A European Job Guarantee, a preferable and feasible full employment policy for Europe?

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For decades, full employment prevailed as the norm until the 1970s, when unemployment (UE) began its ascent, coinciding with the energy and oil crisis. This economic challenge prompted policymakers to seek new solutions to combat unemployment. In the late 1980s, they veered away from Keynesian demand management, embracing instead neoliberal ideologies that have been influencing European Union (EU) integration and Labor Market Policies (LMPs) since then.

In recent years, the concept of a job guarantee has regained popularity as a promising policy tool for attaining full employment, stabilizing the economy, mitigating inflation, and bolstering minimum wage standards and job quality. Thereby, public job creation programs can be harnessed to address the pressing challenge of climate crisis. A job guarantee is defined as a program that guarantees anyone who walks into the unemployment office an employment option that offers a minimum living income with benefits. Instead of financing unemployment, a JG would finance meaningful job opportunities. The JG is an option for jobs in the public service sector that offers on-the-job training and assistance with transitioning to other employment opportunities. It is voluntary and complementary to other LMPs.

The discourse surrounding the job guarantee primarily unfolds within the institutional setting of the United States, where it was prominently championed by Democratic figures such as Alexandria Ocasio-Cortez and Bernie Sanders. Within these debates, the job guarantee is closely intertwined with Modern Monetary Theory (MMT), which posits that a government can and should issue its own currency to finance such a program. However, reforming fiscal and monetary policy in the EU, as suggested by MMT, is quite unlikely.

Nevertheless, it's worth noting that some EU member states have already ventured into implementing job guarantee-like policies within their LMPs. Additionally, the response to the COVID-19 pandemic demonstrated that, even within established institutional settings, radical policies can be temporarily feasible. Initiatives like the "Support to Mitigate Unemployment Risks in an Emergency" (SURE), the suspension of fiscal rules, and the financial resources provided through the EU's Next Generation EU program served as a crucial financial lifeline for effective LMP during the pandemic.

I propose a framework, comparing different types of job guarantee initiatives and analyzing their distinctions from existing LMP programs. To tackle the challenge of financing such a comprehensive full employment policy, I will explore options inspired by COVID-related LMP efforts and discuss various suggestions for funding a European Job Guarantee program.

The Challenge of Stagflation: Transition from the Post-War Growth Regime

The energy and oil crisis in the 1970ies, ushered in a crisis of the Post War Growth Regime. Policy makers found themselves grappling with the conundrum of stagflation – an unsettling combination of raising unemployment (UE) and inflation. Struggling to maintain full employment and price stability, policy makers started to look for alternatives. In this situation, a group of economists, businessman and politicians, who called themselves neoliberals, succeeded in spreading their ideas (Plehwe und Walpen 1999; Slobodian 2018), which based on classical economic laissez faire market ideology, turning the economic wisdom of their time. The neoliberal understanding of the economy is based on isolated utility maximizing individuals that follow strict rationality conditions. Left alone on efficient competitive markets, their actions would lead to the best possible result. Phenomena such as UE therefore had to be result of individual decisions, hence voluntary, or market disturbing interferences with the market, such as social welfare benefits.

The paradigm shift, which gained traction in the late 1980s, has exerted a profound influence on European Union (EU) integration, subsequently shaping Labor Market Policies (LMPs) in a broad sense. Notably, it ushered in a wave of austerity measures that curtailed social welfare and LMP expenditures. The era witnessed the privatization and "rationalization" of state-owned enterprises, resulting in mass layoffs. It also marked the shift from a welfare-oriented approach to a workfare model, with stricter and more extensive benefit conditionalities (Quote). Additionally, monetary policies began prioritizing price stability over full employment, following the monetarist concept of a non-accelerating inflation rate of unemployment (NAIRU). Concurrently, public discourse increasingly framed unemployed as “lazy” and “social welfare free riders”. This discourse supported a shift of the perception of the causes of UE towards the individual and diverted attention away from the issue of insufficient job opportunities and the role of the state in sustaining full employment. Moreover, it helped to legitimize cuts in social welfare systems and increasing pressure on UE.

