

Putting Europe's long-term unemployed back to work

By Alois Stöger and Nicolas Schmit

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Across the European Union, millions of people who are willing and able to work have been unemployed for a year or longer, at great cost to social cohesion and political stability. If the EU is serious about stopping the rise of populism, it will need to do more to ensure that labor markets are working for everyone.

Although the European Union is in the midst of an economic recovery, long-term unemployment – joblessness and job-seeking that lasts at least a year – remains stubbornly high in many of the countries that were hardest hit by the 2008 financial crisis and its aftermath. Unfortunately, the European Commission's proposals for addressing the problem are in many cases insufficient.

Europe needs far more innovative labor-market policies to spur job creation and reduce long-term unemployment, which can be particularly destabilizing for society. As we have seen, unemployment has been an important factor in the rise of populist parties that are now threatening social cohesion, democracy, and the rule of law in Europe.

According to Eurostat, the statistical arm of the European Commission, ten million people across the EU's 28 member states were suffering from long-term unemployment in 2016. Of these, around eight million are in the eurozone, and more than a quarter are 50 and over.

For young people, a university education or vocational training can insure against long-term unemployment, at least when sufficient jobs are available. But for people who are 50 or older, the termination of a work contract all too often leads to prolonged joblessness. For example, among unemployed Europeans 50 and over, 60.3% have been unemployed for more than a year; but for all unemployed Europeans of working age, that number falls significantly, to 46.6%.

Behind these statistics are individual stories of personal tragedy, self-doubt, despair, and lost faith in society. Consider the case of a 53-year-old chief IT officer with a doctorate who was laid off from a medium-size Austrian company. While unemployed, he sent out hundreds of job applications. But on the few occasions when he was called in for an interview, employers first told him he was “too expensive” or “overqualified.”

Discrimination based on age, though illegal in the EU, is a routine occurrence. The fact is that the labor market does not work properly for prospective workers at the end of their prime years. But that needs to change if we are going to restore trust in our political system. Those who are willing and able to work deserve support so that they do not end up permanently excluded from opportunities to do so.

The governments of Austria, Luxembourg, and Greece are at the forefront of efforts to transform unemployed people who have lost all hope into workers with a renewed sense of dignity. In each country, workers are being given a new chance to contribute productively to society.

In Austria, a new program called “Aktion 20,000” aims to halve the number of long-term unemployed by mid-2019, by creating 20,000 additional jobs exclusively for long-term unemployed workers who are 50 or above. The program will subsidize up to 100% of labor costs, and its success will be assessed according to two criteria: newly created jobs must serve a genuine economic purpose, and they must be a net addition to existing jobs, not a replacement.

In the three months since the program's launch, the best-performing pilot region has already managed to reduce the rate of long-term unemployment among older people by an astonishing 43%. That amounts to almost a thousand people who have found jobs through the program so far.

Similarly, Luxembourg launched a program in September 2017 that will backstop newly created permanent employment contracts for long-term unemployed people of any age. Like Austria's initiative, Luxembourg's program is focused primarily on creating new jobs that will reinforce and add to existing social or public-sector activities.

In both programs, savings from lower spending for unemployment insurance and other social benefits will offset a large part of the financing costs. Given that older long-term unemployed workers are unlikely to find another job in the private sector, we believe it is well worth the limited expense to upgrade them from unemployed to active workers.

As the ministers overseeing labor-market policies in Austria and Luxembourg, respectively, we hope that these programs will provide a model for other European countries to follow as they look for ways to address the problem of long-term unemployment. And, at the European level, we believe that an ambitious but not impossible goal should be added to the EU's agenda: To provide every long-term unemployed person who is able, ready, and willing to work with the opportunity to do so.

Under current fiscal rules, achieving this goal will require some flexibility to allow countries with particularly high levels of unemployment to finance innovative labor-market policies and job-creation programs. In the long run, the cost will be well worth it.

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