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Is youth unemployment a serious problem?

About the European Union Youth Guarantee

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Just under 5 million young people (under 25) were unemployed in the EU-28 area in August 2014, of whom over 3.3 million in the euro area.

This represents an unemployment rate of 21.6% in the EU (23.3% in the euro area). More than one in five young Europeans on the labour market cannot find a job; in Greece and Spain it is one in two. This means that around 10% of the under 25 age group in Europe are unemployed.

7.5 million young Europeans between 15 and 24 are not employed, not in education and not in training (NEETs). In the last four years, the overall employment rates for young people fell three times as much as for adults.

The gap between the countries with the highest and the lowest jobless rates for young people is extremely high. There is a gap of nearly 50 percentage points between the Member State with the lowest rate of youth unemployment (Germany at 7.6% in August 2014) and with the Member State with the highest rate, Spain (53.7% in August 2014). Spain is followed by Greece (51.5% in June 2014), Italy (44.2%), Croatia (43.9%), Portugal (35.6%) and Cyprus (37.1%).

The Youth Guarantee is a new approach to tackling youth unemployment in the European Union which ensures that all young people under 25 – whether registered with employment services or not – get a good-quality, concrete offer within 4 months of them leaving formal education or becoming unemployed.

The good-quality offer should be for a job, apprenticeship, traineeship, or continued education and be adapted to each individual need and situation.

The EU will top-up national spending on these schemes through the European Social Fund and the €6bn Youth Employment Initiative.

Source: European Commission Press Centre - Brussels, 16 September 2014.

Photos: Amber Frog Telemarketing - The European Union.

Youth unemployment and NEETs indicators are part of the new Scoreboard of key employment and social indicators which identifies the major employment and social imbalances within the EU. The first such Scoreboard was published as part of the Joint Employment Report 2014, jointly adopted by the Commission and the EU's Council of Ministers. It is composed of five key indicators and forms the basis of the Commission's proposals for reforms needed to support job creation, strengthen the resilience of labour markets and address poverty and social inclusion (Country-Specific Recommendations).

Is it a structural reform?

For most Member States implementation of the Youth Guarantee requires in-depth structural reforms of training, job-search and education systems to drastically improve school-to-work transitions and the employability of young people that cannot be delivered from one day to the next.

In some Member States, the functioning of Public Employment Services (PES) must be reformed to ensure individual young people receive appropriate personalised advice on job, education and training opportunities most relevant to their own situation, resulting in a tailor-made, concrete offer within four months. The Decision to help Public Employment Services to maximise their effectiveness through closer cooperation, proposed by the Commission in June 2013 and adopted in May 2014, can play a useful role here.

Another area requiring structural reforms concerns improving the quality and quantity apprenticeships, vocational education and training opportunities. Member States must ensure that they give young people the skills that employers are looking for. Most of the Member States should also develop mechanisms to identify and activate those furthest away from the labour market (the NEETs). In order to reach inactive young people who are not registered with the Public Employment Service, Member States should establish new tools and strategies with all actors that have access to these unregistered young people (e.g. social services, education providers, youth associations.).

Precisely because the Youth Guarantee is a structural reform, the Commission proposed specific recommendations on implementation of the Youth Guarantee to 8 countries (Spain, Italy, Slovakia, Croatia, Portugal, Poland, Bulgaria and Ireland) in 2014. Full details of the Commission's review of all Member States' implementation of the Youth Guarantee as part of the European Semester are available at the Commission website.

These steps include active labour market policies, reinforcement of Public Employment Services, support for training and apprenticeship schemes, combating early school leaving and setting up outreach strategies, all of which can contribute to the delivery of the Youth Guarantee.

What is the Youth Guarantee?

Under the Youth Guarantee Member States should ensure that, within four months of leaving school or losing a job, young people under 25 can either find a good-quality job suited to their education, skills and experience or acquire the education, skills and experience required to find a job in the future through an apprenticeship, a traineeship or continued education.