Active Labor Market Policies (ALMPs) are widely seen as a solution to UE problems of specific groups and became increasingly important with raising numbers of (long-term) UE. Since the 1950ies, ALMPs has altered from focusing on upskilling the labor force during the first period, providing employment for jobless individuals in the second period and activating the unemployed through employment assistance and work incentives since the mid 1990ies (Bonoli 2010; Weishaupt 2011). The dissemination of ALMPs was promoted by OECD and EU and in the early 2000s, a new LMP paradigm evolved as an increasingly coherent set of recommendations (Weishaupt 2011). The recommendations partly emphasized the concept of "activation" – systematic and early interventions, case management, and benefit conditionality – within ALMPs; they also entailed reforms of the Public Employment Service (PES) – customer orientation, sensitivity to efficiency and effectiveness of public programs, and a governance architecture emulating private management structures; and promoting employment through capacity-building public policies, including qualification programs (Weishaupt 2011). The intensification and expansion of monitoring, benefit conditionality, and sanctions have been illustrated as the transition from the Keynesian Welfare State to a Schumpeterian Workfare State (Jessop 1993; Peck 2001). Many elements of former active LMPs have continued to exist within the frameworks of EU member states' LMP regimes (Robinson 1998). However, these elements have been subordinated to a labor market regime that was ripped of the ability to directly create employment. At the same time the success of LMP was measured by job placement, guided by the neoliberal conceptualization of the economy, that suggested to increase the incentives to work.

Individual, societal, and economic burden of UE

Being the first to investigate the social and economic repercussions of unemployment in depth, Marie Jahoda, Paul Lazarsfeld, and Hans Zeisel (Jahoda et al. 1988)conducted a path breaking study in Marienthal, a small Austrian community, during the great Depression in 1933. The authors observed that mass unemployment led to apathy that resulted in a decline in social activities, a phenomenon Jahoda referred to as a "tired community" (“Müde Gesellschaft”). In the 1970ies, when UE started to raise again, Marie Jahoda turned back to the topic of UE. In later studies, she argued that the negative effects of unemployment derive from the loss of *latent functions of work (Jahoda 1982, 1984, 1995)*. Besides the manifest function of earning a living, employment has five latent functions which correspond with basic human needs: time structure, collective purpose, social contact, social status, and activity (Jahoda 1982). The loss of a job therefore results in material and social deprivation, disrupted daily routines, diminished social status, a sense of purposelessness, and social exclusion.

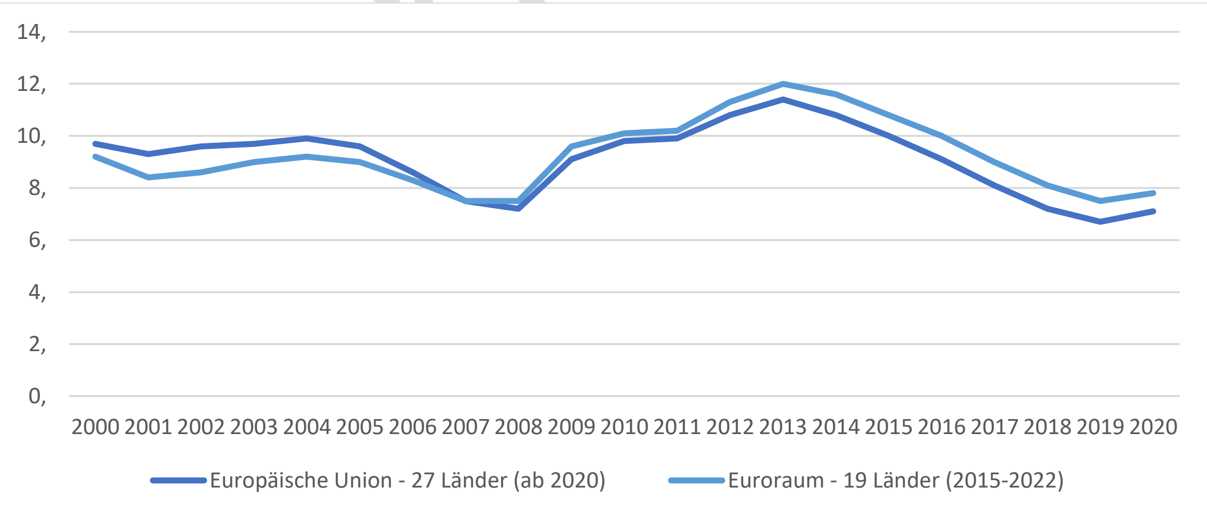
Building on these findings regarding the societal impact of (un)employment, Martin Kronauer (2002) incorporated them into the context of democratic participation. He demonstrated that unemployment led to exclusion, poverty, and disengagement from democratic processes. Therefore, a JG represents a transformative policy option that enables individuals to see themselves as part of social groups, forge alliances, and actively participate in democratic processes (Kronauer, 2019).

From an economic point of view, UE mirrors not utilized capacities and therefore well fare losses. Moreover, it stresses social insurance systems and creates fiscal costs.

