

Chapter 4

Tackling long-term unemployment in Europe through a Council Recommendation?

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Introduction

The present chapter provides an initial appraisal of the 2015 Council Recommendation on the integration of the long-term unemployed into the labour market. This initiative appeared in a year when long-term unemployment (LTU) decreased steadily in the European Union (European Commission 2016a, b, c). This decline in 2015 — which followed two years during which LTU peaked at a high but stable level — was a general trend in almost all Member States, except in Finland, Austria and Luxembourg (European Commission 2016c). The recent decline in LTU can however not offset some of the damaging consequences of the previous increase in unemployment between 2008 and 2014. In addition, the general increase in total unemployment across all the EU Member States (except Germany) during this earlier period was accompanied by divergent trends among European countries. Polarisation between the Southern countries and the others meant that, irrespective of the official European integration doctrine, the EU ‘has ceased to be the veritable “convergence machine” it used to be’ (Vandenbroucke with Vanhercke 2014: 25).

The Great Recession 2008-2012, accentuated by a deflationist economic policy, explains why the European Commission addressed the issue of LTU in its consecutive Annual Growth Surveys (AGS)¹ as well as the

1. The first AGS in 2011 and 2012 did not use the expression ‘long-term unemployment’. The AGS 2013, 2014 and 2015 used the term ‘long-term unemployment’, mainly when addressing youth unemployment.

Country Reports² that are produced as part of the European Semester. The European Commission also beefed up its own analytical capacity regarding national policies aimed at tackling or preventing LTU. Thus, the new Commission launched studies and consultations in 2015 on a number of acute problems related to LTU, including the process of social exclusion that occurs through the increase in long-term – and especially very long-term – unemployment. The objective of this analytical capacity boosting was to draft a Council recommendation (European Commission 2015c), which was ultimately adopted by the Council in February 2016 (Council of the European Union 2016). Following this, the Recommendation was referred to in the 2016 Annual Growth Survey (European Commission 2015d).

This is not to say that the attention given by the EU to the issue of LTU is entirely new. The key involvement of the EU with employment policies indeed started with the European Employment Strategy (EES) – codified in the Amsterdam Treaty 1997 – which can be regarded as a ‘correction’ to the legitimacy deficit caused by Maastricht (Vandenbroucke with Vanhercke 2014: 74). More recently, the European Commission’s Social Investment Package (SIP) recognised that ‘prime-age and older workers are affected by the rapid rise in long-term unemployment’ and that ‘this puts them at risk of poverty and presents a danger to their employability, the stability of their families, and their mental and physical health.’ (European Commission 2013a). Consequently, long-term unemployed should be among the key beneficiaries of policies that promote greater social investment across the EU. The SIP indeed emphasises the importance of supporting those furthest from the labour market with a combination of income support, tailor-made activation, and access to enabling services; it also promotes the use of one-stop shops and individual contracts. Without referring to the SIP, the European Commission’s 2015 Work Programme (European Commission 2014) proposed an initiative for promoting integration and employability in the labour market, which led to the aforementioned proposal for a Council recommendation in September 2015.

2. The European Commission publishes its annual analysis of the economic and social challenges in the EU Member States as so-called Country Reports. The reports are a tool within the streamlined European Semester to monitor policy reforms and to point to challenges that Member States should address. The Country Reports can be downloaded from http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

This chapter presents an overview and evaluation of this EU initiative for combating LTU in 2015. Section 1 presents the main trends in long-term unemployment, which has generally increased faster than unemployment in Europe during the financial and economic crises. The Member States have tried to fight this phenomenon by using very diverse policies, which are discussed in section 2. The main characteristics of the Council Recommendation on LTU are detailed in section 3. The next section then raises some problematic points and deficiencies in the adopted Recommendation — especially its narrow focus on employment of the long-term unemployed — and discusses its implementation at the national level. Section 5 concludes that the best way forward remains the prevention of long-term unemployment.

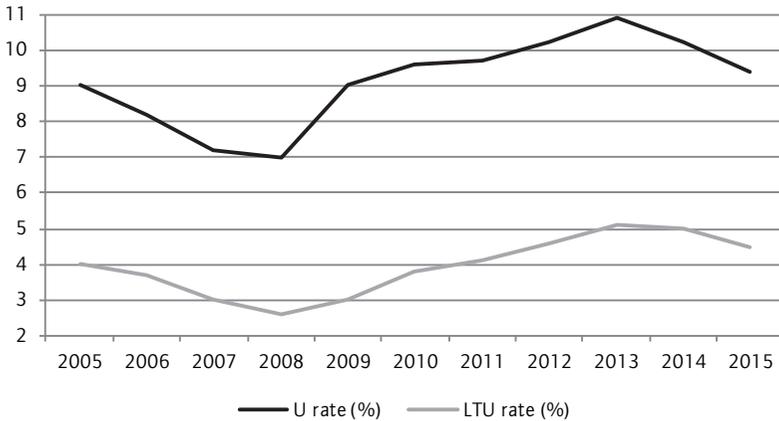
1. Long-term unemployment in European countries

The European Commission's excellent annual report on 'Employment and Social Developments in Europe' (ESDE) and the EU 'Employment and Social Situation Quarterly Reviews' (European Commission 2016a, b, c) provide abundant information on unemployment and LTU in the Member States. This section summarises recent trends, as well as the socio-economic characteristics of people who face this situation in their daily lives.

1.1 Unemployment and long-term unemployment cycles

Long-term unemployment is traditionally measured by two indicators: the long-term unemployment rate on the one hand, and the share of long-term unemployed in the total of unemployed people, on the other hand (see definitions in Annex 1). Between 2008 and 2013, the unemployment rate in the EU grew steadily, and reached a peak in 2013 (Figure 1). During this period, the long-term unemployment rate (LTU rate) grew proportionally faster than the unemployment rate (U rate): the former doubled while the unemployment rate only grew by 55%. Since then, the unemployment rate decreased, both in 2014 (10.2%) and 2015 (9.4%). By contrast, the LTU rate did not significantly decrease in 2014 (European Commission 2016a: 342), but it did in 2015: from 5% in the last quarter of 2014 to 4.4% in the last quarter of 2015 (European Commission 2016c: 27).

Figure 1 Trends in unemployment and long-term unemployment rates in the EU28: 2005-2015 (percent)



Source: Eurostat Database.

The trend in long-term unemployment follows approximately the same cyclical pattern as the unemployment rate (Figure 1). However, the LTU rate is a so-called ‘lagging indicator’ (European Commission 2016a: 78). This is so for several reasons. First, when unemployment began to increase in 2008, it took several months before the increase in long-term unemployment became visible. The second lag effect, which became apparent after the 2013 peak in the unemployment rate, is explained by (a) a mismatch between an insufficient labour demand by the employers, (b) a lack of demand for professional skills of many long-term unemployed people and (c) a signalling effect: many employers consider them as less employable than more skilled workers (see section 1.3).

The second indicator, the share of the long-term unemployed as a proportion of total unemployment (LTU/U share), also increased between 2009 (33.3%) and 2013 (47.3%). Consequently, the long-term unemployment rate grew faster than the unemployment rate³. At the end of the upswing of the cycle (11.4% in the first quarter of 2013), the

3. According to the definitions and the arithmetical relation between the three indicators, when the LTU/U share increases, automatically the LTU rate will increase faster than the unemployment rate.

share of LTU in unemployment continued to increase (from 45.3% in 2013Q1 to 50.1% in 2014Q2) while the unemployment rate decreased in 2014 and 2015. Finally, the LTU rate decreased in 2015, proportionally faster than for the very long-term unemployed.