The Youth Guarantee is both a structural reform to drastically improve school-to-work transitions and a measure to immediately support jobs for young people.

The Youth Guarantee is based on successful experience in Austria and Finland that show that investing in school to work transitions for young people pays off. The Finnish youth guarantee resulted in a reduction in unemployment amongst young people, with 83.5% successfully allocated a job, traineeship, apprenticeship or further education within three months of registering.

The Youth Guarantee Recommendation was formally adopted by the EU's Council of Ministers on 22 April 2013 on the basis of a proposal made by the Commission in December 2012 and was endorsed by the June 2013 European Council.

The Youth Guarantee is considered by the G20 as being a new major reform for youth employment. The meeting of G20 Labour Ministers in Melbourne on 10-11 September decided that more should be done in implementing the G20 strategies notably the youth guarantees and committed to take concrete actions to place young people in education, training and jobs.

The Recommendations also urged Member States to look at ways to tackle the segmentation of labour markets where young people are much more vulnerable.

Should it be considered as an investment?

The Youth Guarantee does have a fiscal cost for Member States (the International Labour Organisation has estimated the cost of setting up Youth Guarantees in the Eurozone at €21 billion per year). However, the costs of not acting are far higher. The European Foundation for Living and Working Conditions (Eurofound) has estimated the economic loss in the EU of having millions of young people out of work or education or training at over €150 billion in 2011 (1.2% of EU GDP), in terms of benefits paid out and lost output.
This is in addition to the long-term costs of unemployment to the economy, to society and to the individuals concerned, such as increased risk of future

The EU leaders at the European Council meeting on 27-28 June 2013 in Brussels endorsed a comprehensive plan to combat youth unemployment.

unemployment and poverty. The cost of doing nothing is therefore very high: the Youth Guarantee scheme is an investment. For the Commission, this is crucial expenditure for the EU to preserve its future growth potential. Significant EU financial support can help — most notably from the European Social Fund and in the context of the Youth Employment Initiative. But to make the Youth Guarantee a reality, Member States also need to prioritise youth employment measures in their national budgets.

Is it directly supporting job creation in the short term?

In addition to supply-side measures such as activation through job search guidance or training courses, the Youth Guarantee encourages the use of a wide range of proactive measures helping to boost demand for young people's labour. These measures, such as temporary and well-targeted wage or recruitment subsidies or apprenticeship and traineeship grants, may often be necessary in order to successfully integrate young people into the labour market. They should be therefore viewed as social investment which enables young people to put their skills to productive use and to further develop them, as opposed to the skills deterioration and de-motivation which results from protracted unemployment and inactivity.

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Making good use of demand-side measures is very important if we want to make a real impact in terms of reducing today's high levels of youth unemployment and economic inactivity.

Would it not it be better to directly support enterprises?

One of the reasons companies cannot employ more youngsters is that young people lack the skills and experience relevant to companies' requirements. Another reason is that even if young people do have the relevant skills and experience sought by employers, Public Employment Services in many Member States are not effective at matching them with companies looking for people with such skills and experience. Supporting companies to create jobs for young people is of course very important and many initiatives have been put in place by the Commission (such as the COSME programme and business development support from the European Structural and Investment Funds), the European Investment Bank Group as well as the European Central Bank. However, investment support for companies is unlikely to be sufficient to improve youth employment, unless a stronger economic recovery takes hold and unless we also put in place recruitment subsidies for young people and structural reforms to improve training, education and job-search systems, as foreseen by the Youth Guarantee.

Can it deliver more jobs if economic growth is slow?

The Youth Guarantee can help to make an economic recovery job-rich and it makes a systemic difference in improving school-to-work transitions. However, in the absence of overall economic growth, it would be impossible for any employment reform to solve the unemployment crisis. In other words, the Youth Guarantee is no substitute for macroeconomic instruments.

