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Working Paper No. 1022

Has the Time for a European Job Guarantee Policy Arrived?

by

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ABSTRACT

As country after country in the European Union is called to respond to the current challenge of our time—high inflation and declining real wages—governments must engage in a transformative agenda and go beyond emergency energy vouchers and income support cash-transfers. And if the goal is to lead the way to a resilient and sustainable European Union, business as usual will not do. The share of wages to GDP has been declining since the late 1970s, deregulation of labor markets has increased insecurity and precariousness, and, among ordinary working people, a sense of uncertainty, disenfranchisement, and mistrust in governing institutions is prevalent. A thorough re-evaluation of policies is needed. In response to the deterioration of living standards, a guarantee of minimum wages adequate to secure a decent living standard should be a starting point; a permanent policy of automatic adjustment of wages to inflation rates in all member states should be promoted; and strengthening collective bargaining agreements ought to be re-invigorated for a fair sharing of productivity between wages and profits. An EU Job Guarantee should be at the center of this policy transformation. This bold agenda, advocated in this paper, can mobilize people to regain trust that a Social Europe is possible.

KEYWORDS: Inflation, Job Guarantee, Social Europe, Income Distribution

JEL CODES: B5, D6, E24, E61, E62, H1, H3, H4, H5, J2, J3, J4, J16

INTRODUCTION: BUSINESS AS USUAL WILL NOT DO

In the last fifteen years, European Union member states have faced three severe economic shocks. First came the 2008–9 global financial debacle that originated in the United States and reached the EU and the rest of the world by late 2009, resulting in a severe slowdown of output and increase of unemployment. Second, during 2020–22, COVID-19 hit hard, leading to a deep health crisis and necessary periodic country-wide lockdowns, during which production activity came close to a standstill. Third, the Ukraine-Russian conflict that began in February 2022 delivered another blow: energy-related pressures together with a supply-chain disruption culminated in accelerated inflation, leading to the current cost-of-living crisis.

Policy responses of the EU to the first two crises were very different. To ameliorate the harsh impact on jobs and growth, the initial reaction of several EU countries to the financial crisis, was strongly countercyclical. Member states, including Germany, bypassed Maastricht Treaty rules and allowed deficits and debt-to-GDP ratios to increase. Unfortunately, this was short lived. By 2010, while the global financial crisis effects were still unfolding, public spending was curtailed in the name of fiscal responsibility, and even more importantly, key EU decision-making bodies imposed severe austerity measures on several EU member states. This change of heart resulted in a drop of output and a rapid increase in unemployment, affecting as many as 26.6 million persons (Q1 of 2014), compared to 16.8 million at the beginning stages of the crisis (Q1 of 2008) in the EU28. Instead of helping, austerity delivered the wrong medicine, pushing Portugal, Greece, Ireland, and Spain into unprecedented economic contraction and massive unemployment for a number of years.

At the extreme opposite, in March 2020, early on in the COVID-19 shock, the EU Commission decided to activate the “general escape clause” of the Stability and Growth Pact, enabling member states to depart from the Maastricht Treaty’s strict budgetary rules. Shortly after, timely EU decision-making to support member states through the SURE mechanism averted layoffs; the quick response of infusion of €98.4 billion undoubtedly allowed EU member states to engage in robust job retention schemes and wage subsidies during the pandemic-necessitated lockdowns. Finally, a few months later, the EU Council reached agreement on NextGenerationEU, an

initiative that targeted the mitigation of the adverse socioeconomic impacts of COVID-19. The accompanying creation of the Recovery and Resilience Facility of €800 billion was a clear sign of solidarity among EU member states, providing countries with ample access to grants and loans, thus leading the way to a swift recovery.

These two diametrically opposed policy orientations provide valuable lessons, one of ineffectiveness, the other of success. The EU today continues to confront the current cost-of-living crisis and must make some hard choices. If the goal is to lead the way to a resilient and sustainable European Union, business as usual will not do. But for that, we must resist old truths and allow new thinking to emerge. As country after country is called to respond to the current challenge of our time—high inflation and declining real wages—governments must engage in a transformative agenda and go beyond emergency energy vouchers and income support cash-transfers. The share of wages to GDP has been declining since the late '70s, deregulation of labor markets has increased insecurity and precariousness, and, among ordinary working people, a sense of uncertainty, disenfranchisement, and mistrust in governing institutions is prevalent.