After full employment: persistent UE in the EU

Before the 1970s, economists and policymakers often considered an unemployment rate of around 4% to 5% as indicative of full employment. This was a rough estimate, and the exact rate could vary depending on economic conditions and prevailing economic theories. The notion of full employment during this period was often associated with the idea that some level of frictional and structural unemployment would always exist due to people transitioning between jobs, geographic mismatches, lack of demand, business cycles and other factors. Therefore, the target was not zero unemployment but a relatively low and stable rate. Since 2000, UE has been fluctuating between 6,6 % and 11,4 % in the EU and between 7,4 % and 12 % in the EURO Area (figure 1). This doesn’t come as a surprise, neither for Post-Keynesian economist, nor for neoclassical mainstream economists. Yet, while these UE rates are sign of a policy failure for full employment orientated economists, the numbers just represent the “natural” rate of UE from a NAIRU perspective or, they are seen as the result of market interferences in some mainstream economic explanations.

Figure 1: Unemployment in the Euro are vs Unemployment in the European Union

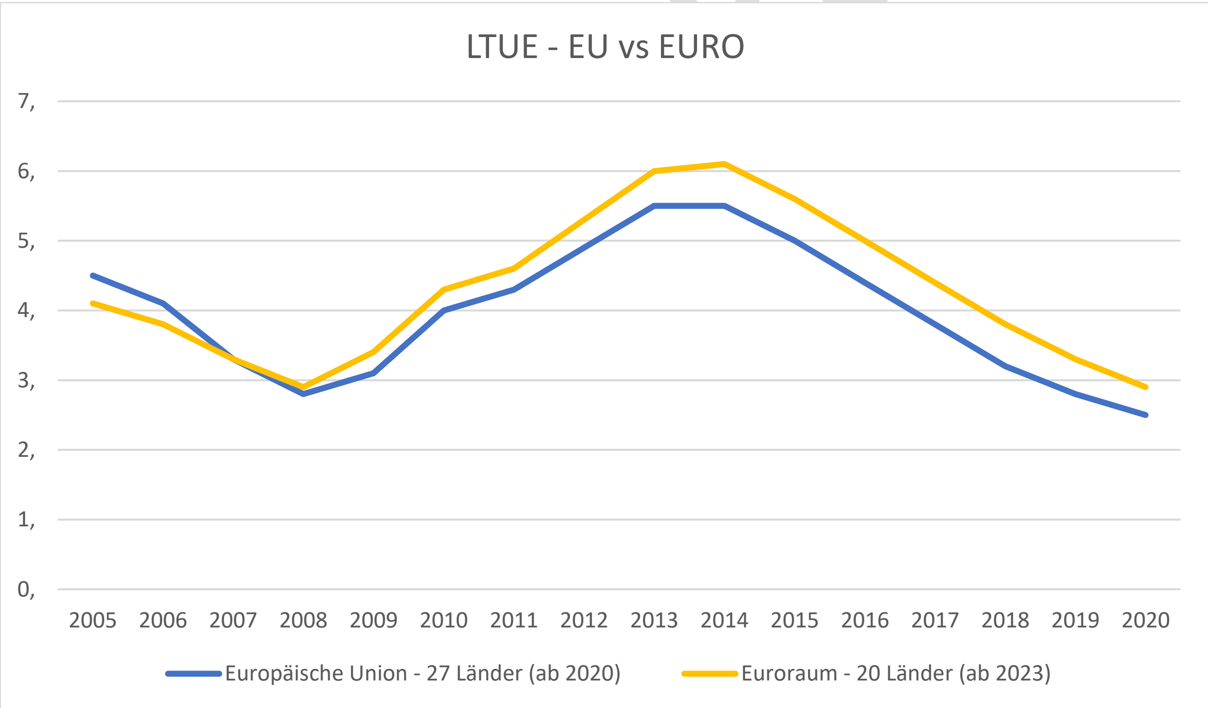


Source: Eurostat, UNE_RT_A_H__custom_7057704, 01.08.2023

The figure of EU and Euro Area UE is mirrored by the development of long-term unemployment (LTUE). A person that is more than one year UE is counted as LTUE. LTUE is a multifaceted issue with various underlying complexities that makes it challenging for LMPs to effectively combat.

