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Proposal for a

COUNCIL RECOMMENDATION

On the integration of the long-term unemployed into the labour market

{SWD(2015) 176 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

Reasons and objectives

During the 2008-09 financial and economic crisis, most EU Member States experienced a major economic downturn that led to a sharp deterioration in their labour market. At EU level, the unemployment rate increased to a historically high level. It is currently on a declining path.

Unemployment remains high in particular among young people¹ and the long-term unemployed. Long-term unemployment (unemployment lasting more than a year)² doubled since 2007 and accounts for half of total unemployment: 12.1 million people, i.e. 5 % of the active EU population, 62 % of whom have been out of work for at least two consecutive years in 2014³. At EU level, long-term unemployment remained at very high levels during 2013 and 2014.

Long-term unemployment affects unevenly Member States depending on the impact of the crisis, the macroeconomic situation, the economic structure and the functioning of national labour markets. It affects a variety of people generally characterised by low employability, many of whom face multiple disadvantages. Workers with low skills or qualifications and third country nationals are twice as likely to experience long-term unemployment. Persons with disabilities and disadvantaged minorities such as the Roma are also disproportionately affected.

Even when recruitment rises again in the Member States, the risk is that many long-term unemployed will be left behind as they are the furthest from the labour market. The longer people are out of work, the more difficult it is for them to be hired again as their skills are gradually eroded. This would entail personal hardship, lower utilisation of human capital, a waste of economic potential and an increase in social expenditure, further exacerbating the impact of demographic decline. Many of those unemployed for a year or more risk leaving the labour market altogether. Each year, a fifth of them stop trying to find another job and are considered as inactive.

Long-term unemployment can lead to poverty and social exclusion. It also contributes to passing on poverty to the children in jobless households, as it has been shown that educational achievement is lower among children in unemployed households. Employment would open a way out of poverty for both the workers affected and their families, as half of those finding a job escape the risk of poverty.

¹ EU28 youth unemployment rate stood at 20.4% in July 2015. More information on youth unemployment and actions at EU level at: <http://ec.europa.eu/social/main.jsp?catId=1036>

² The long-term unemployment rate refers to the number of people who are out of work and have been actively seeking employment for at least a year, see Eurostat: http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Long-term_unemployment.

³ Labour Force Survey data, 2014.

Addressing long-term unemployment would contribute to sustainable growth and cohesion through higher employment and it could also alleviate the burden on public finances through lower social assistance spending and higher tax revenues.

Long-term unemployment is one of the key challenges of the jobs and growth agenda set out in the Commission's Annual Growth Survey and Work Programme for 2015⁴. President Juncker's Political Guidelines identify the toll of unemployment as a key political challenge. Long-term unemployment has been identified by the European Parliament⁵, the Council⁶ and the European Central Bank⁷ as a major impediment to growth.

Tackling long-term unemployment requires a broad set of actions including structural reforms, across policy areas (employment, economic, fiscal policies, investment in human capital) and combining curative and preventive measures. The EU has a multi-faceted strategy in place to ensure a supportive macroeconomic environment, to increase job opportunities, to strengthen social cohesion, to support skills development and to contribute to a reduction of long-term unemployment. For the long-term unemployed, transitions to employment depend not only on the quality of the services offered but also on the macroeconomic situation, economic structure and labour market functioning in each Member State.

Member States are already acting to help the long-term unemployed to secure jobs. However, in 2014, the proportion of long-term unemployed people who returned to work before the end of their second year of unemployment varied among Member States from 11% to more than 46%. While recognising that many factors can influence this performance, this gap shows that there is room for building on successful practices from across the EU.

Action at EU level to support Member States in securing a return to work of those who are long-term unemployed would thus bring added value. Actions already in place should be complemented to ensure that those who need support can access it and to reinforce the effectiveness of such support, notably by accompanying jobseekers back to the labour market. These can build on years of mutual learning and experience gained through the coordination of employment policies, as well as through the financing of the European Structural and Investment Funds and in particular the European Social Fund.

In this context, the objective of this specific initiative is to provide Member States with guidance on service delivery in order to increase the rate of transition from long-term unemployment to employment. The recommendation sets forward specific actions to strengthen the personalised support targeted at the long-term unemployed, implemented by employment and social services.

Specific challenges addressed by the initiative include a lack of support for the long-term unemployed to obtain work, which lowers the registration with the Public Employment Services in some Member States (low coverage), the difficulty of addressing the complexity of unemployment drivers (ensuring that support is relevant to employers' needs and suited to

⁴ COM (2014) 902 final.

⁵ Report on European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2015(A8-0043/2015).

⁶ Council Conclusions on the 2015 Annual Growth Survey and Joint Employment Report — Political guidance on employment and social policies, 6147/15.