A thorough re-evaluation of policies is indeed needed. In response to the affront on living standards, a guarantee of minimum wages adequate to secure a decent living standard should be a starting point; a permanent policy of automatic adjustment of wages to inflation rates in all member states should be promoted; and strengthening collective bargaining agreements ought to be re-invigorated for a fair sharing of productivity between wages and profits. Redistributive measures have a place in our economy, of course. But a fair, functional distribution of income, the equitable sharing of the pie between wages and profits, must regain a central role in our societies.

This is a bold agenda. It is also one that can mobilize people to regain trust that a Social Europe is possible. Re-examining the policy toolbox is also needed in regards to unemployment. And to this we turn next.

WHAT IS A JOB GUARANTEE?

A Job Guarantee (JG) is a policy intervention by the state that interrupts long spells of joblessness. Simply put, it offers a direct job and a wage to those seeking but unable to find remunerative work. The Job Guarantee—also known as an employment guarantee policy, public works programs, direct job creation, or an employer of last resort program—is not a new idea. Theoretical antecedents are traced to J. M. Keynes and William Beveridge in the early part of the twentieth century; Hyman Minsky, Amartya Sen, and Jean Drèze in the 1980s; and William Mitchell, Randy Wray, Mathew Forstater and D. Papadimitriou in the 1990s.

At the policy level, developed and developing countries facing massive unemployment or stubborn prevalence of joblessness among specific groups have indeed periodically intervened through JG types of initiatives. A host of countries—ranging from the USA in the recent global financial crisis, and famously in the New Deal programs of the Great Depression, to rural India each year since 2005 during the low agricultural season—have implemented direct job creation programs. Currently, political and grass roots mobilization around a JG policy is gaining traction on both sides of the Atlantic and small-scale implementation is already underway in France, Austria, Belgium, and Greece.

JG work projects are historically selected with a view to yielding a public benefit to communities, fulfilling currently unmet needs to the greatest extent possible. Their design and implementation has varied in terms of scale: targeting specific communities or having nation-wide reach; duration of the job offer: short or long term, seasonal or year-round offer, part time or full time engagement; pay scale: a flat minimum wage or multi-tier wage structure according to skill level; implementing and administering agencies: municipal and local government, non-profits, and/or Social Economy entities; with or without provisioning of optional training and upskilling; and choice of work projects: centrally-determined or locally-identified, with a mandate to reach developmental objectives or with an open-ended agenda, etc.

As mentioned earlier, several EU member states have already, or are currently, designing and implementing direct public job creation programs. France, Austria, Belgium, Luxembourg,

Ireland, and Greece are among them.¹ Making use of empirical research for the case of Greece, we will also see that job creation under the JG programs is an excellent countercyclical instrument that serves the economy well during recessionary times: it accelerates job creation in other parts of the economy, contributes to overall economic growth, and leads to expansion of tax revenue.

WHY A JOB GUARANTEE? UNEMPLOYMENT IS A PERMANENT FEATURE OF MARKET ECONOMIES

Job creation is dependent on many factors, including fiscal and monetary policy, the overall structure of the economy, industrial and development policy, technological advancements, exogenous factors, and shocks, including the economic state of trading partners. Ultimately, jobs are created and destroyed by the private sector, by hiring and firing decisions guided by market conditions, production needs, earnings projections and profits. As there is no internal necessity for job openings to match the numbers of jobseekers, unemployment and underemployment are a permanent feature of market economies. And while joblessness fluctuates significantly over the business cycle, its presence is felt not only during periods of severe shocks but also when the economy is on a healthy growth path.

