European Employment Policies: Approaches And Possible Solutions

Full employment is regarded by most as an unattainable feat. And, this belief results in people who are committed to solving unemployment problems giving less attention to solutions (Jones, 1992). The fundamental rule to solve unemployment is setting the minimum wages in line with labor productivity growth and the increase in producer prices (Siebert, 1999). However, in cases of high levels of unemployment, increase in minimum wages should be set below the productivity growth rate. This is because a balance in these factors will stabilize unemployment but promote unemployment by not creating jobs. A good practice is to use this principle until a suitable lower rate of unemployment is achieved. Employment is created by increasing labor productivity as this induces a raise of wages or more employment. However, it should be anticipated that by adding the unemployed into the system the average labor productivity will lower.

Jobs that are already available or newly created must be suitable, meaningful and pay reasonably. If pay (minimum wage) is set too low to create abundant job opportunities, there is risk that the high unemployment rate will be replaced by working poverty. Society has since transformed into a paid employment ethic from work ethic as a consequence of the industrial revolution. The paid employment approach determines the rights and social status. Hence, the idea of paid employment motivates people to find jobs. As a result, social services or unemployment benefit systems find it easier to identify the worthiness of the benefit recipient based on the capacity to work. However, the generosity of the unemployment benefit system should not exceed the minimum wage so that workers have an incentive to find and continue to work (Tomlinson, 2001).

Making reforms to the institutional and structural setup of labor relations is another key solution to decreasing unemployment levels. Wage formation should be moved closer to the market process and greater differentiation should be allowed. The rules and system brought about by the institutions have an impact on the supply and demand of labor and wage formation. Trade unions and employers' association do not have enough power to change the system effectively. Hence, it is advantageous to bring about changes in the legal rules in favor of the unemployed (Siebert, 1999). The institutional system of Europe caters to bring about balance to the European economy but in expense of high unemployment rates. Therefore, it is necessary to analyze the effect of the change in the long run because a change implemented now will have long lasting effects in the future.

Continuing the explanation of the labor productivity principle above, there are three reasons for wage differentiation (Siebert, 1999). Firstly, labor productivity is not a uniform figure. It is different across people and industries. Therefore, there is a need to vary wages according to region, industry and qualification. Secondly, as the number of qualified work force increases, the demand and the industry move towards the disadvantage of the lower qualified i.e. job opportunities for the lower qualified work forces becomes rare. Thirdly, structural changes make worker skill redundant. For example, the effects of technological unemployment. However, wage differentiation is viewed to be politically unacceptable and a general work around would be to increase the qualification of the workforce, but this doesn't increase labor productivity and takes

a fair amount of time. Rather than wage differentiation systems, a lot are proposing wage subsidies. For example, subsidy to employers for employing an unemployed worker, subsidy payments to worker for working low-paying jobs, etc.

Another alternative solution or aspect of motivating workers to find employment is showing that all work has a purpose and contributes to the wellbeing of society. Some categories of jobs may be viewed upon by others as stressful, dangerous, dirty, dishonorable, low-class, etc. This lowers the self-esteem of workers looking for jobs in this sector or workers already indulged in this sector. The solution to this problem would be to improve the quality of the work environment and the job description and responsibilities itself (Jones, 1992).

As a result of various surveys, three factors determine the need to work. The first factor is to earn money, but only until the monetary needs are met. After satisfying their monetary need workers tend to indulge in leisure activities. So, the introduction of income maintenance schemes will decrease the number of people who have to work. Secondly, people who like working and find satisfaction by spending time by contributing or being productive. And finally, people who are expected to work. According to research, men feel the pressure from society to work in a job that gives defines their identity. Due to this reason, they are put in a difficult physical and mental state when there is scarcity of employment opportunities (Jones, 1992).

The optimization of social welfare, income maintenance and assistance services, and health insurance scheme will lower the unemployment rate of an economy. It reduces the tension between contributors and non-contributors of an economy. Also, with support from the national services, the entrance of youths into the labor market can be delayed, which in turn reduces the unemployment rate. The social services operates on tax on labor, high tax equals less job creation. Furthermore, the social system should classify the risks into large and small. (Siebert, 1999). For example, in the case of loss of employment, the worker can be expected to pay for himself for the first few days using his own savings, this would be a small risk. Classification and differentiation of these kinds of risks give less stress on the overall costs of the social system.

Additionally, controlling the amount of benefit received by an unemployed worker can be a solution to encourage the incentives of finding work. Furthermore, an additional step would be to offer a job to the unemployed and in case they reject, their benefits be cut down. An example would be from developing countries that offer very little in terms of unemployment support and benefit, people there are forced to find jobs in order to survive. Similarly, the duration of unemployment benefits also determines the willingness to work. Countries like the US and UK have shortened the duration of benefits to only six months, whereas France and Germany have coverage for around 32 months and some services indefinitely. Shortening the duration relieves stress on the social system, labor tax can be lowered, and workers are motivated to find employment.

Some European nations have proposed to shift the employment policy to the EU level rather than solving it in the national level (Siebert, 1999). Being a part of the European Union would allow countries to stop their internal efforts in reducing unemployment but rather shift the burden to nations that are doing well. This has a potential to escalate the problem and risk the functionality of the EU.

Technological advancement is eliminating a lot of jobs in industrialized areas because of efficiency gains, overall cost savings and industries find it easier to deal with machines rather

than human workers (Struble, 1993). Introduction of automation tax may delay the change to full automation to some extent but the high rate of progress and gain through efficiency and quality increase by automation is still a significant risk to rely just on taxes.

Finally, the role of development banks is critical for overall development of the economic condition of Europe. The fall in investment as a result of the financial crisis has slowed down the economic development and high unemployment rate is a part of its effect. Development banks fund large and innovative programs through investments, where private investors are reluctant to participate (Cozzi & Griffith-Jones, 2015). Such investment creates employment opportunities in a large scale and hence should be of high priority to European policy makers.