⁷ <http://www.ecb.europa.eu/press/key/date/2014/html/sp140822.en.html>.

the individual) and the discontinuity in the delivery of services when unemployment benefits end.

These measures will have to be considered in a more comprehensive set of policy actions at EU and/or national level that facilitate the adjustment of labour markets taking into account the changing nature of work and foster economic growth – including efforts to secure a supportive macroeconomic situation, the design of benefit and social security systems, and the design of education and training systems, labour taxation and employment protection legislation.

Consistency with existing measures

A number of policies, instruments and initiatives at EU level are already in place to support employment, notably the European Semester of economic policy coordination, the European Structural and Investment Funds and in particular the European Social Fund (ESF), as well as the ‘benchlearning’ initiative in the framework of the public employment services network.

The recommendation will support the reform process started under the Europe 2020 objectives, notably by contributing to the goals of increasing the employment rate and reducing poverty. It also follows the call from the Council *‘to develop proposals to help support the long-term unemployed, taking lessons from the introduction of the Youth Guarantees across the EU, while fully integrating them into the European Employment Strategy’*.⁸

The overall objectives of the European Semester of economic policy coordination are supported by the integrated guidelines, which include both the Broad Economic Policy Guidelines and the Employment Guidelines. The former cover priorities such as boosting investment, enhancing growth by implementing structural reforms, removing key barriers to growth and jobs at EU level and improving sustainability and growth-friendliness of public finances. The latter cover priorities such as facilitating job creation, enhancing labour and skills supply, enhancing the functioning of labour markets and fostering social inclusion, combatting poverty and promoting equal opportunities.

The recommendation builds on the Employment Guidelines foreseen under Article 148 (2) TFEU that call for a significant reduction and prevention of long-term unemployment. The current Employment Guidelines aim to address structural barriers linked to rigidities on the labour market and inadequate skills or insufficient investment in human capital. Elements in these areas which feature prominently in the country specific recommendations include reducing financial disincentives to work, adjusting wage-setting mechanisms, shifting the tax burden away from labour, strengthening active labour market measures and modernising vocational education and training and apprenticeships. The proposed new Employment Guidelines call for the number of long-term unemployed to be significantly reduced by means of comprehensive strategies, including the provision of specific active support to long-term unemployed to return to the labour market⁹.

⁸ Council Conclusions on the 2015 Annual Growth Survey and Joint Employment Report — Political guidance on employment and social policies, 6147/15.

⁹ Proposal for a Council Decision on guidelines for the employment policies of the Member States, COM/2015/098 final.

The 2015 country specific recommendations¹⁰ acknowledge that long-term unemployment needs to be tackled by combining effective social protection with employability. In this respect, they stress that efficient, effective and forward looking vocational education and training programmes, including targeted adult learning, play a key role in improving employability. They also note that public employment services need to be strengthened in some Member States and that active labour market measures could more efficiently target those furthest from the labour market.

In terms of sharing of good practices, actions supporting the Europe 2020 strategy through policy learning are taking place. The Public Employment Service (PES) Network is developing a 'benchlearning' process to compare the performance of PES in all Member States and learn from each other.

There is also a significant contribution of the ESF to addressing long-term unemployment. On the basis of the current programming for 2014-2020, at least 10 % of the people supported by ESF are long-term unemployed. The ESF allocations allow room to both increase the financing of integration support and to enhance its efficiency. Additionally, the European Regional Development Fund may complement the measures financed by the ESF. Examples include supporting job creation, modernisation of vocational education and public employment services.

The recommendation could help to reinforce under the current programming the focus of European Structural and Investment Funds interventions, in particular the ESF, on integrating the long-term unemployed and increasing the effectiveness of measures aimed at them. The recommendation tackles the basic set-up of a personalised support scheme targeted at the long-term unemployed on which further ESF interventions can be built.

The recommendation will complement these existing tools by putting in place a framework for action targeted at the integration of long-term unemployed into the labour market, which will cover all the Member States and will aim to contribute to a general improvement in the efficiency of the labour market integration process. It will provide a foundation for prioritising job finding for the long-term unemployed at national level, enabling necessary resources to be allocated, including support from the European Structural and Investment Funds. It aims at providing an impetus for greater administrative capacity, better cooperation between service providers, stronger partnership with the private sector and efficiency in public spending.

The recommendation will build on experiences gained and lessons learned from the Youth Guarantee, which was established by the Council in 2013 to address high levels of youth unemployment and inactivity resulting from the crisis and to improve school to work transitions. Youth Guarantee showed that well targeted EU initiatives can mobilise and strengthen national action to tackle a source of labour market inefficiency and social distress. The Youth Guarantee created a political momentum for the reform of support delivery, which was reinforced and maintained through multilateral surveillance.