LTUE encompasses a wide range of complex factors, including age, employment duration, hiring discrimination, and health (both physical and psychological). Thereby, the duration of Unemployment itself becomes an Employment Obstacle. Already a UE spell of 6 month leads to stigmatization that results in declining responses to job applications (Nüß 2017). Extended unemployment can have detrimental effects on an individual's mental and physical health (Zechmann und Paul 2019; Wood und Burchell 2018)(Jahoda 1982, 1984, 1995). LTUE individuals may experience declining physical health due to the stress and lack of access to healthcare during their unemployment spell. This can limit their ability to perform certain jobs and hinder reemployment prospects. The psychological toll of LTUE, including depression and anxiety, can affect an individual's motivation and self-confidence, making it harder for them to secure a job. Moreover, age plays an important role. Older individuals who are close to retirement age often face reluctance from employers to hire them. This age-related bias can stem from stereotypes about reduced productivity, adaptability, or the perceived short-term commitment of these workers. Finally, some LTUE individuals may no longer possess the skills or physical capabilities to perform their previous job or work in the private sector. This inability to match job requirements can be a significant hurdle to their reemployment.

Figure 2: Long Term Unemployment in the Euro are vs Long Term Unemployment in the European Union



Source: Eurostat, UNE_LTU_A_H__custom_7057797, 01.08.2023

LTUE will not disappear. Demographic prognoses expect a decreasing labor supply, as EU population is ageing. This will reduce UE during the next years, but at the same time, it likely increases LTUE amongst the ageing population. Even though elder people become less likely UE, they have a significant higher risk of becoming LTUE. Furthermore, digitalization and the green transformation of the economy to full fill the EU climate goals will impact the labor market and increases the risk of LTUE.

The idea of a JG

In 2010, social democrats in the USA brought the topic of a JG back into public debates. A JG is a promising and simple policy tool effectively fighting UE and can be traced to the Civil Rights movement in the United States. The ideas were adapted for the EU during the EURO Crisis in 2010ff and again during and in the aftermath of the COVID pandemic.

The idea of a JG is simple: the state acts as an employer of last resort and guarantees for everybody who walks into a job office an employment in the public sector or social economy. Thereby, public job creation can be used to support economic and social goals, such as supporting the green transition, stabilizing the health care system, or supporting regional development.

The concept of a Job Guarantee (JG) as a macroeconomic policy is firmly rooted in Post-Keynesian economics, tracing its origins to John M. Keynes' seminal work, "The General Theory" (Keynes 1937). Post-Keynesian economists emphasize the role of government in stabilizing overall demand and ensuring full employment. Expanding on Keynes' argument, Abba Lerner (1943) developed the concept of *Functional Finance*, which advocates for using fiscal policy, rather than monetary policy, to stabilize overall demand. It also emphasizes the importance of the outcomes of government spending, rather than just focusing on budget surpluses or deficits.

Parallel to Keynes, the Polish economist Michał Kalecki developed a similar theory, with a more pronounced emphasis on the political and economic conflicts between capital and labor. Like Keynes, Kalecki (1943) argued that public investment (e.g., in infrastructure like schools, hospitals, and highways) or subsidized mass consumption could stimulate effective demand and achieve full employment. Furthermore, he explored why industrial capital might oppose full employment, as he noted in his essay "Political Aspects of Full Employment" (Kalecki 1943). Beyond a general aversion to government interventions in employment matters and a dislike of direct spending toward public investment and subsidized consumption, capitalists' opposition to full employment policies also stems from concerns about potential social and political transformations that could arise from full employment. Kalecki noted that "full employment capitalism" could strengthen the working class's power and trigger social and political changes. He explained, *“Indeed, under a regime of permanent full employment, the 'sack' would cease to play its role as a disciplinary measure. The social position of the boss would be undermined, and the self-assurance and class-consciousness of the working class would grow. Strikes for wage increases and improvements in conditions of work would create political tension. It is true that profits would be higher under a regime of full employment than they are on the average under laissez-faire; and even the rise in wage rates resulting from the stronger bargaining power of the workers is less likely to reduce profits than to increase prices, and thus adversely affects only the rentier interests. But 'discipline in the factories' and 'political stability' are more appreciated than profits by business leaders. Their class instinct tells them that lasting full employment is unsound from their point of view, and that unemployment is an integral part of the 'normal' capitalist system” (Kalecki 1943:3).*

Kalecki touched on a crucial aspect of full employment: the interplay of opposing class interests and the political dimensions of LMPs. With low unemployment bolstering the bargaining power of the labor force, LMP can significantly influence wage and profit distribution. Political-economic conceptualizations of the state, such as Nikos Pulantzas conceptualization of state as *condensation of power relations* (Pulantzas 2002) provide a framework for understanding unemployment as a political choice. Consequently, a Job Guarantee (JG) holds the transformative potential to improve job quality and wages by defining minimum standards and offering alternatives to private market jobs that meet these minimum standards.

