unproblematic. Recommendations of the Council are non-binding (Art. 288 TFEU). It is therefore a matter for the Member States to decide whether to implement the recommendations.

### Proportionality with respect to Member States

Unproblematic.

### Compatibility with EU Law in other respects

Unproblematic.

### Impact on German Law

Unproblematic.

## Conclusion

A single point of contact may reduce red tape for the long-term unemployed and speed up their reintegration. The "job integration agreement" provides legal certainty both for the long-term unemployed and for the point of contact. The inclusion of employers helps to ensure that the long-term unemployed gain needs-based skills training. Subsidies for employing the long-term unemployed may create incentives for recruitment but, in practice, the condition imposed by the Commission - the avoidance of deadweight loss and displacement effects - cannot be achieved.