1.2 Divergent trends

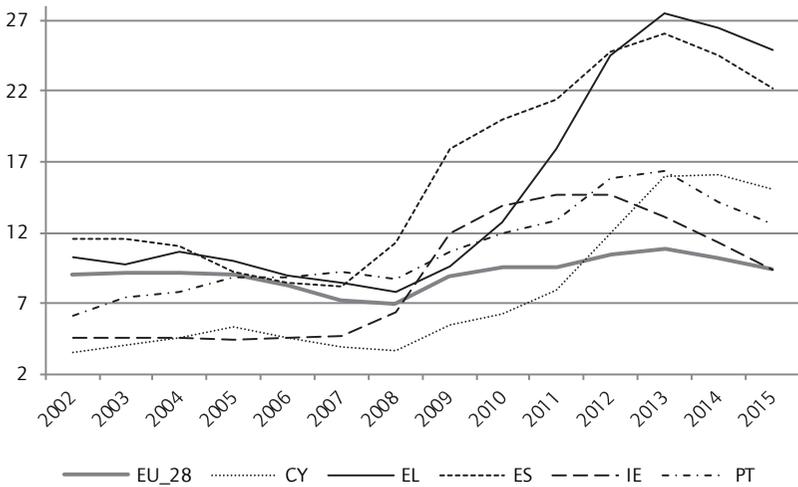
In 2013-2015, European countries were characterised by great differences in unemployment rates, resulting from the divergent trends since 2008. Indeed, as can be seen in Figures 2a, b, c and d, in 2008 unemployment rates in European countries were low and reflected a previous convergence process which took place between 2002 and 2008. This evolution was generally considered an indicator of the success of the integration of the twelve newcomers⁴ and the implementation of the European Employment Strategy (EES) (Pochet 2003; Peña-Casas 2013). The evolution was fully consistent with the European convergence doctrine. Indeed, after the collapse of the Soviet-type economies and the period of transition (1990-2000), the situation in Eastern European post-communist countries differed greatly from that in other European countries. Eight years later, in 2008, these countries had largely completed the catch-up process (Figure 2b): the spread in unemployment between the then 27 European Member States was fairly low, between 3.7% in the Netherlands and 11.3% in Spain.

However, a new differentiation process started between European countries in 2008, resulting from the financial and economic crises, and the unsuitable austeritarian policies of the EU and national governments (Hyman 2015). This differentiation has taken the form of polarisation between countries, creating a dichotomy within Europe: most Southern countries (CY, EL, ES, PT⁵) are characterised by a very high unemployment rate, higher than in the other Member States. Figures 2c and d show that most EU countries (16/28), especially those characterised by unemployment rates lower than the EU average rate, have also followed rather low fluctuations.

4. Ten countries in 2004 and Romania and Bulgaria in 2007. Croatia joined the EU in 2013.

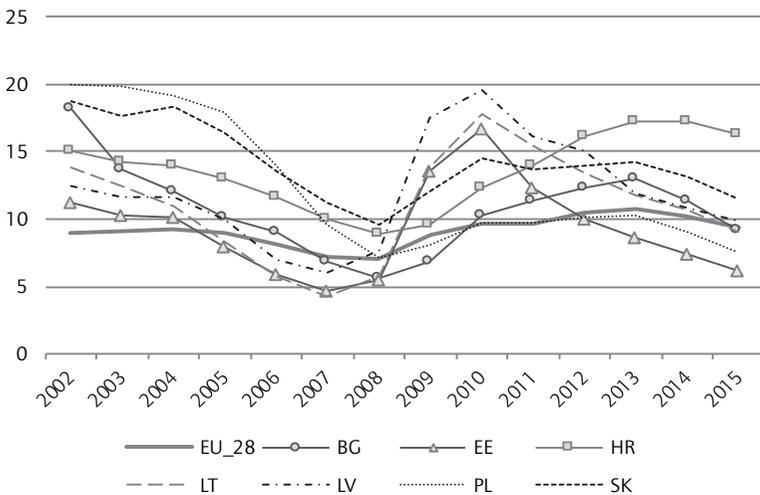
5. For the countries' official abbreviations used in this chapter, see the list of country codes at the end of this volume.

Figure 2a Trends in unemployment rates in European countries: 2002-2015 (percent)



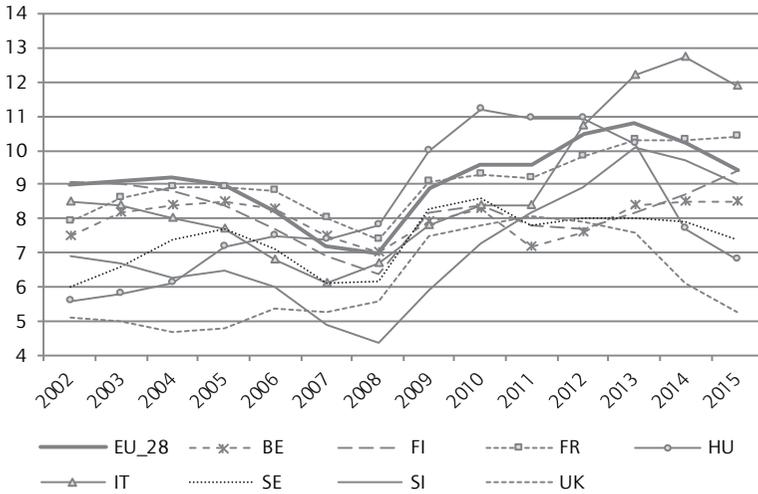
Source: Eurostat database.

Figure 2b Trends in unemployment rates in European countries: 2002-2015 (percent)



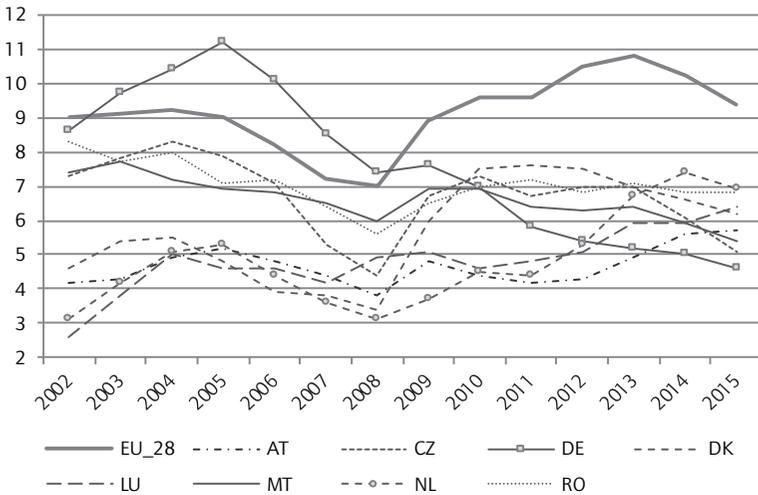
Source: Eurostat database.

Figure 2c Trends in unemployment rates in European countries: 2002-2015 (percent)



Source: Eurostat database.

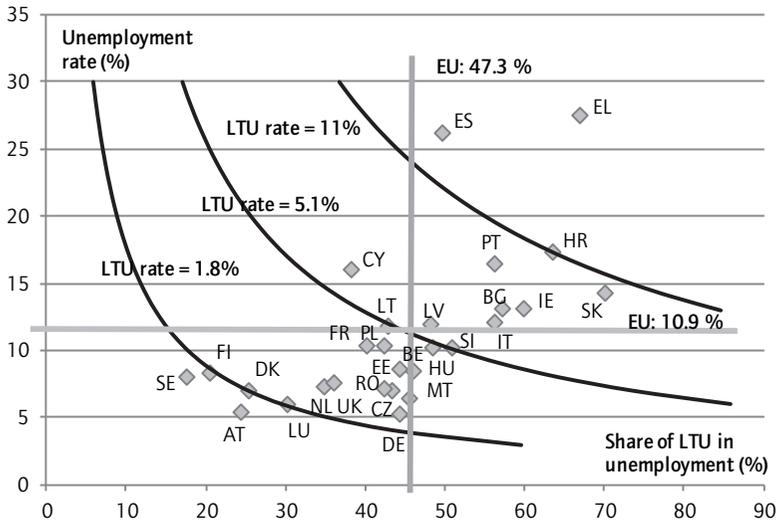
Figure 2d Trends in unemployment rates in European countries: 2002-2015 (percent)



Source: Eurostat database.