¹⁰ Council Recommendations on the National Reform Programmes, OJ 215/C 272 of 18.08.2015

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

Legal basis

The proposal is based on Article 292 of the Treaty on the Functioning of the European Union (TFEU), according to which the Council adopts recommendations acting on a proposal from the Commission, in conjunction with Article 149 which foresees incentive measures designed to support the action of Member States in the field of employment.

Title IX TFEU defines the EU's remit regarding employment policies in particular Article 145 on developing a coordinated strategy for employment and Article 147 on contributing to a high level of employment by supporting and complementing the action of Member States. The proposal will contribute to the objectives of the treaty, notably promoting full employment and social cohesion (Article 3 of the Treaty on European Union).

Subsidiarity

In its work towards developing a strategy for employment, the EU has the competence to coordinate, encourage cooperation and support the Member States' action. While respecting the competence of the Member States, the recommendation gives concrete content to this ambition in particular by capitalising on the exchange of best practices.

Low labour market performance at national level in terms of long-term unemployment rates and transitions to employment may have negative economic impact and undermine social and economic cohesion across the EU. While economic growth itself is a crucial driver, the persistence of long-term unemployment can have a dampening effect on economic growth and on its sustainability.

There are many challenges linked to support services provided for the long-term unemployed (cf. section 4 Analysis). A new EU initiative will support a move towards higher efficiency and standards in delivering services to the long-term unemployed. It builds on successful practices of Member States and translates the lessons learned into a framework for action that will help the Member States modernise their employment and social services.

Proportionality

The recommendation gives an indication of actions to be taken at national level. It complies with the principle of proportionality since it offers a flexible framework and guidance for modernisation and reform processes in the Member States. It recognises that different national, regional or local situations could lead to differences in how the recommendation is implemented. Member States will designate the authorities in charge, which can be employment services or other organisations, depending on national circumstances.

The recommendation provides a framework for action in support of the long-term unemployed and its scope is limited to bringing guidance to employment services or other organisations in charge and their partners on the steps to set up a personalised support scheme targeted at the long-term unemployed to return to the labour market. Improving the efficiency of the integration process is an important factor within the overall fight against long-term unemployment. The recommendation preserves a high degree of flexibility for Member States in both the design and substance of implementation measures.

The proposed action respects Member States' practices and the diversity of systems in the social field. It accommodates Member States' need for a differentiated approach reflecting the different economic financial and social situations, the diverse labour market conditions and the heterogeneity of situations leading to long-term unemployment.

3. RESULTS OF CONSULTATIONS WITH INTERESTED PARTIES

An open public consultation was carried out between 19/02/2015 and 15/05/2015 regarding the provision of services to long-term unemployed in the Member States and at EU level. 159 contributions were received.¹¹ The majority of respondents agreed with the challenges identified in the consultation and stressed the importance of integrating service provision and of individualised services for the long-term unemployed. Over two thirds of respondents supported changes in support of the long-term unemployed, namely introducing an individual offer of active support, a single point of contact, mutual responsibilities and increasing participation in active support measures. The great majority of respondents supported further EU action to address long-term unemployment with general principles for an effective active labour market framework and guidance.

In the consultation targeted at stakeholders, the European Network of Public Employment Services highlighted the relevance of individualised service, better coordination of support, mutual obligations and employer support. The European Social Fund Committee emphasised that under current programming, the ESF can play a significant role in implementing the initiative, and that the initiative could increase the effectiveness of ESF actions. The Employment Committee stressed that the diversity of the long-term unemployed called for an individualised approach to active support and the need to allow Member States the flexibility to tailor their policies accordingly. The Social Protection Committee pointed to the need to maintain resources for groups facing multiple barriers to employment. At a hearing of the social partners devoted to the initiative on 24 April 2015, it was pointed out that an approach based on integration instruments can be combined with general policy guidance.

The outcome of the consultation pointed to the need to act urgently, to better balance the components related to processes and tools with general policy guidance, to respect the diversity of situations among Member States by keeping the approach flexible and to acknowledge the diversity of the long-term unemployed as a group by promoting an individualised approach.

4. ANALYSIS

The Commission carried out an analysis of the effectiveness and potential impact of a Council recommendation published in the accompanying Staff Working Document. The analysis used a combination of internal and external expertise, in particular, a mapping of inclusion contracts and co-ordination of income support with activation, a collection of ESF good practice initiatives, a review of existing cost-benefit studies on long-term unemployment

¹¹ <http://ec.europa.eu/social/BlobServlet?docId=14186&langId=en>.

interventions, including a detailed assessment for five Member States and reports from mutual learning events on addressing long-term unemployment.

