

*Tackling youth unemployment  
What can EU and national-regional level do  
together?*

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*EESC European Economic and Social Committee,  
rue Belliard 99, 1040 Brussels*

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*“Youth employment and labour market: European  
skills, competences and occupation”*



**Fondazione  
Giacomo Brodolini**

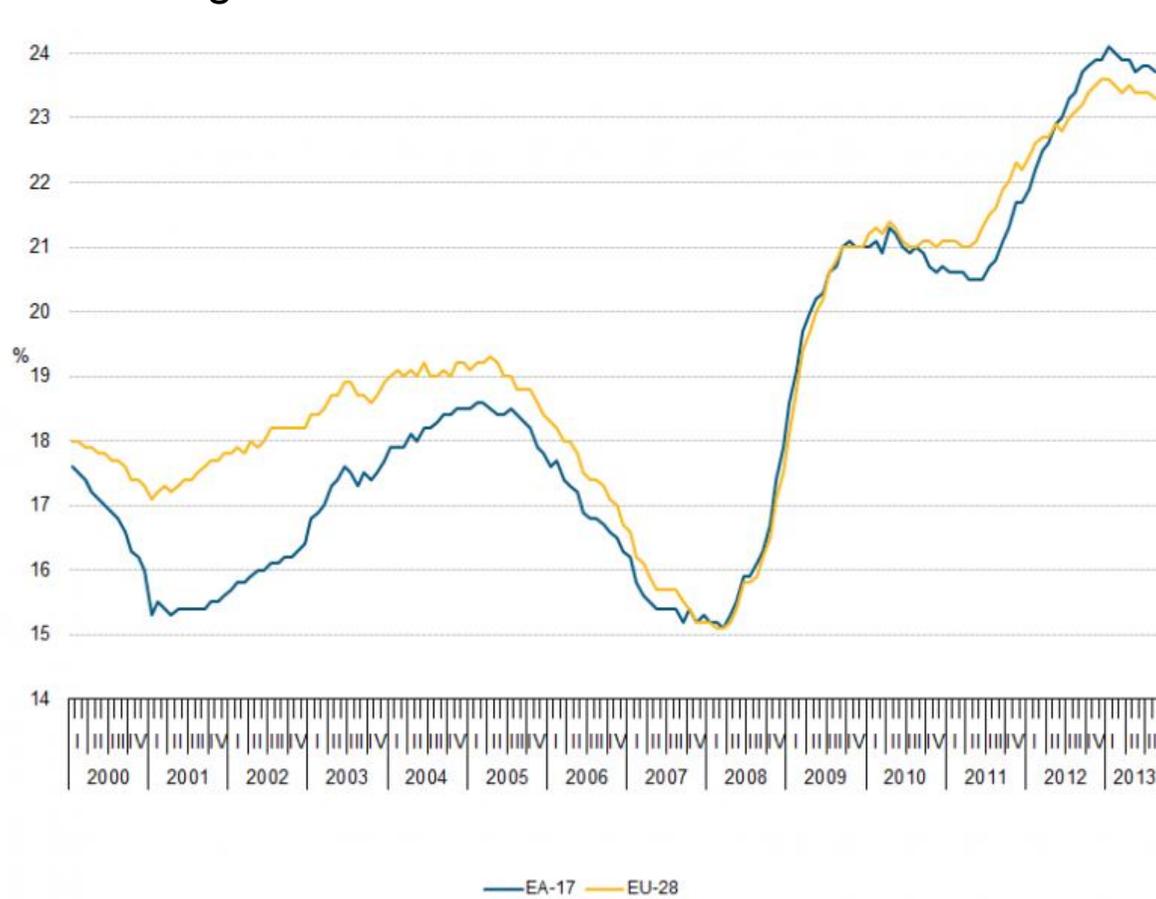
# Introduction

## **Current youth employment situation in Europe**

- In August 2013, 5.5 million young people unemployed in the EU-28: unemployment rate 23.3%
- Youth unemployment on the rise in most European countries, with very few exceptions (but youth unemployment varies considerably between Member states).
- Effects of financial crisis on youth more pronounced in certain MSs : Since 2008, the overall employment rates for young people have fallen three times as much as for adults.
- NEET rate increasing: 7.5 million young people (aged 15-24) are not employed, not in education and not in training