In 2013-2015, at the peak of the EU unemployment rate, we note a correlation between the unemployment rate and the LTU/U share (Figure 3): countries with a low unemployment rate were characterised by a low LTU/U share; on the other hand, countries with a high unemployment rate were characterised by a high LTU/U share.

Figure 3 Relation between the unemployment rate and the share of LTU in total unemployment in 2013 (percent) in Europe



Sources: Eurostat, ILO, OECD databases.

Some South(Eastern) European countries (Greece, Croatia, Portugal) are thus characterised by both a high unemployment rate and a high share of LTU in total unemployment, with some exceptions: for instance Cyprus, which has a rather low share of LTU in total unemployment in spite of a high unemployment rate. Figure 3 clearly shows the situation of the Nordic countries which are characterised by a low share of long-term unemployed in total unemployment. Figure 3 depicts the national unemployment rates (vertical axis), the share of the LTU in total unemployment (horizontal axis) and also the LTU rates on isoquants, i.e. lines where the LTU rates are constant. Three LTU isoquants are drawn on Figure 3 (see definitions provided in Annex 1). One isoquant represents the line where all the countries would have the same LTU rate as the EU (5.1%); a second one represents the line where all the countries would have the same LTU rate as Croatia; and the third, the

same LTU rate as Denmark. Therefore, Figure 3 immediately shows the relation between the three lead unemployment indicators. For instance, Finland and Germany have very close LTU rates but Germany is characterised by a lower unemployment rate and a higher share of LTU in total unemployment than Finland.

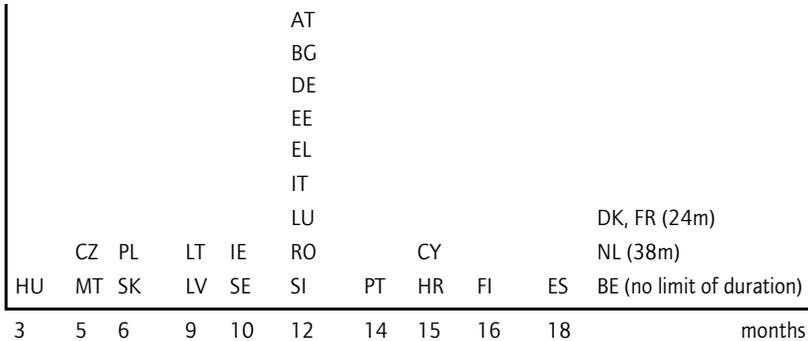
1.3 Characteristics of long-term unemployed

For those affected, being away from the labour market for a long time — at least one year in the statistical definitions — can have two main types of detrimental effect. A long spell of unemployment firstly entails obsolescence of skills. People who experience long-term unemployment often have to overcome considerable barriers to access decent and sustainable employment; they are far more likely to have low education levels or limited skills (or to have skills that have become redundant). Being unemployed for a long time also entails a loss in human capital, a higher risk of bad health, disability and psychological problems that erode the individual's capabilities. LTU thus has a 'scarring' effect, which means that a worker who is unemployed will be more likely to suffer from negative labour market experiences in the future, compared to otherwise identical persons who have not been unemployed (Mroz and Savage 2006; Nilsen and Holm Reiso 2011; European Commission 2013b). Furthermore, 'long-term unemployment not only reduces employability and the probability of being employed in the future, but also causes people to become lonely and sick' (Spermann 2015: 6).

Prolonged removal from a decent and sustainable job is often painfully combined with a loss of income. In many European countries, the maximum spell of unemployment benefit is no more than one year (Figure 4). Consequently, the long-term unemployed in these countries have lost their unemployment benefit, making them dependent on unemployment assistance or social assistance. This loss creates a high risk of poverty and social deprivation, which is reinforced by loss of self-esteem and disinvestment in society. Everywhere, a combined long spell of unemployment and loss of income engenders a disaffiliation process: a loss of self-confidence and motivation; significant psychological and personal difficulties; and experiencing the problems associated with social exclusion such as living in poverty, having inadequate housing, losing relationships, over-indebtedness and ill physical or mental health

(Bouget *et al.* 2015). All of these factors make accessing employment more difficult for the long-term unemployed and, as importantly, make employers more reluctant to hire them.

Figure 4 Maximum duration of the unemployment benefit (months) in European countries



Source: MISSOC 2015; UK data are missing.

2. Employment and social policies in European countries

For many decades, European countries and social partners have built up different types of social protection systems. However, since the 1980s, the sustainability of these systems has gradually been challenged by various reforms: ‘structural’ or ‘modernising’ reforms, according to EU terminology, ‘retrenchment’ or even ‘dismantlement’ according to others (Pierson 1994). Whatever the vocabulary, national policies in European countries are characterised by a wide variety of cash benefits (allowances) and benefits in kind (services), in addition to a process of individualisation of services within a strongly fragmented institutional system. This section describes the diversity of national policies and provision as well as new trends. It is largely based on a Synthesis Report which brings together the findings of national reports written by each of

the 35 European Social Policy Network (ESPN⁶) country teams, made up of independent experts⁷.

2.1 Diversity of national policies and provision

For several decades, social and employment services have been transformed, gradually moving away from universalistic objectives to schemes more targeted at socially disadvantaged people. This has been done in the name of ‘effectiveness’: to actively reach those in greatest need of help. This economic doctrine has gradually permeated the social arena; as a consequence, an efficient social policy has to define specific targets as a direct response to new types of social risk and to individual needs. In brief: the higher the unemployment rate, the more the focus is on targeting.

Benefits for the long-term unemployed should be analysed in a context of broader employment and social policymaking. Cash benefits and allowances are directly provided to fight poverty and social exclusion, together with a wide range of benefits in kind that focus on enabling support, social re-integration (social services) and professional re-integration (mainly activation services). Income benefits for the unemployed are made up of two main types of allowance: (a) unemployment benefits, which are often contributory-based benefits for people who were previously employed; and (b) social assistance cash benefits, when the household in which the unemployed worker lives is poor and may be eligible. Unemployment benefits are defined on the basis of individual criteria and rights derived from the worker’s status and social contributions, while social assistance income schemes are defined by the needs and social rights of the household.

6. The ESPN was established in 2014 to provide the European Commission with independent information, analysis and expertise on social policies in 35 European countries. The ESPN is managed by LISER (Luxembourg Institute of Socio-Economic Research), APLICA and the European Social Observatory. More information on the ESPN: <http://ec.europa.eu/social/main.jsp?catId=1135&langId=en>

7. The Synthesis Report (Bouget *et al.* 2015) was written by Denis Bouget, Hugh Frazer and Eric Marlier, Ramón Peña-Casas and Bart Vanhercke and was published before the Commission issued its proposal for a Council recommendation on long-term unemployment. For the countries’ official abbreviations, see footnote 5.

In 18 out of 28 Member States, the maximum period for receipt of unemployment benefit for working age adults is one year or less (Figure 4). In these countries, long-term unemployed workers as a rule become exclusively recipients of social assistance benefits. This is for example the case in BG, CY, CZ, EE, EL, HU, IE, LT, LU, LV, MT, PL, RO, SK and the UK (MISSOC 2015). In other countries, the duration of receipt of unemployment benefits is longer than twelve months. Furthermore, tapered schemes gradually reduce the amount of the allowance as the period of unemployment increases; after one or two years, eligibility is generally terminated. Belgium is an exception: in this country, there is no duration limit, in spite of considerable EU pressure to remedy this exclusive situation.