The analysis focused on the integration services provided to the jobseekers and on the possible impact of the introduction of a personalised support scheme targeted at the long term unemployed consisting of a job integration agreement supported by general policy guidance on the involvement of employers and preceded by an individual assessment.

The analytical approach not entailing an impact assessment was chosen for several reasons. The recommendation offers general guidance on the setting up of a personalised support scheme targeted at the long term unemployed to return to the labour market allowing Member States to implement various optional and flexible elements according to their national practices. The impact of the recommendation will not only depend on the way in which Member States are likely to implement the measures but also on many important country specific features such as the macroeconomic situation, economic structure and labour market functioning, which makes it difficult to disentangle the specific impact of the proposal from other factors. A more in-depth assessment of the proposed recommendation would also need to factor in a set of possible accompanying policies that might be taken at national level as well as country specific institutional features. A detailed quantitative assessment would be disproportionate as that information cannot be easily gathered and rapidly collected¹².

The analytical approach is therefore based on existing analysis and studies in the domain which to a large extent converge in their findings and policy advice. It brings available evidence from reforms in place on effectiveness and cost of a set of similar measures.

In addition, the recommendation will improve the collection of data at EU level by allowing a close monitoring of actions in the Member States. A specific evaluation clause is included in the recommendation to provide a full evaluation of the impact of the actions taken in response to the recommendation after an initial period of implementation.

Key findings of the analysis

While recognising that long-term unemployment has profound structural roots linked to skills, educational achievement and attainment, the macroeconomic situation and the functioning of the labour market, the analysis focused on the organisation of support services targeted at the long term unemployed to return to the labour market. Several factors limiting the integration performance of the Member States in accompanying the long term unemployed back to labour market were identified:

- Registration allows for access to support. Low registration rates indicate that support is accessible only to a part of the long-term unemployed. The EU registration average is 73 % and in several Member States, the rate is below 50 %. In 2012, available data indicate that only 13.5 % of long-term unemployed people over 25 were participating in active labour market measures.
- Most Member States condition benefits on job search or minimal activation requirements. However, such conditionality is not always enforced, in most cases due to gaps in the offer of active measures. In several Member States, the Public

¹² Roadmap is available at: http://ec.europa.eu/smart-regulation/roadmaps/index_en.htm

Employment Services primarily serve the unemployed eligible for unemployment benefits, targeting their interventions early during the unemployment spell for efficiency reasons.

- Unemployment benefits stop in many countries within one year. When eligibility ends, the long-term unemployed may be eligible for non-contributory minimum income or other social assistance benefits, the responsibility for which varies between Member States (most often the social assistance agencies or the Public Employment Services). A range of other social services delivered through municipalities, social services and NGOs may intervene. Long-term unemployed may thus experience a change in the agencies assisting them.
- Reintegration can be disrupted as individual support shifts from unemployment insurance provided by public employment services to social benefits provided by social assistance authorities. If the division of responsibilities between agencies is not clear, case histories are not transferred and coordination of services is limited. Discontinuities can consequently delay the process of taking up work. While some Member States have already integrated services and provide one-stop-shops, others lack policy coordination at the national level, leading to fragmentation and inconsistencies in service provision. The Commission's assessment of the implementation of the active inclusion recommendation emphasised the importance of coordinated and integrated approaches to service delivery and employment policies, including one-stop-shops linking employment with social protection¹³.
- Individualised services such as assessment and profiling are not always accessible to the long-term unemployed. Programme-based interventions focusing on long-term unemployed subgroups are not tackling the entire range of specific individual needs. Moreover, only a low share of the expenditure on active measures for them is allocated to training or start-up support. Low-skilled unemployed are four times less likely to participate in lifelong learning, and basic skills education is seldom included in support.
- Programmes for the long-term unemployed are not geared to employers' needs. In some countries, there is a focus on public works schemes (an estimated 31 % of current spending on active labour market measures for the long-term unemployed in 2012) which do not always open pathways back to the labour market. Employers are generally not sufficiently involved in activities run by employment and social services.
- Since entry into long term unemployment is after 12 months of unemployment, and there is a large drop in transitions to employment between 12 and 24 months, action before 18 months at the latest is appropriate. This is in line with existing practices in Member States most successful in reducing long term unemployment.

The analysis pointed to a number of key delivery success factors in the design, organisation and focus of labour market integration policies.

¹³ See Commission recommendation of 3.10.2008 on the active inclusion of people excluded from the labour market (2008/867/EC, OJ L 307, 18.11.2008, p. 11) and SWD (2013) 39 final in the Social Investment Package.