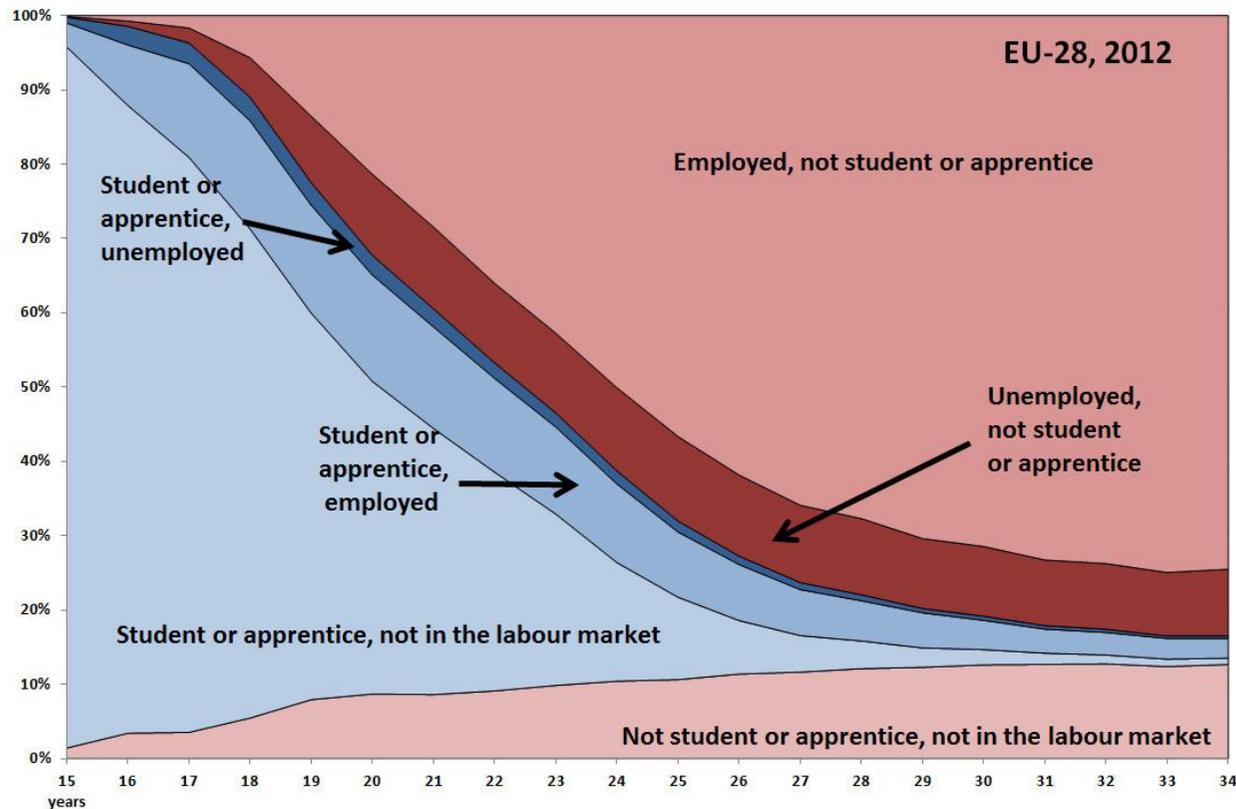
# Youth Unemployment

Figure 1: Youth unemployment rates, EU-28 and EA-17, seasonally adjusted, January 2000 - August 2013



# Youth population, EU-28, 2012

Figure 2: Structure of youth population by education and labour market status, EU-28, 2012



Source: Eurostat 2012

## Key Challenges (when entering, re-entering, participating in labour mkt)

- Early school leaving (younger workers under-qualified: limited job prospects and labour mkt participation)
- School to work transition: demand for low-skilled jobs falling; EC estimates that 16 million more jobs will require high-level qualifications by 2020; young people unemployed immediately after finishing education are more likely to be unemployed later in life (Hellmak 2011; Eurofound 2012).

# Key Challenges

- Skills mismatch negatively affects competitiveness, growth and employment, undermines social inclusion. Increasing in Europe: decrease in the demand for low skilled jobs; increasing amount of over-qualified people in jobs. Young people encounter difficulties in getting a first (full-time) job, after completing education and/or training, to match their qualifications and expectations.
- Fragmented guidance services to assist young people (in schools, colleges, VET system, and PES) exacerbate problems regarding young peoples' difficulties in the school to work transition as well as the increasing skills mismatch.