Policies to support the unemployed in Europe are delivered traditionally through three interventions. First, through unemployment benefits intended to avert the risk of a sudden, if not catastrophic, decline in income during the job search period. Second, through Active Labor Market Policies (ALMPs) to facilitate re-entry: job search assistance to match the unemployed to employers; training and upskilling to strengthen job seekers' qualifications; and wage subsidies for employers hiring job seekers who are harder to place. Third, to avert massive lay-offs, job retention schemes and/or wage subsidies are offered for short-time work (STW), that is, the

¹For France, see <https://www.tzclld.fr/decouvrir-le-projet/les-territoires/>
For Ireland, see <https://www.gov.ie/en/service/412714-community-employment-programme/>
For Luxembourg, see https://adem.public.lu/en/employeurs/demander-aides-financieres/embaucher_cld.html
For Austria, see https://maxkasy.github.io/home/files/papers/Jobguarantee_marienthal.pdf

partial compensation of direct and indirect labor costs offered to private companies to maximize job retention. This last measure was widely and effectively used by EU member states during the COVID-19 lockdowns but also during the 2008–10 financial crisis.

These traditional interventions are designed to fend off risks the labor force may face from time to time. Yet, their effectiveness presupposes that either the availability of jobs is plentiful and therefore jobs can be matched to the newly reskilled persons, or that lackluster demand for labor is temporary and normalcy will soon be restored. If these conditions do not hold, traditional interventions do not work well and short-term joblessness turns into long-term unemployment (LTU). This is the case for 4.5 million long term unemployed today in the EU, whose numbers had reached roughly 14 million at the peak of the financial crisis. Why are people unable to find jobs, often after years of searching, despite extensive efforts and policy interventions? We must distinguish between two fundamental reasons.

On the one hand, it concerns people whose employment profiles place them furthest away from the labor market, a challenge that may be extremely difficult or impossible to overcome. Examples include being laid off at an older age or near retirement, which becomes even worse when combined with skills no longer in demand; seeking full time work in midlife with no prior work experience; facing complex health issues or disabilities; being a member of a marginalized group facing prejudicial bias; or having recently served time in prison. Despite incentives, the private sector is reluctant to hire those it deems less desirable. This is the supply side of labor challenge of long-term unemployment.

On the other hand, there is the challenging demand side for labor. The private sector may simply be unable to generate jobs for all those seeking them. Unless the fiscal and monetary policy target full employment, industrial policy coordination is at full speed, trading partners' economies are booming etc., there is no reason to expect the level of economic activity to ensure the full employment of labor. The process becomes even tougher with protracted periods of recessions; recoveries that are U or W shaped; jobless recovery phases; periods of structural change which require prolonged adjustment periods; and severe financial crises with global

repercussions. In all such cases, the existing toolbox is insufficient to deal with long-term unemployment, with severe repercussions for the people affected.

Thus, we must turn to a policy such as the JG, which is a policy of “employment of last resort.” When the private sector cannot provide jobs and ALMPs or job retention schemes do not deliver the optimal outcomes, we have a collective responsibility to see that those who want to work have an option instead of being forced to remain in a state of social exclusion and inactivity.

LONG-TERM UNEMPLOYMENT AND EU POLICY: THE NEED FOR A “BACK TO WORK NOW” APPROACH

In the past decade, Eurostat data (LFS online data code LFSQ_UGATES) reveals that the number of unemployed persons in EU27 has ranged roughly from a high of 24.4 million (2014Q1) to a low of 13.8 million (2019Q2) and, more recently, has fluctuated between 14.4 million (2020Q4) and a record low of 12.9 million for both men and women as of October 2022 (Eurostat, online data code UNE_RT_M). Over the same period, the EU annual average of the long-term unemployment share, a concept that counts how many individuals among the unemployed have been looking for work for more than 12 months, has hovered in the range of 40–55 percent of total unemployment. A quick observation of the data shows many countries to be around or above 40 percent: Italy (51.5 percent in 2020); Belgium (45.3 percent in 2019); Germany (40.9 in 2018); Portugal (49.9 in 2017); Ireland (50.5 in 2016); The Netherlands (42.5 in 2015); Greece (73.0 in 2014); and Slovakia (70.2 percent in 2013).

The picture of LTU is consistently grimmer among those between the ages of 50 and 64 years. For example, in 2012 for those in the 50 to 64 age range, the LTU share was 57.7 percent compared to 45.3 for the entire population of the LTU; in 2014 61.9 percent compared to 50.0 percent for all persons in LTU; and 50.0 percent in 2020 compared to 35.2 percent of the total LTU.