An individualised services approach, combining intensive support, monitoring of outcomes and an employer focus, is expected to help increase transition to employment and improve the matching of long-term unemployed to employment opportunities. Some Member States with high transition rates to employment already have in place the elements proposed in the recommendation. The impact of an initiative would therefore be higher in Member States with weaker support structures and higher rates of long-term unemployment. Job integration agreements are expected to prompt a change towards stronger support structures. Should this change lead to closing the gap with better performing Member States, more people could be expected to find a job every year through full implementation of the proposal¹⁴.

However, these effects depend on a variety of other factors. When combined with other structural reforms to boost job creation, this recommendation can support an overall increase in employment rates through a higher growth potential and decrease in structural unemployment, decrease in mismatch between labour demand and supply through the personalised services to long term unemployed or decrease in the risk of poverty and social exclusion.

Re-focusing existing financial allocations on schemes supporting direct integration into the labour market, such as recruitment subsidies could contribute to an increase in employer involvement. In a setting of low labour demand and limited fiscal space, such incentives can be an attractive instrument for supporting employment while also improving the employability of long-term unemployed. However, they need to be well designed, otherwise they may result in wasteful spending of public money, particularly if the subsidised jobs would have been created anyway (deadweight loss), or if the incentives simply induce employers to hire certain workers instead of others (displacement effects) or may create unnecessary fragmentation of the tax system.

Cooperation between the different agencies such as public employment services, social services and municipalities via a single point of contact would improve continuity of services and increase the relevance and effectiveness of the services offered, with positive effects on social protection and on the groups furthest away from the labour market. The long-term unemployed would benefit from simplified access to service, while the employment and social authorities and service providers would need to adjust processes and cooperate to deliver job integration agreements.

No compliance costs are foreseen for small and medium-sized companies (SMEs) and employers. Online channels can be used to conduct assessments, to monitor and update job integration agreements and to access services and incentives for employers.

The initiative reinforces protection of fundamental rights. Improving the access to support services and establishing an individualised services approach for long-term unemployed guarantees and further enhances the right to access to free placement services laid down in Article 29 of the Charter of Fundamental Rights of the EU. Furthermore, providing better protection of long-term unemployed duly observes the principles enshrined in Article 34 of the Charter of Fundamental Rights of the EU, since it improves the entitlement to social security benefits and social services protection in case of loss of employment of long-term unemployed, helps combating poverty and social exclusion and ultimately reinforces human dignity.

¹⁴ Staff Working Document accompanying the proposal, section 7.1.

5. BUDGETARY IMPLICATIONS

The proposed Council recommendation will have implications on the allocations of resources at national level, particularly through re-allocation of ESF programmes towards direct client services and through initial investment in service and coordination capacity. The recommendation provides a flexible frame of intervention, whereby Member States are able to adapt existing resource allocations for support to the unemployed and other social services in line with their budgetary situation.

Although implementation entails an initial administrative cost to set up coordinated delivery and individualised support, the overall budgetary impact is expected to be limited or even positive in the medium term if this translates into more transitions to employment, especially if accompanied by other relevant labour market reforms.

The budget allocations for the multiannual financial framework for the European Structural and Investment Funds can be used to support implementation including the additional investment in administrative capacity for labour market and social institutions.

Social innovation projects on getting the long-term unemployed back into work can be co-financed within the agreed budget of the Progress section of the European Union Programme for Employment and Social Innovation (EaSI) for 2014-2020, through calls for proposals.

The proposed Council recommendation does not require additional EU budget and staff resources for the Commission.

6. OUTLINE OF THE PROPOSAL

The general objective of the proposed Council recommendation is to increase the transition rates to employment of the long-term unemployed. The specific objectives, to which this initiative will contribute are to: (1) increase coverage with higher registration and active support for the long-term unemployed, (2) ensure continuity and coordination between relevant services and (3) increase the effectiveness of interventions aimed at both the long-term unemployed and employers.

It essentially proposes three concrete steps which open a pathway to labour market integration:

- (1) encourage registration with an employment service;
- (2) assess individual needs and potential of the long-term unemployed before reaching 18 months of unemployment;
- (3) offer a job integration agreement to the long-term unemployed at the latest when they have reached 18 months of unemployment.

This recommendation aims at the integration of the target group into the labour market. The quality of the offers and measures proposed within the job integration agreements therefore needs to correspond to this objective and will be measured against it.

Several elements of the recommendation in particular the measures to encourage registration, the individualised approach and the services to employers can be implemented with a high degree of flexibility allowing Member States to use or combine existing practices and measures.

Encourage registration with an employment service

Encouraging registration of the long-term unemployed with public employment services or other social assistance services through information provision supported by partnerships, that clarify the support offer available for a labour market integration pathway tailored to individual needs.