Usually, when unemployment continues, the loss or absence of unemployment benefit leads more or less quickly to social assistance benefits. Then the most frequent type of cash benefit for the long-term unemployed (and other people living at risk of poverty) is the guaranteed minimum income scheme (GMI), a non-contributory means-tested allowance that is the last social protection safety net in nearly all countries. This social policy to help the poorest has spread everywhere in Europe, but with huge differences, ranging from simple and comprehensive schemes (e.g. BE, CH, CY, CZ, DK, EE, IS, LI, LU, NL, NO, SE, SK) to very limited, partial or piecemeal schemes, restricted to narrow categories of people (BG) (Frazer and Marlier 2016: 14).

Minimum income schemes in almost all European countries have gradually become conditional upon job searching and readiness to work. Today, everywhere in Europe, 'job first' is a high priority in the delivery of social assistance benefits. This often includes education and training, even if there are still great variations (among others in terms of availability and eligibility) in the implementation and priority given to these. At the entrance point, job search is a strong eligibility rule for receiving an assistance allowance and comprises two conditions: to be registered with the public employment services (PES) and, often, to accept a job offer (often irrespective of its quality). At the point of exit from unemployment, some countries apply a so called Negative Income Tax (NIT) scheme, which means that the social assistance benefit

decreases more slowly than the earning income increases⁸, and that the total net income consequently increases. Such a measure ensures a smoother transition from unemployment to employment and can reduce the risk of returning to the unemployment and poverty trap.

Ultimately, as regards the effectiveness of income benefits supporting the long-term unemployed, ESPN national experts rate the systems as ‘very good’ in only four out of the 35 countries under scrutiny (CY, LI, IS, NL), whereas in 17 countries – the Western Continental (BE, DE), Baltic (EE, LT, LV), Southern (PT, EL, ES), Balkan (BG, RO, HR, MK, TR) and Eastern countries (PL, HU, SK), as well as the UK – effectiveness is seen as very weak (Bouget *et al.* 2015: 13).

Besides unemployment benefits or minimum income support, the long-term unemployed (like the rest of the unemployed) may receive additional universal social benefits (allowances and services), which are largely based on a doctrine of social investment: healthcare, family allowances and education of children (e.g. AT, CY, CZ, DE, FI, IE, IS, IT, LV, MT, NL, RO, RS, UK). The long-term unemployed may be eligible for assistance – in some cases provided at the national level, and in others at regional or local levels – and for help with education costs. This is for example the case in IE (Back to School Clothing and Footwear Allowance), IT, LT and LV. Long-term unemployed may also receive allowances for children’s participation in early childhood care and education (ECEC): e.g. DE, IT, LU, MK (conditional cash transfer). Belgium is an interesting example of targeted support linked to the status of long-term unemployed. As well as maintaining their rights to healthcare, the long-term unemployed may benefit from cheaper healthcare depending on their household income, and they receive enhanced family allowances. Childcare costs are also reimbursed to the long-term unemployed who are engaged in training; however, housing allowances are very scarce in Belgium.

Ultimately, in spite of some universal social benefits that help the unemployed keep a minimum level of self-esteem and societal contacts,

8. In this case, the NIT rate is less than 100%. For example, a marginal NIT rate of 40% means that, when the earning income of a poor person increases by one euro, the assistance allowance decreases by 40 cents and the total income increases by 1.6 euro.

growing periods of unemployment gradually produce a cumulative exclusion effect: exclusion from the labour market and social exclusion by impoverishment.

2.2 Individualising and promoting activation services

Cash benefits may be combined with two main categories of social benefits in kind: social services, since most long-term unemployed people are at a higher risk of poverty; and activation services, because they are distanced from employment opportunities. Recent reforms in many European countries follow similar objectives (Council of the European Union 1992), providing individually-targeted services in general, while giving priority to activation services⁹. In line with the principle of effectiveness of social policies, the individualisation of benefits in kind links demand (needs) of people for services, and their supply. The long-term unemployed are likely to need more support, and several steps may be necessary before attending activation sessions (training, job search) or accessing a job become realistic options. Thus, services and other benefits in kind must reflect individual situations and create positive pathways towards employment. For this reason, it is vital that countries give particular attention to developing individualised, integrated and comprehensive support tailored to people's needs.

One consistent result of this doctrine is the emerging trend of 'profiling' among unemployed workers in general. It amounts to recognising that long-term unemployed people belong to several socio-economic sub-groups, characterised by different types of individual needs. Therefore, certain countries (FR, HU, IE, LT, LV, LT, PL) identify specific packages of benefits and services that match certain socio-economic conditions of long-term unemployed people.

Although the doctrine of public policy seems to be shared by all European countries, the current situation is very diverse. Very few countries make LTU a specific target of their employment or social policies. Social services to the long-term unemployed are managed in

9. For a discussion, see Bonoli (2010).

the same way as for all poor 'clients'. They do not receive social services because they are unemployed, but because they are poor. Social services include two types of benefits. Some benefits in kind are universal, especially healthcare and childcare; other social services are more targeted according to a traditional means-testing mechanism. The latter include exemption from costs or reduction in fees for health and rehabilitation services, education, housing, public transport, indebtedness counselling services and specialised support for refugees.

These supplementary social services are provided by regional and local actors, welfare offices in municipalities (section 2.3), third sector enterprises and, increasingly often, by for-profit companies. There are some drawbacks, however. Firstly, agencies are very often understaffed or lacking in skills. Secondly, there are difficulties linked to the discretionary power of office staff: these include a bias against 'able-bodied' and immigrants, and in favour of 'deserving' individuals. Thirdly, the wide diversity of services suffers from a lack of coordination, both horizontal and vertical (section 2.3); the same instruments are applied to combating short- and long-term unemployment, no matter the age of the people concerned: 'one size fits all'. Fourthly, the huge variations in the supply of services between regions and between municipalities are not always related to the differences between local needs. Finally, one question remains unresolved. The individualisation of support somehow refers to basic economic thinking, the idea of striking a balance between the demand for and the supply of services. However, ESPN national experts regularly point out that services are managed on the basis of various criteria in a context of economic shortage (waiting lists etc.). Consequently, from a legal point of view, employment services or social services are rarely defined as social rights, laid down in binding legal instruments.

One apparent paradox regarding activation policies in Europe is the gap between the discourse and the empirical findings. On the one hand, there is a broad consensus in European countries that activation services should be promoted in line with the 'job first' principle. Most individuals must therefore register with the Public Employment Services (PES): this becomes an eligibility criterion not only for benefiting from activation services but also for receiving some social assistance benefits. Participation in activation measures is sometimes encouraged by providing an opportunity to top up social assistance

benefits with additional income, or through temporary possibilities to combine wages from a new job with income benefits – to increase the financial incentive to seek and accept a new job. However, the current situation is far from reflecting this objective in Europe: few of the long-term unemployed are involved in activation services (13.5% in 2012) (European Commission 2015c). Only a few countries have indirectly developed specific activation services for the long-term unemployed by organising services to target vulnerable groups, such as low-educated or low-skilled workers, women, lone parents, young and older workers, migrants and Roma.

Finally, individualisation sometimes results in a high degree of selectivity and an overly narrow and rigid approach to targeting. Furthermore, the loss of social rights increases because social and employment services are created within a framework of soft governance; and because very few countries have defined minimum activation and social services standards, with broad discretionary powers for local actors. On the supply side, there is a severe shortage of services, a lack of capacity and high case load, geographical inequalities, a lack of expertise in the assessment of needs and finally the discretionary power of the staff. Faced with insufficient labour demand from firms, current national governmental strategies to tackle long-term unemployment consist of targeted training for workers to prevent them becoming unemployed and wage subsidies, as well as reducing employees' social security contributions. Many tax incentives exist, but it seems that these are often unknown to employers (Age Platform 2015).