Youth unemployment is more sensitive to the economic cycle than overall unemployment as young people are less experienced, more easily laid off and they are also more concentrated in economic sectors more exposed to economic downturns, such as manufacturing, construction, retail or the hospitality sector. Evidence from the past 15-20 years shows that the overall unemployment rate in the EU can only be expected to fall if annual GDP grows by more than 1.5 per cent on average. Reduction in the youth unemployment rate normally requires even slightly higher GDP growth rates.

On the contrary, if economic growth remains below 1.5% per year, youth unemployment rates tend to rise faster than overall the unemployment rate. According to the International Monetary Fund (IMF), cyclical factors explain about 50 per cent of the changes in youth unemployment rates across Europe and 70 per cent in stressed euro area countries.

However, the levels of youth unemployment are also influenced by structural characteristics of labour markets, such as hiring costs or investment in active labour market policies, as well as by the quality of education and training systems. This is where a comprehensive Youth Guarantee can make a big difference, ultimately leading to a decrease in the wide gap between youth unemployment and overall unemployment rates.

Have Member States already started to implement it?

Yes. Implementation of the Youth Guarantee is well on track and is already bringing results. Compared to other structural reforms in Europe, the Youth Guarantee is probably the most rapidly implemented.

All Member States have submitted comprehensive Youth Guarantee Implementation Plans, in compliance with the deadlines offset by the European Council. The plans submitted identify precisely, in each Member States, the measures to be taken to implement the Youth Guarantee. They outline the timeframe for youth employment reforms and measures, the respective roles of public authorities and other organisations, and how it will be financed and co-financed by the European Social Fund and the Youth Employment Initiative.

"The most important source of EU money to support implementation of the Youth Guarantee and other measures to tackle youth unemployment is the European Social Fund."

These Implementation Plans have been assessed by the Commission within the context of the European Semester – the EU's reinforced economic surveillance framework.

Are there any good examples of results?

In Belgium, the Region of Brussels is implementing a comprehensive Youth Guarantee strategy under the leading role of the Minister President of the Brussels Region and the Public Employment Service (ACTIRIS). According to ACTIRIS, the number of young people (under 25) looking for work in Brussels in August dropped as a result of the Youth Guarantee strategy.

Spain has taken further steps for the implementation of the National Youth Guarantee System based on Royal Decree-Law 8/2014 of 4 July. This Decree-Law regulates the registration procedure for the Youth Guarantee and fixes the eligibility criteria for the beneficiaries. Furthermore, additional non-wage recruitment subsidies for indefinite and training contracts specifically addressed to those registered in the Youth Guarantee were adopted. And as of 5 August 2014, young people registered in the national Youth Guarantee system can use four online training courses free of charge. The Spanish Public Employment Service also launched a call for proposals with a total budget of almost €42 million for professional training activities and training in ICT and language courses to be developed at central level for young people registered in the Youth Guarantee system.

18 small scale pilot projects for the Youth Guarantee were launched between August and December 2013 with the support of the European Commission and are each running for around 12 months. They are currently being implemented in seven countries (Ireland, Italy, Lithuania, Poland, Romania, Spain and the United Kingdom). One of the pilot projects — the project in Ballymun, Ireland — supports approx. 1000 young people and is testing the effectiveness of a new local partnership approach, which will feed into the review of the Irish national Youth Guarantee scheme.

How does the European Social Fund support implementation of the Youth Guarantee?

By far the most important source of EU money to support implementation of the Youth Guarantee and other measures to tackle youth unemployment is the European Social Fund (ESF) which provides more than €10 billion every year in the 2014-2020 period. Implementation of the Youth Guarantee is identified as a high priority in the Partnership Agreements adopted so far with 17 Member States on using European Structural and Investment Funds in the 2014-20 period (Denmark, Germany, Poland, Greece, Slovakia, Cyprus, Latvia, Estonia, Lithuania, Portugal, Romania, Bulgaria, France, The Netherlands, Czech Republic, Hungary and Finland). The other Member States' Partnership Agreements are under consideration by the Commission.