Individual assessment and approach

Assisting the long-term unemployed requires a mix of measures which recognise and seek to address all the challenges faced. The proposed recommendation contains an invitation to put in place in-depth individual assessments for the long-term unemployed in the period between 12 and 18 months of unemployment. This does not preclude individual assessments at earlier stages of the unemployment spell – in fact, an early assessment and targeted measures can reduce the risk of falling into long-term unemployment. Enhanced individual assessments should include a skills audit and lead to counselling and guidance based on the person's experience, job search history, gender related employment barriers and taking into account labour market needs.

Job integration agreements

The job integration agreement consists of a tailor-made offer of intervention combining measures provided by different organisations (employment services, education and training, social services) and spelling out mutual rights and obligations. It will be offered to all long-term unemployed outside the remit of the Youth Guarantee unemployed at the latest when they have reached 18 months of unemployment.

The individual assessment results in a plan aimed at opening up a path back to work. The recommendation proposes to follow a job integration agreement approach.

It should involve:

- An individual service offer reflecting the needs and abilities of the long-term unemployed and building on measures available at national level (job search assistance, education, training including language, work experience, validation of non-formal and informal learning, mentoring, debt counselling, rehabilitation, child and care services, housing and transport support), indicating an individual path to return to employment.
- A written agreement between the long-term unemployed person and a single point of contact detailing the offer, in the form of respective rights and responsibilities, in order to ensure joint commitment (e.g. participation in training, interviews, and counselling) both from the beneficiary and from the organisation involved.

- The establishment of a single point of personal contact to ensure continuity and consistency of the support offered by different agencies such as public employment services, social services and municipalities. Member States will put in place the legal and institutional arrangements to deliver a coordinated range of services to the long-term unemployed. The single point of contact should cover organisations in charge of job search, management of benefits and sanctions, social assistance and supporting services, etc. This includes mechanisms to pool information and where possible share data to allow all appropriate agents access to client case history records.

Employer involvement

To help the long-term unemployed back into the primary labour market, employers' needs must also be better served by employment and support services. The effectiveness of integration measures can be improved by stronger employers' involvement.

An enhanced range of services and more focused incentives to employers can increase the engagement of employers while minimising the administrative burden particularly for SMEs to access such support.

The recommendation calls on Member States to review and adapt their policies with a view to further engaging employers in bringing the long-term unemployed back into the labour market. Cooperation with the social partners may provide impetus to do this. Re-allocating existing resources towards well targeted financial incentives, when accompanied by services provided to employers such as pre-screening of potential candidates, placement and post-placement support and work-based training, make such schemes more attractive to employers. The Commission is hereby putting forward a proposal for a Council recommendation to support the labour market integration of the long-term unemployed.

Proposal for a

COUNCIL RECOMMENDATION

On the integration of the long-term unemployed into the labour market

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292, in conjunction with Article 149 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) At EU level, the unemployment rate increased to a historically high level following the 2008-09 financial and economic crisis. It is currently on a declining path but long-term unemployment remains very high. Long-term unemployment affects Member States to a different extent, notably as the impact of the crisis has been uneven and countries differ in term of macroeconomic situation as well as economic structure and labour market functioning.
- (2) After years of subdued growth and low job creation, long-term unemployment, defined as unemployment lasting more than 12 months, affected in 2014 more than 12 million workers, or 5% of the active EU population, 62% of whom have been jobless for at least two consecutive years.
- (3) Long-term unemployment is affecting the persons concerned, lowering the potential growth of EU economies, increasing the risk of social exclusion, poverty and inequalities and adding to the costs of social services and public finances. Long-term unemployment leads to loss of income, skills erosion, higher incidence of health problems and increased household poverty.
- (4) Among the most vulnerable to long-term unemployment are people with low skills or qualifications, third-country nationals, persons with disabilities and disadvantaged minorities such as the Roma. The previous occupation also plays an important role, as in some countries the sectoral and cyclical aspects are key in explaining the persistence of long-term unemployment.
- (5) Every year, close to a fifth of the long-term unemployed become discouraged and fall to inactivity as a result of unsuccessful job search efforts. As barriers to labour market integration are diverse and often cumulate, labour market integration requires a tailor-made, individualised approach.