2.3 Diversity of national institutions and new trends

One legacy of national social welfare systems in Europe is a large but complex set of institutions, organisations and offices that mirrors the myriad social benefits available: a high number of actors, dispersion of competencies, fragmentation between different institutions responsible for social policies and, as a result, different types of non-take-up (Eurofound 2015). This complexity and gaps in the systems mean that many of the long-term unemployed end up not receiving the social assistance to which they are entitled, once their unemployment benefit ends.

In general, four main national or local organisations manage policies geared to the long-term unemployed: (a) Public Employment Services (PES), which are responsible, at least, for active employment policies¹⁰; (b) unemployment benefit provision, which in some cases is managed by two main actors: the public organisations and the social partners (social insurance); (c) social services and social assistance organisations, often at the local level (municipalities); and (d) other social protection bodies, especially those dealing with disability when unemployed people are in poor health or unable to work. However, the main organisational fragmentation is between the PES and other social service bodies.

Since the 1980s, the increase in unemployment, as well as in poverty and social exclusion, has created new social risks and has highlighted the limits, the deficiency and inadequacy of this institutional specialisation within national social welfare systems (Room 1994). However, three main tendencies have gradually changed this institutional landscape: firstly, a process of decentralisation; secondly, a ‘merging’ process moving towards the ultimate objective of a one-stop shop model of organisation (Minas 2014); and thirdly, the outsourcing (privatisation) of provision delivery. Decentralisation means changing vertical coordination (OECD 2015), transferring competencies and instruments towards the regions (employment policies) and towards local governments and municipalities (social services). However, in a period of economic austerity, this process has also created a ‘cost-shifting game’, which means that each tier tries to shift costs to another level, thus reducing the supposed effectiveness of the principle of economic decentralisation. We discuss the two other tendencies in more detail below.

2.3.1 Institutional integration

At the regional or local level, a horizontal coordination process is gradually underway in European countries. Several bodies are gradually being merged, in a process inspired by the organisational model of the ‘one-stop shop’. This means integration of the administration and delivery of multiple types of benefits in a new organisation. This model is justified by a holistic management of the individualisation of services and the management of packages of services tailored to the needs of

10. Including registration of job-seekers, advice, skills assessment and occupational training.

long-term unemployed people. This management model (Askim *et al.* 2009; Clasen *et al.* 2001; Kubicek and Hagen 2000; Øverbye *et al.* 2010), is used in many fields, and is supposed to enhance government efficiency: by reducing transaction costs, eliminating duplication and overlaps, facilitating accessibility to a range of services, providing several welfare services jointly and in one place, fighting against the increasing specialisation within welfare state structures and crossing institutional boundaries.

However, once again, the real situation in Europe is far from this objective of institutional integration. Some countries (e.g. BE, EL, IT) have kept a high degree of fragmentation, far from an 'ideal' one-stop shop model. Some other countries are undergoing a gradual process towards intermediate models. For example, a 'two-stop shop' form of organisation brings together and unifies employment services; another system merges all the organisations which provide social assistance benefits. 'First-stop shops' or 'nodal points' help the claimant to find his way through the labyrinth of benefits and offices. These new forms of organisation try to increase and improve the co-operation between PES and social assistance organisations, at the local level. Some countries (CZ, DK, SE, RO) consider that they have implemented a 'fuller' one-stop shop model and have achieved institutional integration, which requires administrative proximity to recipients, the delivery of multiple types of benefits (including activation services), common knowledge and skills of staff as well as a common database of information. Examples include: the merging and shift of social assistance benefits to local employment offices (CZ); 'job centres' or 'work and welfare offices' in municipalities (DK, SE); 'job shops' working together with social assistance services (BE [Flanders]), and finally a National Social Inclusion and Anti-Poverty Strategy Draft with a one-stop shop approach towards activation (RO).

2.3.2 Outsourcing services

The outsourcing of certain employment and social services has also been on the increase for several decades (Room 1994). In accordance with the principles of a quasi-market and the principal agent models, more and more countries are shifting the delivery of services to private organisations, NGOs and, sometimes, commercial companies. The

organisational principle is based on a chain of contractors (public or private) chosen by a competition procedure.

- Firstly, vertical coordination is turned into a relationship between a regulator (the government) and providers (work programme providers). The UK appears to be the country that has moved furthest towards this privatisation process: 18 ‘prime contractors’ are in charge of managing all the services to the long-term unemployed, including their registration.
- Secondly, the chain of subcontractors is decided on by the prime contractor: a ‘large degree of organisational discretion [is] given to providers to design an individual pathway back to work for all clients, regardless of their circumstances, time out of work and barriers faced (Sainsbury and Bradshaw 2015: 11). Within this scheme, a provider acts as a one-stop shop for all the services.
- Thirdly, prime contractors only receive money from government on a ‘payment by results’ basis. Their performance is assessed by a set of indicators, mainly the off-flow rate¹¹. Consequently, they fall outside the public hierarchical organisation of the state or local governments.

However, some criticisms reflect the shortcomings of this privatisation process: the danger of a downward spiral, since lower performance means lower spending and subsidies from the government, and so on; the risk of discontinuity of tasks, especially during the period of the renewal of the contracts; conflicts about the performance indicators; undue competition between all the actors, between private firms and also between private and public bodies; and the loss of co-operation with the local authorities in cases of complete privatisation.

In sum, this section has shown that the EU was facing, in 2015, a socio-economic context of high levels of long-term unemployment in many countries, but at a more favourable moment of a downward and newly declining trend in unemployment rates. National responses are often inadequate to the scale of the problem (Bouget *et al.* 2015: 5, 23). Furthermore, European countries are characterised by a very broad diversity of benefit provision and of the institutions in charge of it.

11. Centre for Economic & Social Inclusion, 2013.

However, we also described some common trends in a large majority of countries¹². Firstly, there is a general process of individualisation of services to ensure personalised support tailored to the needs of the individual in order to find decent and sustainable work; secondly, priority is given to employment (rather than unemployment) policies, and thirdly, similar institutional reforms such as long-term processes of decentralisation and privatisation. More recently, moreover, services have been integrated into new organisations that can be drawn on to design and implement better policies and programmes in all countries.

The next section describes how, in this particular context, the EU pushed forward its ambition of a Council Recommendation on LTU in 2015.

3. Towards a Council Recommendation

2015 was a year of intense activity in the EU institutions as regards the issue of long-term unemployment¹³. This culminated in a Council Recommendation on the integration of the long-term unemployed into the labour market, which was formally adopted by the Council in February 2016. This section discusses the stages of development of the Recommendation, describes its content and highlights some differences between the European Commission's initial proposal and the final text adopted by the Council of the EU.

3.1 Preparing the Recommendation: early stepping stones

The Recommendation on LTU is the result of a variety of analytical and socio-political contributions. In early 2015, a Roadmap (European Commission 2015a) detailed the Commission's initiative and the

12. The conclusions of the ESPN synthesis report (Bouget *et al.* 2015) confirm the results of some other previous studies: see for example Di Domenico and Spattini (2008).

13. This concern is not new and was preceded by previous events and initiatives. Thus, in November 2012, within the European Employment Strategy, the Commission organised a conference on 'Tackling long-term unemployment – effective strategies and tools to address long-term unemployment'. A chapter in the report 'Employment and Social development in Europe in 2012' (European Commission 2013b: 143-151) analysed the dynamics of long-term unemployment.

different steps in the consultations and analysis. Furthermore, the Roadmap, starting from the current situation in Europe as a baseline scenario, submitted two options: either a ‘Council Recommendation on general measures to address long-term unemployment’, or a more targeted ‘Council Recommendation on the integration of the long-term unemployed’.