A more detailed examination of the same data reveals even larger segments in long-term unemployment status being recorded in countries that experienced extraordinary economic recessions, reaching an astounding high of 75.0 percent (Spain, Greece, Ireland, and Portugal), as well as those that navigated milder waves (Germany, France, Italy, Belgium, and Luxembourg, to name a few). In EU countries over the past decade, with the Nordic countries and Iceland being notable exceptions, roughly 6 out of 10 unemployed persons among the older-aged searching for a job could not find one within a reasonable amount of time. For the entire unemployed population, on average, 4–5 out of 10 persons remained jobless for more than a year (Eurostat, LFS annual data). Employers customarily are much more reluctant to hire those who have not held a job for a long period of time; those who are laid off in their late 50s or older have the hardest time reentering the labor market.

The European Union has indeed recognized the prevalence of LTU as a challenge. Accordingly, the Council Recommendation of 15 February 2016, on the integration of the long-term unemployed into the labour market (2016/C 67/01), puts forward a variety of actions to be taken and coordinated services that ought to be made available. The first three paragraphs of the document read as follows:

- (1) The unemployment rate in the Union increased to a historically high level following the 2008-2009 financial and economic crisis. It is currently decreasing, but long-term unemployment remains very high. Long-term unemployment affects each Member State to a different extent, particularly as the impact of the crisis has been uneven and the macroeconomic situation, economic structure and functioning of the labour market vary from one Member State to another.
- (2) After years of subdued growth and low job-creation, in 2014 long-term unemployment, defined by Eurostat as the number of people who are out of work and have been actively seeking employment for at least a year, affected more than 12 million workers [...] 62 % of whom had been jobless for at least two consecutive years.

- (3) Long-term unemployment is affecting the persons concerned, lowering the potential growth of the Union economies, increasing the risk of social exclusion, poverty and inequality, and adding to the costs of social services and public finances. Long-term unemployment leads to a loss of income, an erosion of skills, a higher incidence of health problems and increased household poverty.

LTU is then clearly acknowledged as a consequence of the decline in economic activity itself, but it is also recognized that it still remains a concern for several years after economic recovery. This policy awareness and the actions endorsed by the Council Recommendation of February 15, 2016, provide an opportunity for supplementing the traditional menu of ALMPs with space created for the serious consideration of a European Job Guarantee.

The questions that confront us are straightforward. Under the best of circumstances, will there be sufficient job vacancies to absorb the majority of the 4.5 million persons currently in the LTU category? Do short-term training courses provide equal footing for the older-aged jobless to that of the general population of jobseekers? Do wage support measures absorb the LTU? The answers are identifiable in the statistical record of the numbers of LTU. Why not then consider for the millions of LTUs meaningful job offers at their current skill levels in projects that can benefit their communities? A JG that is structured around the concept of “back to work now,” coupled with upskilling through lifelong learning seminars can go a long way. Environmental interventions, plentiful care economy gaps, and the digital transition offer ample prospect for meaningful JG opportunities.

Principle 4 of the European Pillar of Social Rights (2017) ²echoes the Council’s Recommendation. It reinstates citizens’ right to active support in finding employment by receiving *job search support, training, and requalification* (emphasis added). The trouble is that, in many instances, although these measures absorb substantial amounts of European Social Fund (ESF), the EU’s main financial instrument for tackling long-term unemployment (European

² The European Pillar of Social Rights contains 20 principles and rights, all of which promote (a) equal opportunities and access to the labour market; (b) fair working conditions; and (c) social protection and inclusion. After extensive consultations in 2016, it was launched in March 2017 and endorsed by the European Commission, the European Parliament and the Council of the EU at the Social Summit of Gothenburg in November 2017.

Commission 2019), the long-term unemployed still remain jobless. An integrated, comprehensive strategy for the active inclusion of the LTU ought to consider a JG “back to work now” intervention.

THE CASE OF GREECE

Greece’s economy had entered turbulent conditions beginning in 2008, and by 2010, the country was shut out of financial markets. To avoid bankruptcy, the government sought support in servicing its sovereign debt through a loan agreement provided jointly by the European Commission, the European Central Bank (ECB), and the International Monetary Fund. To bring the deficit and debt-to-GDP ratios under control, so that Greece could regain access to financial markets, the prescription included harsh austerity measures, tax increases, and internal devaluation, with the legal minimum wage falling from €751 to €586 per month.