- (6) The long-term unemployed make up half of the total unemployed in the EU but account for less than a fifth of participants in active labour market measures. Correspondingly, a low proportion of the long-term unemployed (on average 24 %) are covered by unemployment benefits.
- (7) Investment in human capital needs to be improved and made more efficient with the aim of equipping more people with good and relevant competences, addressing skill shortages, laying the foundation for a smooth transition from learning to work and for continued employability. Improving the performance and relevance of education and training systems will help curb the influx of new unemployed. To this end, the modernisation of education and training systems needs to be pursued in line with the European Semester, with the Strategic Framework for European Cooperation in Education and Training (ET 2020)¹⁵, the recommendation of the European Parliament and of the Council on key competences for lifelong learning¹⁶ and the Commission recommendation on the active inclusion of people excluded from the labour market¹⁷.
- (8) With a view to developing a coordinated strategy for employment, the Guidelines for the employment policies of the Member States¹⁸ call for long-term and structural unemployment to be significantly reduced by means of comprehensive and mutually reinforcing strategies that include individualised active support for a return to the labour market.
- (9) The guidelines call on Member States to promote employability by investing in human capital, through appropriate education and training systems, that they are effective and efficient to raise the skill level of the workforce. The guidelines further specifically call on Member States to encourage work-based learning systems such as dual learning and upgrade professional training. The guidelines more generally request Member States to take into account flexicurity principles and strengthen active labour market measures by increasing their effectiveness, targeting, outreach, coverage and interplay with income support and social service provision.
- (10) The actions proposed under this recommendation should be fully compatible with the country specific recommendations issued in the context of the European Semester and their implementation should take place in full compliance with the rules of the Stability and Growth Pact.
- (11) The European Social Fund is the European Union's main financial instrument for tackling long-term unemployment. For the period 2014-2020, Member States have

¹⁵ Council Conclusions of 12 May 2009 on a Strategic Framework for European Cooperation in Education and Training (ET 2020).

¹⁶ Recommendation of the European Parliament and of the Council of 18 December 2006 on key competences for lifelong learning.

¹⁷ C(2008) 5737

¹⁸ COM(2015) 098

allocated substantial funding to support the integration of the long-term unemployed into the labour market. Other funds, like the European Regional Development Fund and the European Agricultural Fund for Rural Development, may also complement the measures financed by the European Social Fund in accordance with the allocations for the relevant investment priorities for 2014-2020, namely by supporting job creation, and modernisation of public employment services and vocational education.

- (12) The 2012 Council recommendation on the validation of non-formal and informal learning calls for action to offer individuals the opportunity to demonstrate what they have learned outside formal education and training.
- (13) The European Council of March 2013¹⁹ emphasised that addressing unemployment is the most important social challenge and that reducing long-term unemployment and ensuring full participation of older workers is crucial.
- (14) The Employment, Social Policy, Health and Consumer Affairs Council²⁰ concluded that long-term unemployment has become a critical issue which requires urgent attention and action. Long-term unemployment has also been identified by the European Parliament²¹ and by the Council²² as a major impediment to growth.
- (15) Intensified labour market integration efforts for those most hard hit by long-term unemployment should be developed. This needs to go hand in hand with improved registration with employment services and other competent agencies in order to tackle the lack of coverage of support measures.
- (16) Prevention and activation measures mainly focusing on the start of the unemployment period need to be complemented. Specific action for the long-term unemployed has to be taken at the latest in the period around 18 months of unemployment as this is when support mechanisms and services for this particular group change in most Member States.
- (17) Individualised approaches to support the long-term unemployed need to address the barriers leading to persistent unemployment, updating and complementing the initial assessment made upon registration. This will guide jobseekers towards support services such as debt counselling, rehabilitation, social work, care services, migrant

¹⁹ EUCO 23/13.

²⁰ 6974/15 3374th Council meeting Employment, Social Policy, Health and Consumer Affairs Brussels, 9 March 2015.

²¹ Report on European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2015(A8-0043/2015).

²² Council Conclusions 'The 2015 Annual Growth Survey and Joint Employment Report: political guidance on employment and social policies' 6147/15.

integration, housing and transport support which address barriers to work and empower jobseekers to reach clear goals leading to employment.

- (18) Employer involvement in the integration of the long-term unemployed is essential and needs to be supported through the provision of dedicated services by employment services accompanied by well-targeted financial incentives and the involvement of the social partners.
- (19) Recent policy initiatives such as the Youth Guarantee²³ call for partnership working as a new method for delivery of social and employment policy. Integrated service provision is crucial, particularly in Member States where responsibilities for supporting the long-term unemployed are divided between the public employment services, social welfare agencies and local government.
- (20) For the purposes of this recommendation, a job integration agreement is understood to be a written agreement between the jobseeker and single point of contact with the objective of facilitating the transition into employment on the labour market. Drafted to reflect the individual jobseeker's situation, these agreements detail a package of individualised measures available at national level (labour market, education, training, social services) designed to support and empower jobseekers in overcoming their specific obstacles to employment. They define goals, timelines, mutual responsibilities and review clauses, and indicate both the active and income support measures and social support services available. Job integration agreements link the receipt of benefits to participation in active labour market measures and job search activities, in line with existing national legislation.
- (21) The actions proposed under this recommendation take into account the diversity of the Member States and their different starting points, as regards the macro-economic situation, the level of long-term unemployment, institutional set-up, and capacity of the various labour market players. They complement and reinforce the policy approach currently implemented by many Member States, in particular by introducing flexible components such as the individualised approach, the employers' involvement and integrated services.
- (22) The actions under the proposed recommendation duly observe, reinforce and enhance fundamental rights, in particular as established by Article 29 and Article 34 of the Charter of Fundamental Rights of the European Union.