In the 1960s, Hyman P. Minsky (1965) argued in his paper "The Role of Employment Policy" that public job offers could combat poverty and should be paired with on-the-job training. An increase in high-income job opportunities would enable individuals to transition from low-income positions to higher-paying ones. However, given the heterogeneous nature of the labor force, LMP aims to facilitate this upward mobility through qualification programs. Yet, individuals with low levels of education, often correlated with poverty, may not benefit from such educational opportunities to the same extent as those with higher education. Moreover, qualification programs must offer an attractive income substitution to be accessible to a broader demographic. Therefore, a JG program with training options at minimum wage levels would be particularly effective in improving the circumstances of impoverished individuals who would otherwise remain trapped in low-income industries with limited upward mobility.

Since the 1990s, advocates of Modern Monetary Theory (MMT), including Randall L. Wray, Pavlina R. Tcherneva, Stephanie Kelton, and William F. Mitchell (Wray 1998; Kelton 2021; Mitchell 1998; Tcherneva 2014), have pledged for the idea of a JG. In essence, MMT posits that fiscal policy is more effective than monetary policy in addressing unemployment and stabilizing the economy. Instead of influencing saving, consumption, and investment through interest rates, MMT proposes targeted job creation by the government as the preferred macroeconomic tool. MMT aligns with Lerner's (LERNER 1943) concept of functional finance but suggests that direct public job creation is more effective in reducing unemployment than using government spending to manage overall demand (Kelton 2021; Tcherneva 2014). MMT's primary policy objective is achieving full employment, with job creation being the means to achieve it. For this, monetary sovereignty is a prerequisite, requiring a government capable of issuing its own currency to fund any job guarantee program.

MMT fundamentally challenges the neoliberal framework of monetary and fiscal policy and contends that a JG would serve as an economic buffer while ensuring price stability (Mitchell 1998). It challenges the monetarist concept of the Non-Accelerating Inflation Rate of Unemployment (NAIRU), which currently guides monetary policy and accepts a certain level of unemployment to maintain price stability. In contrast, MMT economists put the aim of full employment on top. Arguing that fiscal expansion (equivalent to monetary expansion in the case of a currency-issuing government financing jobs) only leads to inflation if full employment is achieved. If money is spent exclusively to create jobs for the unemployed, it cannot lead to inflation.

In the context of heightened public awareness regarding the climate crisis, Pavlina R. Tcherneva (2020) has connected the idea of a Job Guarantee (JG) to the imperative of transitioning the economy toward a zero-emission model. Tcherneva posits that a JG, in terms of its purpose, design, and impact, inherently embodies a green proposal, accentuating its social dimension. She contends that the living-wage Job Guarantee integrates principles of social justice into climate mitigation efforts. Job creation can actively support the greening of the economy by allocating resources to traditionally undervalued activities such as environmental conservation and community maintenance.

While the debate surrounding the JG primarily unfolds in the United States, it has sparked interest among policymakers and scholars within the European Union (EU) since 2010 (Mastromatteo und Esposito 2017; Watts et al. 2017). This interest was particularly evident during the Euro Crisis when many EU member states, primarily from the periphery, encountered difficulties refinancing their government debts due to the monetary constraints inherent in the design of the Eurozone. The crisis exposed the inadequacies of monetary integration within the EU framework. Leveraging the imperfections of EU integration and confronting high unemployment rates, Pavlina R. Tcherneva, Esteban Cruz-Hidalgo, and Dirk, Ehnts (2019) have contemplated the establishment of a Euro Treasury capable of financing a Job Guarantee program. Such a program would aim to eliminate mass unemployment, enhance price stability, and foster social and economic integration across Europe.

The COVID-19 pandemic and its associated labor market crisis have reinvigorated discussions regarding a European Union (EU) Job Guarantee (JG). This resurgence can be attributed to the EU's noteworthy crisis management efforts, including the temporary relaxation of fiscal regulations and the implementation of SURE, which facilitated the financing of comprehensive short-term schemes (Schulten und Müller 2020). Several authors have once again advocated for the idea of an EU Job Guarantee, suggesting that it be financed through a social bond like SURE (Zygmuntowski et al. 2020; Antonopoulos 2023; Tcherneva und Lalucq 2022). An EU JG has the potential to address critical issues such as full employment, poverty alleviation, and the promotion of social inclusion. Furthermore, job creation can be harnessed to support the green transition, regional development, bolster the social economy, and even address the growing demand for healthcare workers. Implementing a Job Guarantee would be synonymous with upholding the fundamental human right to decent work, fostering the integration of the most marginalized individuals into the labor market, and thus strengthening the EU's social agenda.

The Debate recently gained momentum as … acknowledged the potential of JG programs, referring to different experiments that have been conducted in the EU.