Several consultations were organised on the topic during the first semester of 2015. Thus, a public consultation on ‘Tackling long-term unemployment’¹⁴ gathered views on how to improve services to support the long-term unemployed in finding their way back into employment. This consultation also capitalised on the exchanges of best practices which have been organised, over the past years, between national Public Employment Services (PES) on approaches for activation of the long-term unemployed¹⁵. Consultations of the EU’s Social Protection Committee (SPC), the Employment Committee (EMCO), the European Social Fund (ESF) Committee and the European social partners equally took place in the spring of 2015. Finally, the European Commission-funded European Social Protection Network (ESPN) was asked to provide 35 national reports¹⁶ as well as a Synthesis Report on ‘Integrated support for the long-term unemployed’, which were delivered in September 2015 and contributed to framing – and academically underpinning – the policy debate.

This design phase ended with the publication of a European Commission proposal for a Council recommendation on the integration of the long-term unemployed in the labour market, which was published as a Staff Working Document on 17 September 2015. After its publication, the proposal was discussed in various meetings and reports¹⁷. On 7 December

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14. The consultation ran from 24 February until 15 May 2015.
 15. A Working Group of the European Network of Public Employment Services presented a report in May 2015 (PES Network 2015).
 16. These country reports can be downloaded from the European Commission website: <http://ec.europa.eu/social/main.jsp?catId=1135&intPageId=3589>
 17. For example, at a Thematic Review Seminar (TRS) on ‘*Tackling long-term unemployment - Effective strategies and tools to address long-term unemployment*’, on 8 November 2015, as an event within the EES, European Employment Policy Observatory (EEPO). See also: Committee of the Regions, 2016, *Draft Opinion The integration of the Long-term unemployed into the labour market*, SEDEC-VI/006, 116th plenary session, 10-11 February 2016. The report on ‘Employment and Social Developments in Europe 2015’ was presented during a conference on 21 January 2016, including its chapter on ‘Preventing and fighting long-term unemployment’ (p.129-162).

2015, the Council of the EU reached a political agreement on the recommendation¹⁸ under the Luxembourg Presidency.

3.2 Content of the Council Recommendation

The overarching objective of the Council Recommendation is to promote the return of the long-term unemployed to the labour market. In order to achieve this, the text puts forward a sequential approach: increasing the rate of transition of the long-term unemployed from social assistance into employment on the labour market. Some 23 recitals first summarise the main trends in and explanations for long-term unemployment in Europe, along with listing previous European official texts. The Council then proposes three sets of recommendations: to the Member States, to the Member States and the European Commission jointly, and to the European Commission.

3.2.1 Recommendations to the Member States

The first recommendation to the Member States focuses on registration of all the long-term unemployed with the public employment services, as a precondition for building a consistent employment policy and for tackling long-term unemployment. On average, 73% of the long-term unemployed are registered, but the registration rate is below 50% in some countries (BG, EE, LV, RO, UK) (European Commission 2015e). Furthermore, only 13.5% of the long-term unemployed over 25 are participating in active labour market (ALM) measures. The second recommendation encourages the new national reforms involving individualisation and diversification of services offered to the long-term unemployed. More precisely, the employment services must offer them ‘in-depth individual assessments and guidance at the very latest when they reach 18 months of unemployment’ (Clause 2). This assessment has to be coupled with information about ‘job offers and available

¹⁸. The Council Recommendation (2016/C 67/01) was published in the Official Journal of the European Union (20/02/2016).

support in different sectors of the economy and, where appropriate, in different regions and other Member States' (Clause 3)¹⁹.

The third recommendation to the Member States is the most detailed: it defines the idea of a 'job-integration agreement' (Clauses 4 and 5). The agreement is an individual document that sets out the obligations of the unemployed person: registration, active steps to find a job, participation in education or training, re-qualification or employment measures (Clause 4a). It also describes the services provided to the long-term unemployed person: these include job-search assistance, validation of informal learning, education and training, social support, early childhood education and care, health and long-term care services, debt-counselling, housing and transport support (Clause 4b). Furthermore, the job-integration agreement should be regularly monitored and adapted according to any new circumstances and the transition into employment (Clause 4c). The Recommendation also suggests arrangements to implement the job-integration agreements: based on the idea of the one-stop shop model, the Recommendation proposes that a single point of contact be established, as part of the essential coordination of employment and social support services. For the arrangements to be effective, the target-group must be given relevant information on the support available, on job vacancies and training opportunities (Clause 5).

The fourth recommendation focuses on requests to employers (Clauses 6, 7, 8). It encourages partnerships to provide services that better 'meet the needs of enterprises and registered long-term unemployed persons' (Clause 6); asks them to develop services such as screening of job vacancies and placement support to facilitate professional reintegration (Clause 7); and encourages them to focus on financial incentives – such as recruitment subsidies and reduction of social insurance contributions – for supporting integration into the labour market (Clause 8).

19. This clause is similar to a recommendation of Layard (1997: 335): 'After 12 months, the state should stop paying people for doing nothing. But at the same time, it should accept a responsibility to find temporary work for at least six months. In return, the individual would recognise that he wishes to receive income. He must accept one of a few reasonable offers. These offers would be guaranteed through the state paying to any employer for six months the benefits to which the unemployed individual would have otherwise been entitled' (Layard 1997).

3.2.2 Recommendations to the Member States and the European Commission

The second part of the Recommendation focusses on assessing and monitoring registered long-term unemployed persons. The objective is to gain a better idea – through the multilateral surveillance within the European Semester – of when and how unemployed persons have regained employment, in line with the job-integration agreement, and whether their integration in the labour market is sustainable (Clause 9). It also contains proposals to encourage assessing the performance of PES and the sharing of good practices as well as on the co-operation between public employment services (Clause 10). Furthermore, the Recommendation refers, in Clause 11, to the use of the European structural and investment funds: the European Social Fund, the European Regional Development Fund and the European Agricultural Fund for Rural Development.

3.2.3 Recommendations to the European Commission

The last set of (arguably light) recommendations focusses on the European Commission. This institution is called upon to support social innovation projects – through the programme for Employment and Social Innovation (EaSI) – support and coordinate voluntary initiatives (Clauses 12 and 13) and evaluate the actions taken in response to this Recommendation by February 2019 (Clause 14).

3.3 From the Commission's initial proposal to a Council Recommendation

The Council largely endorsed the content of the European Commission's initial proposal for a recommendation on LTU. However, besides some textual changes, some significant substantive changes should be flagged. Firstly, the Commission's initial proposal contains a long introduction before the recitals, which explains and supports the content of the recommendation: a description of the European context, the legal base (subsidiarity and proportionality), a summary of the different consultations, an analysis of the national policies in some countries, and budgetary implications. Secondly, the adopted Recommendation adds a Recital 11 that more clearly and explicitly refers to the 2008 European Commission Recommendation on active inclusion

(European Commission 2008) and takes a more social approach by referring to those excluded from the labour market. The new recital also refers to the ‘integration [of workers] into sustainable, quality employment’, and highlights the notion of ‘dignity’, referring to the Charter of Fundamental Rights of the European Union (Charter 2010).

While the proposed recommendation clearly invokes the subsidiarity principle (the need to respect the competence of the Member States; reference to ‘existing national legislation’), the adopted version merely recalls that Member States remain competent to choose the labour-market measures best suited to their individual situation. In Clause 5, the adopted Recommendation also gives a more precise definition of the ‘point of contact’ as part of a broader organisation of services, implicitly referring to the one-stop shop. In the same way, the adopted Recommendation puts more emphasis on providing better information on the results of implementation.