This entire period proved disastrous for the Greek economy. Thousands of business bankruptcies and a contraction of its GDP by over 25 percent were accompanied by massive unemployment at a rate rising from 7.7 percent in 2008 to over 27.8 percent. Compared to 2008, as of October 2013 roughly a million more people had joined the ranks of the unemployed, with manufacturing, construction, and retail trade suffering the most job losses. By this time, an astounding 71 percent of the 1.3 million unemployed were in the LTU category, and over the course of 2013, the population who had been unemployed for longer than *four years* had reached 224,000 individuals.

WHY GREECE NEEDED A JOB GUARANTEE

Projections by the lenders and the government in 2013 reported that Greece would enter positive growth territory in 2014, but, from the standpoint of job creation, putting an end to austerity would not suffice to turn the unemployment tide. Even if Greece had managed to return from negative rates of economic growth to those it had enjoyed prior to the crisis (averaging around 4 percent per year)— it would have taken more than *14 years* to reach pre-crisis employment levels, given the tendency of labor market recovery to lag behind GDP growth recovery

(Dedousopoulos et. al. 2013).³ If this was the “best-case scenario” for a post-austerity Greece, further policy actions were urgently needed.

Three years into the crisis, with unemployment and LTU skyrocketing, EU Social Fund allocations to ALMPs in Greece continued to be directed at improving employability. But with thousands of businesses in bankruptcy, firms were simply not hiring. A large-scale intervention, beyond the scope of the current ALMPs, was urgently needed.

THE JOB GUARANTEE OF GREECE: BACKGROUND AND RATIONALE

The policy proposal for a JG for Greece, whose findings on job creation and growth potential we present below (Antonopoulos et. al. 2014), was undertaken by colleagues and myself at the Levy Economics Institute in 2013, in close coordination and partnership with the General Confederation of Trade Unions of Greece (GSEE). The collaboration with GSEE on a JG had begun several years earlier (Antonopoulos, Papadimitriou, and Toay 2011) and, as a result, in 2012 a small program was rolled out. Subsequently, we were invited by GSEE to provide comments on this 2012 direct job initiative and we jointly decided that a much more carefully designed, larger scale program was necessary. To that end, we engaged in further research in 2013. The JG project’s research findings were presented in a conference in March 2014 organized by GSEE and attended by trade unionists, academics, members of parliament, and representatives of political parties. During the pre-election campaign later that year, a JG for 300,000 long-term unemployed was announced as a part of the recovery policy mix by the left-leaning opposition party, Syriza. When Syriza was elected into power, the 2015 JG—known as the “public service work” or “*kinofelis ergasia*”—was rolled out in successive waves over a three-year period and reached roughly 200,000 persons. Despite its relatively small size to tackle the problem at hand—manifested by the multifold applicants in comparison to the available jobs

³ The prediction so far has been accurate, as the unemployment rate in Greece—as of October 2022—remained at 11.6 percent. If the estimation is accurate, it will take another 4 years to reach pre-crisis levels. Based on employment levels over 1998Q1–2007Q4, Dedoussopoulos et al., in a report issued by the ILO in 2013, estimated a job creation rate of 60,000 per annum. Projecting into the future, they found that if the Greek economy, beginning in 2012Q4, returned to its pre-crisis (1998Q1–2007Q4) rate of adding 60,000 jobs annually, it would regain its 2009Q1 (pre-crisis) employment level in 2027Q2—that is, in roughly 14.5 years

advertised under the program (for every job advertised, 5–8 applications were submitted)—the logic, structure, and necessity of a “Public Benefit” JG program gained support from the participants and the general public. When elected into government in 2019, the conservative New Democracy party continued the program’s operation and it is still implemented to this day.

Given the unprecedented nature of the Great Recession crisis (2008–9) and its dramatic consequences, JG related stimulus programs were implemented successfully in various countries, including the United States, China, and Chile. Greece itself had some recent experience with direct job creation, as mentioned above, with a program implemented in 2012. Despite being inspired by the employer-of-last-resort policy idea, Greece’s program faced several difficulties. In addition to its small size and limited duration (employment was provided for a maximum of five months), the program did not offer full compliance with legal labor rights and lacked proper design of work projects. Execution of the program by mostly nongovernmental organizations proved equally problematic.