Examples in the EU

Various public job creation programs have been implemented in Europe in recent years, spanning a spectrum from workfare-like initiatives in Hungary, to programs closely aligned with the ideal JG. JG like programs in the EU are the French Territoire Zéro Chômeur de Longue Durée (TZCLD), which has served as an inspiration for zero unemployment regions in Wallonia as part of their recovery plan. Other instances include the "Job Guarantee" programs in Gramatneusiedl, Austria, as well as job creation programs for Polish and Bulgarian coal regions as part of their transition strategies, JG like program in Ireland[1], or the EU youth guarantee.

In 2016 the French government passed a law to finance and conduct the TZCLD. Today, it counts 2,100 participants, it is run on the local level, targets the long-term unemployed and receives national funding. In 2023 it is entering a second phase with 47 regions joining the prior 60 ones, with approximately 2.000 additional participants.

Inspired by the TZCLD, the Wallonia Government launched their own zero unemployment program[2], on 28. April 2023. It consists of 17 projects offering jobs for at least 750 people. The Project is part of the recovery plan[3] which additionally aids to finance more than 65.000 Work-Places in the social economic sector and local official state. Half of the funding comes from the European Social Fund (ESF) and through Wallonia. The Wallonia TZCLD projects respond to unmet local needs and make it possible to hire people who have been unemployed for two years. In an estimation by the Free University of Wallonia the authors expect a total fiscal gain between € 1,312€ and € 3,145 per participant each year (Maxime und Malory, Rennoir, Ilan, Tojerow 2020).

Austria has a long tradition of experiments with public job creation programs, starting with the “Aktion 8.000”, the “Aktion 20.000” and between 2020 and 2024 the first JG experiment MAGMA in Gramatneusiedl. MAGMA offered an employment for everybody who was more than one year unemployed and nearly eliminated long term unemployment. In a first evaluation Lukas, Lehner and Max, Caszy find positive effects on participants’ economic and non-economic wellbeing, including

[1] gov.ie - Community Employment Programme (www.gov.ie)

[2] Press release; 28.04.2022, Official Homepage of vice minister Christie Morreale: Innovation pour l’emploi en Wallonie : le projet pilote « Territoires zéro chômeur de longue durée » est lancé - Christie MORREALE

[3] Plan de relance de la Wallonie

employment, income, and income security (Kasy und Lehner 2023). Hannah, Quinz and Jörg Flecker confirm the positive impacts, but also address some critical concerns, such as the difficulty to offer suitable jobs to a very heterogenous participant group, as well as negative effects due to the time limit of the project (Quinz und Flecker 2022).

Another case is the EU Youth Guarantee which contains job creation for young UE. High rates of persons not in education, employment or training, led the European Union to introduce the Youth Employment Guarantee in 2013. The goal is to offer young people below 30 either training or employment option.[4]

The transition of Polish and Bulgarian coal regions, aiming for the transition to a zero-emission economy, naturally would eliminate jobs in the coal industry. To counter these employment losses the German-Bulgarian Chamber of Commerce and Industry develop employment strategies. In a first report on targeted planning and investment to create employment[5] they explored job creation necessities and opportunities and necessary investments.

Targeted vs universal JG – relating targeted JG to LMP instruments

JG programs can be distinguished from one another based on several key aspects. One of the most significant distinctions lies in the underlying understanding of the causes of UE. The JG concept aligns itself with Keynesian economics' understanding of UE as lack of overall demand leading to a lack of available job opportunities. This viewpoint shares common ground with political economic analysis, which posits that UE can be understood as a political choice, as UE significantly impacts the bargaining power of workers. Then, the government has a pivotal role by taking the responsibility of providing meaningful employment for all individuals willing to work, particularly in cases where the private sector falls short in generating sufficient job prospects.

Contrastingly, neoclassical economics regards unemployment as an individual choice. Within the framework of an idealized, efficient market, involuntary unemployment is impossible. From this view, political interventions, such as unemployment insurance or the power of labor unions and their wage demands, would disturb the function of efficient markets and lead to UE. Therefore, Neoclassical policy proposals concentrate on altering individuals' incentives to work, often implementing workfare-like programs. These programs, characterized by mandatory work requirements to access welfare benefits, essentially condition the receipt of benefits on the willingness to accept any job offer. In cases of public job creation, individuals on unemployment benefits are typically obliged to participate in public work to continue receiving their benefits.