The adopted Council Recommendation also places more emphasis on job-integration within the framework of the individual agreement, and the text becomes more asymmetrical between the ‘obligations’ of the unemployed and the service providers’ ‘duties’ than in the original European Commission proposal. Thus, in Recital 21 of the adopted text, the ‘obligation’ applying to the long-term unemployed person is stronger than in the Commission’s proposal; and in Clause 4b of the Commission’s proposal, the service providers’ ‘obligations’ to the long-term unemployed is watered down to ‘offers’ to these persons in the adopted Recommendation²⁰.

4. Critical appraisal of the Council Recommendation

It is impossible to predict at this stage how successful the Recommendation will be in obtaining its key goals. However, we can already identify some of the key features of the initiative: there are strong consistencies with current national policies, while certain rigidities (i.e. a one-sided

20. On the ambiguities in the approach of the EU institutions to social rights, see Benlolo-Carabot (2012).

approach concerning labour supply) coincide with a weakening of the social protection of workers and non-workers.

4.1 Consistency with national employment policies

As explained in the introduction, the Council Recommendation on LTU has been issued just at the downturn of the long-term unemployment rate, with a lag of approximately one year from peak unemployment in many countries. Therefore, if the declining trend continues in the next few years, the Recommendation could act as an accelerator for policy reform, speeding up the decline in long-term unemployment. Firstly, the focus on long-term unemployment in the Annual Growth Survey 2016 already provides incentives to avoid the risk of structural dualisation that could be created by a potential selective process and by giving priority to the most employable workers, i.e. mainly the short-term unemployed. Implementation of the Recommendation could therefore be an additional ‘soft governance’ instrument to reduce the risk of discrimination against the less employable. Secondly, the idea of better tailoring services to individual needs could also foster – and legitimate – innovation within services provision and its organisation, not only in favour of the long-term unemployed, but also to the benefit of the short-term unemployed. This could produce a spillover effect of benefit provision towards the short-term unemployed, and will indirectly prevent long-term unemployment among newly unemployed workers. Thirdly, the Recommendation will be particularly efficient and easy to implement in Europe because its content shows strong similarities with the current national policies (section 2). For example, the clauses on registration of the long-term unemployed with a Public employment services office (Clause 1) is already a common objective of all European countries and an increasingly frequent practice. Another example: individualisation of services is very often an objective referred to by national and local governments.

In short, the Council summarised the most frequent practices in the European countries. The similarity between the content of the Recommendation and pre-existing national policies seems to be a consequence of the subsidiarity principle. Social policies and employment policies indeed remain the responsibility of the Member States, and several recitals in the Recommendation directly or indirectly

refer to this EU principle. Consequently, this may considerably reduce the capacity of EU institutions to innovate in this field. Ultimately, political acceleration can only be triggered by the political pressure to comply with the Recommendation.

4.2 Inflexible rules for a policy of flexibility

The narrow perspective of the Recommendation on long-term unemployment provides, paradoxically, a static-rigid conception of time. Until 2015, in the Annual Growth Surveys, long-term unemployment was quoted as just one element of a 'high level of unemployment' that had to be brought down in general; it was tied or associated to youth unemployment as a key concern, with reduction of these being a policy priority. In fact, the definition of long-term unemployment is a statistical one: long-term unemployment is defined as unemployment lasting at least 12 months²¹, which in some ways is similar to the time threshold used as a criterion for eligibility for unemployment benefits (Figure 4 above)²². Of course, this similarity between statistical and policy definitions is due to a general attraction to 'round numbers': in this case one year. A collective belief has therefore gradually turned this similarity into a socio-political norm, which is clearly established as a policy criterion.

Defining long-term unemployment only in terms of time absent from working life contradicts many studies that show LTU as a dynamic process (European Commission 2013b), which also has some policy drawbacks. Firstly, Figure 4 shows that most of workers have lost their social rights to unemployment benefits before the end of one year of unemployment. Secondly, this definition ignores alternatives such as the prevention of long-term unemployment. Prevention of long-term unemployment is quasi-absent in the 2015 Recommendation and does not appear at the core of socio-employment policies. Thirdly, using only a time criterion to define the long-term unemployed ignores their high risk of poverty or social exclusion. Fourthly, strict implementation of

21. Sweden is the only European country which officially defines a time-threshold for long-term unemployment: at least six months.

22. On the influence of statistical categories on employment policies, see Salais *et al.* (1986).

this time threshold could lead to a punitive practice with regard to eligibility for some social benefits, or a variable used by the staff of employment offices²³.

The second threshold mentioned in the Recommendation, 18 months, is also questionable: Clause 2 indeed stipulates that action is needed at the very latest when people have reached one and a half years of unemployment. It gives undue emphasis to the time dimension in defining the integration of the long-term unemployed into the labour market. The probability of returning to the labour market decreases as the time of unemployment grows longer²⁴, but statistical studies on the duration of unemployment do not give a clear picture of this relationship. Several questions remain pending:

- Firstly, from a statistical point of view, a gap remains between the policy decision – 18 months as an upper limit – and the statistical definition of the ‘very long-term unemployed’ (at least two years).
- Secondly, it is clear that one key dimension of long-term unemployment is a high risk of poverty and social exclusion – a dimension quasi-absent from the Recommendation.
- Thirdly, the Recommendation does not propose any policy beyond the 18-month time threshold. It could therefore be used as an official limit to apply a punitive approach in the process of socio-economic integration²⁵.

Finally, it should be noted that the Council recommends splitting policies into three different periods of unemployment: employment policy for the short-term unemployed; social assistance for the very long-term unemployed, considered as a lost generation (here 18 months); and, between the two, a tougher employment policy, largely forgetting the social dimension of long-term unemployment.

23. Boeri *et al.* (2000: 3) advocate this one-year limit: ‘Once the state is channeling offers of work to everyone within the first year of unemployment that would become in effect the maximum period for which benefits are available’.

24. ‘Long unemployment spells result in lower job-finding rates, a trend which has worsened during the crisis. The long-term unemployed currently have about half the chance of finding employment compared to the short-term unemployed’ (European Commission 2015b: 13).

25. As the AGE Platform (2015) argues in its response to the public consultation: ‘it is crucial in such programmes that support services do not stop with the first employment’.

4.3 One-dimensional guidance in the Recommendation: 'jobs first'

Long-term unemployment is a waste of labour that engenders lower potential EU economic growth, increases income inequalities and produces different types of discrimination. It also increases the cost of social services and entails unsustainable public finances. All these negative consequences may justify a strong emphasis on labour and job-search in the structure of socio-employment policy in European countries. However, long-term unemployed people are not only jobless but also frequently poor and socially excluded, needing social benefits such as healthcare or income support if they are to regain their autonomy (Betzelt and Bothfeld 2011) and capabilities. While the Recommendation refers to the high poverty rate (Recital 3) in Europe, nowhere does it refer to one of the targets of the Europe 2020 Strategy: diminishing poverty in Europe by 25%²⁶. The Recommendation only gives scarce attention to this social dimension and does not refer anywhere to the social investment package (European Commission 2013a), although this was promoted as the main doctrine of the EU institutions in reaching the Europe 2020 social objectives.

The Recommendation revisits a narrower concept of investment in human capital, a cornerstone of neoclassical economics. This shift reinforces the view of labour as a pure factor of production and as a commodity. Such a narrow conception of a 'worker' undermines another policy ambition of the Recommendation: merging employment and social policies into new holistic policy approaches, based on a comprehensive assessment of individual needs, which would be completely in line with the social investment approach, involving a recovery of capabilities (Sen 1993).

26. 'The number of Europeans living below the national poverty lines should be reduced by 25%, lifting over 20 million people out of poverty' (European Commission 2010: 12).