JOB GUARANTEE SCENARIOS FOR GREECE

The proposed Levy Institute JG program provided paid employment for 12 months per year on work projects selected through a community-level consultative process from the following areas: digitization of public sector documents, small infrastructure projects that improved public spaces (playgrounds, small parks etc.), projects that improved accessibility, environmental interventions for forest management and fire prevention, expansion of social service provisioning, and educational and cultural enrichment programs for the public. The positions paid minimum wage and carried full social security contributions and legal labor rights, including normal time off, maternity leave, etc. Eligibility was extended to all of the unemployed with strong preference given to the LTU, those with low household income, those with disabilities, single-headed households, and members of households in which all working-age members were unemployed. For budgeting purposes, drawing on the experience of other countries, program costs were assumed to consist of 60 percent allocation to wages and 40 percent indirect costs (i.e., materials, other intermediate inputs, and administration).

We sought answers to three questions:

First, what would be an appropriate scale for the JG program? In other words, as participation was voluntary, how many among the unemployed were likely to want to apply for a JG? The scenarios were chosen based on the minimum and maximum expected responses from among the unemployed through statistical matching and from data provided by the Labor Force Survey of the Greek Statistical Agency (ELSTAT LFS); the EU Survey of Income and Living Conditions (SILC), and information on applicants from the previous limited attempt of a JG in 2012. According to various assumptions, we estimated that a modest proposal should aim at 200,000–300,000 participants and, more ambitiously, at 440,00–550,000 participants.

Second, what is the medium-term impact of the JG on total job creation (direct and indirect) and growth of output? We simulated the effects of several scenarios, corresponding to an increasing scale of direct job creation (for 200,000; 300,000; 440,000; and 550,000 jobs) and two levels of minimum wage (pre- and post-2012 internal devaluation, that is at a minimum wage of €751 and €586 per month respectively). To estimate these macroeconomic effects, namely the “multiplier effects” of the JG, we used an input-output (I-O) analysis drawn from the 2010 I-O tables for Greece. We examined and added to the direct JG job creation the indirect jobs created, the business-to-business effects, if you will. This refers to the linkages and subsequent feedbacks in output growth and employment between industries: for JG workers to produce output, supplies must be used. Other industries, therefore, will receive newly created demand for these intermediate inputs. This chain reaction—each supplier demanding inputs produced by other sectors—results in ‘induced’ expanded output and job creation effects.⁴

Third, to estimate the net cost of the intervention, we needed to know not only the initial amount of government spending, but also the increase in new tax revenue. The additional tax collection would be generated through the multiplier effects through direct income taxation of households and businesses, excise taxes, and social security contributions.

⁴ For the full research report and technical details, see Antonopoulos et al. (2014).

RESULTS OF THE JG SIMULATIONS: EMPLOYMENT CREATION, OUTPUT AND TAX REVENUE

With more than 750,000 persons in long-term unemployment status, the questions we attempted to answer were anything but trivial. Our estimates were based on simulations of what would have happened had the JG been implemented in 2012. And although one could not rewrite history, the results were instructive for the immediate future.

We found significant positive multiplier effects associated with the JG program. For every €100 spent on the JG, roughly €230 would be added to the Greek economy. At €751, the pre-devaluation legal minimum wage, for every 250 jobs directly created by the JG, an additional 100 jobs (mainly skilled) were created by the private sector elsewhere in the economy. At the prevailing monthly minimum wage (€586), it would take 320 JG jobs for 100 full-time jobs to be created elsewhere in the economy.

At the low end of the simulated scale for the JG (200,000 directly created jobs at a monthly wage of €586), this would mean a total increase in employment of 262,268 jobs and an increase in GDP of €5.4 billion (2.8 percent). At the top end of the scale (550,000 JG jobs at €751), the total employment effect would mean the addition of 769,421 new jobs (direct and indirect) and GDP would increase by €18.9 billion (9.8 percent).

Given the size of the unemployed population, these effects were substantial: a mid-range intervention for 300,000 individuals would be creating, within a year, about 400,000 jobs, reducing unemployment roughly by one third.