Furthermore, it is essential to distinguish between targeted and universal JG models. A universal JG model relies on the government's ability to finance comprehensive job creation. This concept aligns closely with the principles of Modern Monetary Theory (MMT), which asserts that a government can and should issue its own currency to fund all necessary jobs until full employment is attained. In contrast, targeted JG programs exhibit greater similarity to the logic inherent in established European LMPs. These programs are typically designed as instruments to assist individuals or regions facing structural disadvantages, with a primary objective of rapidly reintegrating the unemployed into the private sector job market.

A universal JG program would undoubtedly yield the most substantial impact on employment, although it would also present certain challenges. High fiscal costs, which are primarily political

[4] wcms_572465.pdf (ilo.org)
[5] 2021_WWFBG_TheNewJobs-TransitionFromCoalToAModernEconomy.pdf (euki.de)

rather than economic obstacles through an MMT lens, could prove to be a formidable hurdle. Additionally, the immediate implementation of a universal JG may be hindered by practical constraints, such as the insufficient infrastructure and administrative capacities required for such an ambitious undertaking. Conversely, targeted JG programs offer several advantages, particularly within the European context, given the institutional framework of existing LMPs. A targeted JG program would be more modest in scale and, consequently, more cost-effective. It would facilitate easier evaluation and monitoring, serve as a valuable source of knowledge and experience, accommodate existing administrative capacities, and harmonize more seamlessly with prevailing LMPs and other economic policies. Thus, even when designed as targeted and temporally restricted initiatives, JG programs retain their transformative potential in addressing social issues while continuing to fulfill their macroeconomic stabilizing function. In the paper, "Beyond Full Employment: What Argentina’s Plan Jefes Can Teach Us about the Employer of Last Resort" Pavlina R. Tcherneva (2013), offers an analysis of the impact of a targeted JG program in Argentina. Tcherneva's work demonstrates that the Plan Jefes, despite being a targeted program, had transformative effects on persistent socioeconomic problems such as extreme poverty and gender disparities, and played a role in stabilizing the economy.

Targeted JG programs, as implemented within the institutional framework of EU LMPs, face a fundamental conflict arising from the divergent goals of social policy and labor market policy. An in-depth analysis of these conflicts necessitates an examination of LMPs through the dual lenses of social policy and labor market policy objectives. Social policy is primarily concerned with ensuring existence security and safeguarding the basic well-being of individuals, while labor market policy predominantly focuses on fostering employment opportunities within the private sector.

The universal JG program effectively achieves the dual objectives of both social policy and labor market policy simultaneously. By guaranteeing meaningful work for all participants, it not only fulfills the concept of existence security but also exerts a substantial impact on private sector employment. Nevertheless, the universal JG, with its potential to generate a significant number of jobs, poses fiscal challenges, particularly during periods of economic downturns.

In contrast, targeted JG programs align more closely with traditional labor market policies. Several elements of LMPs closely align with the principles of a targeted JG. These elements encompass the targeting of vulnerable groups, the establishment of different forms of a second labor market (specialized enterprises designed to integrate individuals facing specific challenges into the primary labor market), and the acknowledgment of the need for public job creation as a solution to combat long-term unemployment (LTUE), as highlighted in the recommendations of the EU Commission regarding LMP.

Furthermore, targeted JG programs are typically smaller in scale and cost-effective, allowing for easier evaluation and monitoring. Their primary focus lies in aiding specific target groups in transitioning to private sector employment.

However, the logic of expeditious integration of the unemployed into the private job market can undermine the objectives of social policy. This contradiction is exacerbated by fiscal constraints and an inherent Public Employment Service (PES) system that monitors and rewards swift reintegration of the unemployed into the private sector. With limited LMP resources, the emphasis on rapid reintegration into the private sector creates a selection bias favoring those unemployed individuals with higher chances of reemployment. Observable characteristics such as age or duration of unemployment, which typically underlie targeting, can still result in variations among the target group. Consequently, a targeted JG program, evaluated based on its effectiveness in reintegrating the unemployed into the private sector, may inadvertently leave the most vulnerable individuals behind. Furthermore, UE systems often bear the brunt of cuts and reforms in other social welfare systems. For instance, pension system reforms that raise the retirement age can increase the number of elderly unemployed individuals who are no longer able to work.

These contradictions are experienced by those who work in labor market politics and translates into a persistent share of LTUE amongst all UE. A targeted JG which presents a feasible and realistic solution to this issue, would probably be a welcome step forward. It can also contribute to shifting the orientation of labor market policies (LMPs) towards an understanding of the essential role of public job creation in achieving and maintaining full employment. In contrast to job creation driven by LMPs, an ideal JG program would ensure a job for everyone willing to work, regardless of an individual's ability to compete in a highly competitive private sector job market.

