

Informal meeting of Ministers of Employment, Social Affairs and Gender Equality

16-17 July 2015

**European Convention Center
Luxembourg**

**Working lunch:
Youth employment and job creation:
“Youth Guarantee and beyond”**

Background note



Youth employment and job creation: “Youth Guarantee and beyond”

In April 2013, the Council adopted the Recommendation on establishing a Youth Guarantee. Since then, EU Member States have made substantial efforts to implement their country specific plans, bringing about important structural reforms and setting up new employment strategies specifically for the Young. EU financial support is provided through the Youth Employment Initiative (YEI) and the European Social Fund (ESF). In May 2015, pre-financing payments worth close to EUR 900m have been made by the Commission for the 33 adopted ESF Operational Programmes containing Youth Employment Initiative funding. All of these efforts have without a doubt contributed to the recent drop in youth unemployment in the EU28.

Notwithstanding these positive results, Europe is still in a critical situation. Almost 5 million young people in the 15-24 age group are currently unemployed in the EU. Some countries have youth unemployment rates as high as 50%. *About 7 million people in the 15-24 age group are neither in employment nor in education nor in training (NEETs).* This represents about 12% of all the young. Combined with the fact that long-term unemployment of the young is still extremely high and the fact that the young are over-represented in precarious working conditions (42% of young people are on temporary contracts), these figures on youth unemployment in general and the NEETs more specifically are clear evidence that *we are still far from having solved the youth unemployment problem in Europe.*

One of the biggest challenges we face is our difficulty to reach out to all the young. According to a Eurobarometer survey in 2014, *almost eight in ten young people had not heard of the Youth Guarantee.* Some of them are so far away from the labour market that ordinary information channels do not reach them. We need to avoid such social exclusion. Many of the NEETs have to be offered a longer term integration process. It takes time to reach out to them, to stabilize their social and employment situation, to give them valuable orientation to possible opportunities. These quality offers are currently not among the four offers measured in the Youth Guarantee framework. Yet they are of utmost importance for the NEETs. The current implementation indicators need to be augmented by social indicators that measure these offers. The Youth Guarantee is to be further developed and policies have to go beyond.

We have to find ways to bring about an *inclusive growth that allows all Young to be guided towards quality jobs.* We should continue to encourage further structural adjustments through the Youth Guarantee initiative. But now priority should also be given to bold actions on the two following complementary agendas that are also crucial for Europe’s competitiveness.

First, we need to invest in people. We need to make sure that the young can acquire new *skills* and key *competences*. In an ever changing knowledge economy, skills need to be updated at a faster rate and at shorter intervals. The digital revolution requires new competences. There is a risk of mismatch between supply and demand of skills. A skills agenda must address the growing divide between the educational “haves” and the “have nots”. This is true across all sectors and

concerns primarily technical skills, but it also applies to practical skills. Without on-the-job work experience, many of our young people will not be competitive. Investing in skills therefore goes hand in hand with continuing our efforts in the vocational education and training programmes.

In a recent meeting in Riga, the European Commission has reiterated its commitment to strengthening the supply, quality and image of apprenticeships. In the context of the European Alliance for Apprenticeship new companies have committed to offering 140 000 apprenticeships and training opportunities to young people. This is the right way forward. But we should make sure that these initiatives go beyond the national borders. We need to *encourage a fair mobility in Europe*. Erasmus has been very successful in this respect for those aiming for a higher degree. This approach now needs to be extended to vocational education and training. Some initial steps have already been taken with a sub-section of the Erasmus+ programme. Promising results have also been obtained in Germany's « MobiPro EU » programme. Mobility works already. We now need to strengthen these initiatives. Concepts like the *Erasmus Pro* that has been developed by the Jacques Delors Institute¹ show how we could allow a million young Europeans to obtain a professional qualification in another European country by 2020. This would be beneficiary to the Young as well as to the economies of their countries of origin. *All actors need to be involved: governments, schools, firms and social partners*. Furthermore, the reform of the EURES network will also help to improve the flow of information on available offers.

Second, we need to invest in jobs for young people. Without new jobs, all investment in skills is lost. We are today at an important moment in time. The economy is slowly recovering; a window of opportunity has opened. Hopes are starting to re-emerge and economic recovery though still relatively fragile is gaining ground. We need to strengthen this positive juncture. Europe has to focus on growth, investment and innovation, especially in those Member States still confronted with particularly high unemployment and economic difficulties. There, *direct job creation may also be a way to reduce unemployment*. The time has come for accelerating our policies in favour of jobs. We need to find instruments that allow existing firms, and particularly SMEs, to take the leap of faith and invest in new activities, thereby creating new jobs.

The *“Investment Programme” proposed by the European Commission represents a first step in this direction*, if the criterion of job creation is duly taken into account. We also need to set up instruments allowing young people to set up their own businesses. Entrepreneurship and social entrepreneurship should not be underestimated as a partial solution to our problem. However, this solution can only be encouraged if we set up the structural framework that gives the young the financial basis to launch their own business. Yes, it is true, this often comes at a high risk of failure. However, at this point in time, *the cost of unemployment largely outweighs the cost of creating new opportunities*. A broader provision of microfinance could also be a way forward. A special emphasis should be given to green technologies and green jobs. Young entrepreneurs should not only benefit from start-up funding but also from mentoring.

¹ See paper *Erasmus Pro: For a million “Young European apprentices” by 2020*, Jacques Delors Institute, May 2015

Investing in skills and investing in jobs are not separate agendas, as shows a very promising programme that was launched in 2013 by the European Investment Bank (EIB). Under the title of: “Skills and Jobs – Investing for Youth: financing the future of Europe’s young generations”², the EIB provides investments which actively promote youth employment measures. Under the “Skills” pillar of the programme, the EIB finances youth-oriented education and training measures, whereas under the “Jobs” pillar, small and medium-sized companies could receive financing for all types of investment, including working capital, provided that they employ, train and recruit young people. Through this project the EIB tries to address one of the principle constraints for youth employment: the lack of access to finance that allows companies, in particular SMEs, to invest, and thus to employ, retain and train young workers. Far exceeding initial commitments of EUR 6 billion per year, the EIB signed EUR 13 billion for the programme in 2014, EUR 10 billion for the Jobs pillar and EUR 3 billion for skills. Whereas the programme was initially limited to countries above the 25% youth unemployment rate threshold, it has now been opened up to all other Member States, thus supporting new recruitment opportunities in SMEs all over Europe.

The macroeconomic conditions are set for a revival of our economies. Policies now need to be set to encourage this dynamic. Investing in people through a broad social investment agenda and investing in new jobs have to go hand in hand and should be key ingredients of a revised initiative for youth employment.

Questions for discussion:

We need to make sure that young people have the right skills for quality jobs. What new ways forward to improve the access of the Young to the labour market?

How can we set up new instruments at the EU level, strengthening national and local initiatives, for quality job creation leading to inclusive growth?

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² http://www.eib.org/projects/priorities/skills_and_jobs/index.htm