HOW BIG OF AN INVESTMENT IS NEEDED? TOTAL AND NET COSTS

Our simulations determined that 59 percent of the expenditure would be recouped through higher tax revenues (social security contributions, value-added taxes, and direct income taxes). If we consider the entire range of scenarios (from 200,000 jobs at €586 to 550,000 jobs at €751 per

month), the total (all-inclusive) cost of the program (including wages and indirect costs for inputs and administration) would range from €3 billion to €10.5 billion, or between 1.5 percent and 5.4 percent of 2012 nominal GDP (€193.7 billion). Yet, given the level of newly generated tax receipts, as a percentage of nominal 2012 GDP, the *net* cost of the JG (total cost minus tax revenue) would range from roughly 0.6 percent of GDP (€1.2 billion) to 2.2 percent of GDP (€4.3 billion), for the creation of 262,268 and 769,421 jobs, respectively.

At the midrange, a 300,000 direct job creation program would have a total cost €4.5 billion, which amounted to 2.3 percent to 3 percent of GDP. Parenthetically, it is worth mentioning that this percentage corresponded to a little less than what Germany and the USA individually allocated in the first years of the Great Recession to respond to the unemployment challenges they faced, or half of China's allocations, while the drop in GDP these countries experienced was nowhere near the 25 percent decline in output Greece endured. However, given the abovementioned multiplier effects, the cost of implementing the program would be only a fraction of the total cost—due to the increases in tax revenue and social contributions, at a final net cost of 0.95 percent of 2012 GDP, or €1.8 billion.

HOW WOULD A JOB GUARANTEE BE FUNDED?

The question of funding such initiatives needs to be addressed. We have argued elsewhere for the creation of a National Employment Fund financed from a variety of sources, including European Union (EU) funds (Antonopoulos 2013). The EU Commissioner for Employment, Social Affairs and Inclusion in 2013, László Andor, had clearly stated the desirability of a “European Fund against Unemployment” that would devote a percentage of EU funds to EU member states according to their respective unemployment rates. Along the same line, long-term “special purpose” bonds could be issued and distributed centrally. Finally, in addition to dedicated Social Funds, borrowing from the European Investment Bank should be an option. This would create an off-balance-sheet item whose aim would be to support projects that make a significant contribution to growth, employment, economic and social cohesion, and environmental sustainability.

CONCLUDING REMARKS

When the economy cannot generate sufficient jobs and when ALMPs are not sufficiently successful to reintegrate the long-term unemployed into the labor market, a JG “back to work now” approach ought to be part of the menu of options. Beyond loss of income, protracted unemployment is associated with loss of skills and discouraged worker effects, self-blame and depression, physical and mental health deterioration, marginalization, and heightened incidence of violence. In that, a JG contributes to redressing the perilous condition of the unemployed, especially for those who are in long-term unemployment status. In times of economic hardship, if implemented at a sufficiently large scale to truly match the challenge of unemployment, a JG also functions as a “rapid response,” or a purposeful and targeted expansionary fiscal policy. Its efficacy was shown by the empirical study we presented on Greece. By expanding JG employment when unemployment swells and contracting when the need dissipates, a JG policy can serve as an automatic stabilizer.

Respecting subsidiarity and social rights, there are key principles of JG initiatives that ought to be observed: voluntary participation of the unemployed, non-replacement of existing public sector jobs, full adherence to legal labor standards, public funding, effective implementation carried out by municipal and local governments (or in some cases by non-profits and social economy entities as well), multi-level stakeholder participation for project selection, and provisioning of training and upskilling in the framework of life-long learning. Current and past experiences of JG initiatives within the EU context offer many lessons learned and provide ample opportunity for collaboration and peer learning.

A final word on financing a JG: the SURE instrument, the NextGenerationEU, and the Recovery and Resilience Facility have recently shown that the power of political will and decision making can deliver solutions that benefit working people, businesses, and the overall economy at the same time. It is more urgent than ever to act in solidarity for the common purpose of reducing and eventually eliminating long-term unemployment. Gradual implementation of such a policy is certain to deliver a strong and clear message that a Social Europe is possible.

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