²³ Council recommendation of 22 April 2013 on establishing a Youth Guarantee (2013/C 120/01).

HEREBY RECOMMENDS THAT MEMBER STATES:

Support registration of jobseekers and a closer labour market orientation of integration measures. Provide the registered long-term unemployed with an individual assessment. Make a specific job integration agreement offer at the latest when they have reached 18 months of unemployment. To that effect:

Registration

- (1) Encourage the registration of the long-term unemployed with an employment service, in particular through improved information provision on the support available.

Individual assessment and approach

Employment services, together with other partners supporting labour market integration, provide personalised guidance to those concerned.

- (2) Ensure that all long-term unemployed are offered in-depth individual assessments and guidance at the latest when they reach 18 months of unemployment. The assessment should cover their employability prospects, barriers to employment and previous job search efforts.
- (3) Inform the long-term unemployed about job offers and available support in different sectors of the economy, regions and other Member States, in particular through the European Employment Services (EURES).

Job integration agreements

The registered long-term unemployed not covered by the Youth Guarantee are offered a job integration agreement at the latest when they have reached 18 months of unemployment. This should comprise, as a minimum, an individual service offer aimed at finding a job and the identification of a single point of contact.

- (4) Make an offer that targets the specific needs of the long-term unemployed and combines services and measures provided by different organisations in the form of a job integration agreement.
 - (a) The offer should detail explicit goals and the obligations which the long-term unemployed person must meet, such as taking active steps to find a job, accepting offers of suitable work and attending and participating in education or training, qualification or work measures.

- (b) The offer should also spell out the service providers' obligations to the long-term unemployed person. Depending on individual circumstances, such support could include job search assistance, validation of non-formal and informal learning, rehabilitation, counselling and guidance, education and training, work experience and social support services such as early childhood education and care, health and long term care services, debt counselling, housing and transport support.
- (5) Put in place the legal and institutional arrangements to ensure continuity and deliver a coordinated service offer through a single point of contact which should provide counselling to beneficiaries and simplified access to benefits, employment and social support services.

Facilitate the smooth and secure transmission of relevant information concerning jobseekers' support history and individual assessments between service providers, in compliance with data protection legislation, thereby ensuring service continuity.

Equip all services involved with the relevant information on job vacancies and training opportunities. Ensure that this reaches the long-term unemployed, irrespective of the service provider.

- (6) Regularly monitor the job integration agreement in the light of changes in individual situations and if necessary adapt the agreement to ensure a tailor-made pathway back to employment.

Closer links with employers

- (7) Establish partnerships between employers, social partners, employment services, government authorities and social services to ensure that the offers are targeted to the real needs of enterprises and employees.
- (8) Develop services for employers such as the screening of job vacancies, placement support, workplace mentoring and training and post-placement support to facilitate the professional reintegration of the long-term unemployed.
- (9) Focus financial incentives on schemes supporting direct integration into the labour market, such as recruitment subsidies and exemptions from payment of social insurance contributions, in order to increase job opportunities.

Assessment and monitoring

- (10) Within the Employment Committee, by ... [within 6 months after adoption of the recommendation], draw up a set of monitoring indicators and guidelines for national evaluations, including a reporting mechanism. The indicators should allow analysis of the extent to which the long-term unemployed have regained employment,

whether their integration into the labour market is sustainable, and the use and impact of job integration agreements.

HEREBY RECOMMENDS THAT THE COMMISSION:

- (11) Encourage the assessment of Public Employment Services' performance in relation to labour market integration of the long-term unemployed, sharing of experience and exchange of good practice under the benchlearning process of the European Network of Public Employment Services, established under Decision No 573/2014/EU.
- (12) Cooperate with Member States to make best use of the European Structural and Investment Funds, in particular the European Social Fund, the European Regional Development Fund and the European Agricultural Fund for Rural Development, in accordance with its relevant investment priorities for the 2014-2020 programmes.
- (13) Support and coordinate voluntary initiatives and alliances of companies engaged in the integration of long-term unemployed into the labour market.
- (14) Support social innovation projects to integrate the long-term unemployed into the labour market, in particular through the Progress section of the European Union Programme for Employment and Social Innovation (EaSI).
- (15) Evaluate, in cooperation with the Member States and after consulting the stakeholders concerned, the action taken in response to this recommendation, and report to the Council by ... [3 years following the adoption of the recommendation] on the lessons learned.