An ideal EU JG program would ensure the necessary financial means to finance a universal JG. As argued above, the implementation of such a universal JG program is unlikely, because of existing power relations, it would stress administrative capacities and the impact on the private sector as well as its interaction with existing institutions and well fare systems might complicate an implication. In contrast, targeting LTUE appears to be a feasible alternative and could complete established LMPs where they fail.

How to Finance an EU JG?

An important question for an EU JG is, how it could be financed? MMT suggests a radical shift in monetary- and fiscal policy. In the context of the EU, this would mean a radical turnaround in the orientation of its economic regime. Such a policy change is very unlikely. There are different ways to finance JG programs. Costs of a JG program decline if the program is targeted. Furthermore, expenditures on unemployment are high. From a comprehensive budgetary perspective, public spending on employment would replace part of the UE spending. Instead of paying unemployment, the economy and society would benefit from spending on meaningful jobs. The remaining net costs could be financed through, taxes, a relaxation of the EU fiscal rules for the purpose of job creation for UE, EU social bonds, or elements of the EU budget that could be used for a JG. To guarantee consistency, it would be necessary to implement a Job Guarantee on European level as a policy for social and economic integration, and stability.

On a first glance a JG is expensive and requires quite high gross investments. Gross costs for an EU JG have been estimated to be around 1.5% of GDP (Mastromatteo und Esposito 2017:140). In the periode 2008-2011, the cost of a JG program would have been around €200 billion. To put the numbers in context, EU countries mobilized €4500 billion to save their banks. Expenditures for STW reached XXX billion between 2020 and 2021 and were partly financed through SURE.

As mentioned before, the overall fiscal expenditures would lead to savings for UE benefits and other LMP measurements. A "passive active change" would allow to almost finance employment. Expenditures of passive benefits within LMP budgets can be redirected to finance active expenditures such as job creation. Instead of financing unemployment, a JG would be better to finance employment. The costs of unemployment vary significantly between countries, ranging from 18,000 Euros per year for an unemployed individual in the UK to 33,443 Euros in Belgium (Gerard et al. 2012). The costs of LTUE tend to be even lower in most countries, either due to declining unemployment benefits or a transition to lower social welfare schemes. For instance, Austria spends approximately 15,600 Euros per year on each person in LTUE. To calculate the net cost of UE benefits and JG income, we subtract taxes on welfare, such as pensions (which are part of UE expenditures and expenditures on wages). The difference in net costs between UE and JG represents the overall fiscal expenditures for a JG. In

Austria, the expenditures for a JG for LTUE individuals amount to around 20% of the costs of UE, approximately 8,000 Euros per person per year (Tamesberger und Theurl 2019; Premrov et al. 2021).

When considering fiscal costs, a JG has two significant effects. First, employment through a JG positively impacts long-term unemployed individuals, increasing their productivity and employability over time. Consequently, the costs of a JG gradually decrease as the productivity of those employed within the program rises. Eventually, individuals in a JG program may contribute to financing their own income. Second, some individuals who would otherwise remain unemployed without a JG transition into the private sector. In the medium to long term, a JG can become self-financing, as supported both theoretically (Theurl und Tamesberger 2021) and through evaluations of JG-like programs (Walch und Dorofeenko 2020).

However, the difference between short-term fiscal expenditures and long-term revenues may deter a government from investing in a JG due to fiscal constraints or political considerations. Budgetary expenditures are typically planned on an annual basis, while revenues are realized ex post, often after one year or longer, sometimes extending into the tenure of the next government. An EU financial instrument could potentially bridge the gap between short-term expenditures and long-term revenues, facilitating the implementation of a JG.

In a recent policy paper by Pavlina R. Tcherneva and Aurore Lalucq (2022), the authors outline how an EU JG could be implemented and financed at the European level to promote social and economic integration and stability. The European Commission's mandate, by Article 148 of the Treaty on the Functioning of the European Union, provides the legislative framework for funding and implementation. While the Youth Guarantee program provides a precedence case, it simultaneously highlights that it places a financial burden on individual member states. The authors suggest, making temporary instruments like SURE permanent due to widespread unemployment and the climate emergency. Additionally, member states could issue securities for national Job Guarantee projects, with support from the European Central Bank. The authors refer to the ECBS' "Public Sector Purchase Programme" which did not circumvent Article 123 of TFEU and did not violate the prohibition of monetary financing of member state budgets, as the German Federal Constitutional Court decision stated.

An alternative approach to facilitate member states' financing of job creation could involve the establishment of exceptions within fiscal rules. The ongoing negotiations regarding exceptions from deficit limits for structural reforms present a potential window of opportunity in this regard.

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