4.4 Weakening the protection of workers

The Council Recommendation insists on the sustainability and the quality of the integration of the long-term unemployed into the labour market (Recital 11, Clauses 9 and 12). In Recital 11, it refers to the 2008 European Commission Recommendation on Active Inclusion which aims ‘to facilitate the integration into sustainable, quality employment of those able to work and to provide them with resources which are sufficient to live with dignity’ (European Commission 2008). The 2015 Recommendation, however, puts little emphasis on job quality. For instance, there is no direct reference to ‘decent work’ (see ILO 2012).

More surprisingly, the word ‘wage’ is entirely absent from the Recommendation. In spite of very broad and detailed analyses in the annual reports of DG EMPL (European Commission 2013b and 2016b), nothing is said as to the role of the reservation wage²⁷ as a key element of incentive: workers expect a minimum level of wage, living wage or income if they are to look for a job. The reservation wage, together with labour market policies, are two important tools used as an incentive to pull people out of unemployment.

The Recommendation proposes a clear goal: to help the long-term unemployed escape from poverty and bad social and living conditions through training and work. However, there are no references to worker employment protection. In fact, the word ‘protection’ is totally absent from the text, as is the expression ‘social rights’. Furthermore, we pointed to the weakness of the activation schemes, which are not legally defined and do not provide any entitlements for unemployed persons.

The Commission’s ESDE reports (European Commission 2015b) highlight the fact that the highest rates of people leaving unemployment, even among the long-term unemployed, are achieved when institutions work together: unemployment benefits, social security systems, activation, employment protection legislation and in-work benefits (European Commission 2013b: 65). In contrast with these results, the Recommendation does not really include

²⁷ In labour economics, the reservation wage is the lowest wage rate at which a worker would be willing to accept a particular type of job.

redistributive income schemes and social rights within the package of benefits. Furthermore, the expression ‘sustainable quality employment’ is misleading in the context of the transition process from inactivity to employment because it runs counter to the general trend in all European countries: the dismantling of labour law and protection. Finally, promoting ‘sustainable’ jobs and, on the other hand, requiring more and more flexibility on the labour market seems inconsistent or an impossible compromise.

The abovementioned ESPN national expert reports (see the introduction to section 2) show that in many countries, support is still organised in a highly fragmented fashion, and a growing number of countries are now reforming their system to improve coordination and ultimately move towards one unique body, using as a reference the one-stop shop model. The Recommendation seems to take a backseat to the European Commission’s initial proposal. The Council wishes to see reforms that would create one ‘point of contact’, as an embryonic one-stop shop. Furthermore, the Recommendation gives priority to the Public Employment Services. The downside of this decision is again the absence of emphasis on the organisation of social assistance, social services or allowances to meet the needs of the long-term unemployed living in poverty. When social services are quoted in the Recommendation, they clearly appear as an instrument of the employment services, without any attempt to encourage greater co-operation or integration between both sets of bodies²⁸. Social assistance services are still the ‘poor relation’ of the new way of organising policies to tackle long-term unemployment. Finding a solution to long-term unemployment goes beyond labour market policies: this recognition would facilitate bringing together actors with different orientation and objectives.

A final point that needs to be made is that the Recommendation focusses on the supply side of the labour market, largely disregarding

28. ‘If, after years of intense activation, individuals are not successfully integrated in the labour market then employability is not a realistic target anymore. In these cases, it would make sense to obtain further support from other legal systems such as the basic income system for disabled or handicapped. In such a case, employment rehabilitation service tools and social policy schemes are available rather than active labor market policy instruments’ (Spermann 2015: 21).

the economic demand side (Clauses 6-8) and deflationist macro-economic policy. Although the Recommendation recognises (Clause 3) the sectoral and geographical diversity within the European economic area, it sticks to a traditional understanding of the labour market as a unique economic set-up. However, given how difficult it is for the long-term unemployed to find a new job, the Job-integration Agreement could be more successful if it were itself set within a 'protected environment' (or a second labour market) as a step within the transitional period, with strong involvement of the third sector. In the same spirit, the public sector could play a role not only as a provider of employment or social benefits and services but also as an employer. Without thus increasing the job opportunities open to the long-term unemployed, the objective of 'sustainable employment' is bound to remain lip service.

Conclusion

The 2015 Recommendation on Long-term Unemployment was drafted at a relatively favourable moment of decreasing unemployment. Firstly, numerous European countries had already adopted the same principles in this policy area and have partly implemented these in national and local initiatives and actions. The Recommendation is in tune with the main trends in national reforms of the labour market over at least one or two decades. Secondly, it will be implemented just after the upturn in long-term unemployment and may be an accelerator of its expected decline. Thirdly, it has promptly been integrated into the European Semester in 2016, through the 2016 Annual Growth Survey published in November 2015.

However, a comparison with the 2008 European Commission Recommendation on Active Inclusion, based around three pillars (adequate income, employment and services), reveals imbalances in the priorities, partly because the European Commission has chosen a targeted rather than a general recommendation. This choice also shows the EU priority and a skew in favour of employment (jobs first), instead of a more balanced scheme including at least employment and social assistance policies. It has mainly operational and managerial employment objectives in a period of high long-term unemployment. The Recommendation is clearly biased towards managing the current

stock of people experiencing long-term unemployment, and its economic ambition is restricted by a bias towards employment policies focusing solely on the supply side of the labour market.

The Recommendation also contributes to the EU's contradictory messages about the EU's social dimension²⁹, which are equally present in other EU mechanisms such as the European Semester: firstly, it promotes the idea of 'sustainable employment' within a more general discourse on mobility and flexibility of employment; secondly, it suggests developing employment and social assistance services while other messages of the European Semester recommend restrictions on social spending. We end this chapter with a final message of hope: long-term unemployment is perhaps not inevitable but the best way to reduce long-term unemployment is to reduce unemployment: 'prevention is better than cure'.

29. See the 'double bind of social Europe' in Hemerijck, 2004 and the image of the social dimension of Europe 2020 as an 'oxymoron' (Vanhercke 2011).

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Annex 1 Definitions of unemployment indicators

Three lead indicators. The analysis of long-term unemployment in this chapter is based on three indicators as defined in publications of the International Labour Organisation (ILO) and reports of the European Commission (2015b: 464).

- The unemployment rate (U rate) is the proportion of unemployed people in the total number of active persons in the labour market. Active persons are those who are either employed or unemployed.
- The long-term unemployment rate (LTU rate) is the proportion of people who have been unemployed for 12 months or more in the total number of active persons in the labour market.
- The long-term unemployment share (LTU/U share) is the proportion of people who have been unemployed for 12 months or more in the total number of unemployed people.

Relationship between the three indicators. By definition, the three indicators are linked by an arithmetical relation: **LTU rate = (U rate) * (LTU/U share)**. An example from data on the EU28 indicators in 2015 (Figure 3) can illustrate this:

- The unemployment rate in EU28 in 2015 is: U rate = 10.9%
- The share of the LTU in unemployment is: LTU/U share = 47.3%
- The long-term unemployment rate is therefore: $LTU\ rate = 5.1\% = 0.051 = 0.109 * 0.473$

Interpretation of Figure 3

- All countries with the same unemployment rate as the EU28 would be on a horizontal axis crossing the point EU28: (47.3; 10.9);
- All countries with the same LTU rate as the EU28 would be on a vertical axis crossing the point EU28;
- All the countries with the same LTU/U share as the EU28 would be on the curved line (isoquant), crossing the point EU28
- The three lines, horizontal, vertical and curved, cross on the same point (see Figure 3).

Divergent definitions. There is a difference between the ILO or DG EMPL definitions on the one hand, and Eurostat or OECD ones on the other. What is called 'LTU/U share' in the chapter corresponds to the definition of 'LTU rate' in the OECD definitions.