# Increasing importance of **skills** and **competences**

*‘Skills development is essential for increasing the productivity and sustainability of enterprises and improving working conditions and the employability of workers’ (ILO 2013)*

Skills and competences increase the employability and adaptability of work force. For young people, developed skills improve chances of smooth transition from education to (long term) employment

# EU approach

## Europe 2020 targets

- Employment: 75% of the 20-64 year-olds to be employed
- Education: reducing the rates of early school leaving below 10%; at least 40% of 30-34 year olds completing third level education

## How?

- Within Europe 2020 strategy: measures to increase employability through increased skills and competences
- Matching skills to labour market needs: skill: forecasting; anticipation of labour market needs
- Increasing inclusion/mobility in EU labour market
- Boosting entrepreneurship

## Key initiatives to be discussed

- New Skills for New Jobs (launched in December 2008, as part of the European Economic Recovery Plan)
- Europe 2020 flagship initiatives
  - ✓ Agenda for New Skills and Jobs
  - ✓ Youth on the Move
- Youth Employment Package and Youth Employment Initiative
  - ✓ Focus on YG using the FGB-LM MKIII forecasting model

# New Skills for New Jobs (2008)

- Monitoring and analysis of labour market trends
- Consultation on the European Framework for key competences for lifelong learning: how can quality of traineeships be enhanced to smoothen transition from education to work?
- Development of ESCO: 22 European language classification of European Skills/Competences, qualifications and occupations: introduce a standard terminology; favour international transparency and cooperation
- University-Business forum: improve higher education; facilitate dialogue between businesses and education and training providers: exchange information on best practices; build closer working relationships

# Agenda for New Skills and Jobs (2010)

- EU 2020 Flagship Initiative. Policy pillars: flexicurity, skills, quality of work and job creation; relevant for integration of young people
- Labour Market reform to improve ‘flexicurity’ (open-ended contracts with longer probation periods, increased access to training and lifelong learning opportunities; career-guidance)
- EU Skills Panorama to forecast future labour market: Equipping people with the right skills for the jobs of today and tomorrow

# Agenda for New Skills and Jobs (2010)

- Develop a shared interface (European Skills, Competences and Occupations classification) to better integrate employment, education and training
- European Skills Passport to help citizens compile their skills portfolio in a transparent and comparable way
- Improve the quality of jobs and working conditions: review the Directive on Working time; ensure improved implementation of the Directive on the Posting of Workers; measures on health and safety at work
- Job creation: reduce administrative burdens; lower labour and mobility taxes; increase entrepreneurship (exchange best practises in education; Erasmus for Young Entrepreneurs programme)

# Youth on the Move (2010)

- Increase educational attainment and employability, reduce youth unemployment and increase employment rate
- Priorities: (1) get a first job and start a career; (2) support for youth at risk; (3) provide adequate social safety nets for young people; (4) support for young entrepreneurs and self-employed. Along with stakeholders, including social partners NGOs, PES
- Youth Opportunities Initiative: support unemployed young people by: facilitating return to school or enrolling in vocational training; help graduates to gain first work experience
- Your first EURES job: help 5,000 young people find a job in another EU country; promote EU distribution of skills

# Youth Employment Package (2012)

- Youth Guarantee
- Consultation on Quality Framework for Traineeships
- European Alliance for Apprenticeships
- Increasing EU mobility

# Youth Employment Initiative (2013)

- Reinforce Youth Employment Package
- Implementation of Youth Guarantee in MSs
- Focus on NEET
- Focus on regions with youth unemployment rate above 25%

# Youth Guarantee: a closer look

- YG as a targeted intervention: only in MS with youth unemployment  $> 25\%$  (Ireland, Italy, Latvia, Lithuania, Portugal, Slovakia and Spain) and for unemployed people of age 15-25
- Measures favour structural LM reforms (ALMPs, PES, training and apprenticeship schemes, labour mobility etc.)
- Limited amount of resources (less than 0.05% of GDP per year, or slightly above EUR 800 per young European)

# Youth Guarantee: Italy

- Allocated approx. 1.5 billion Euros; 1 in 2014 and 2015; ½ in 2016-2020
- Additional 0.8 billion Euros by the Italian government within the Employment Package Act.
- Expected to be directed to the reduction of the labour cost of newly hired workers

# FGB-LM MKIII forecasting model: Youth Guarantee in the simulation exercise

Two main lines (and assumptions):

1) Permanent reduction in the general hiring costs through structural LM reforms: amount equivalent to the YG funds spent

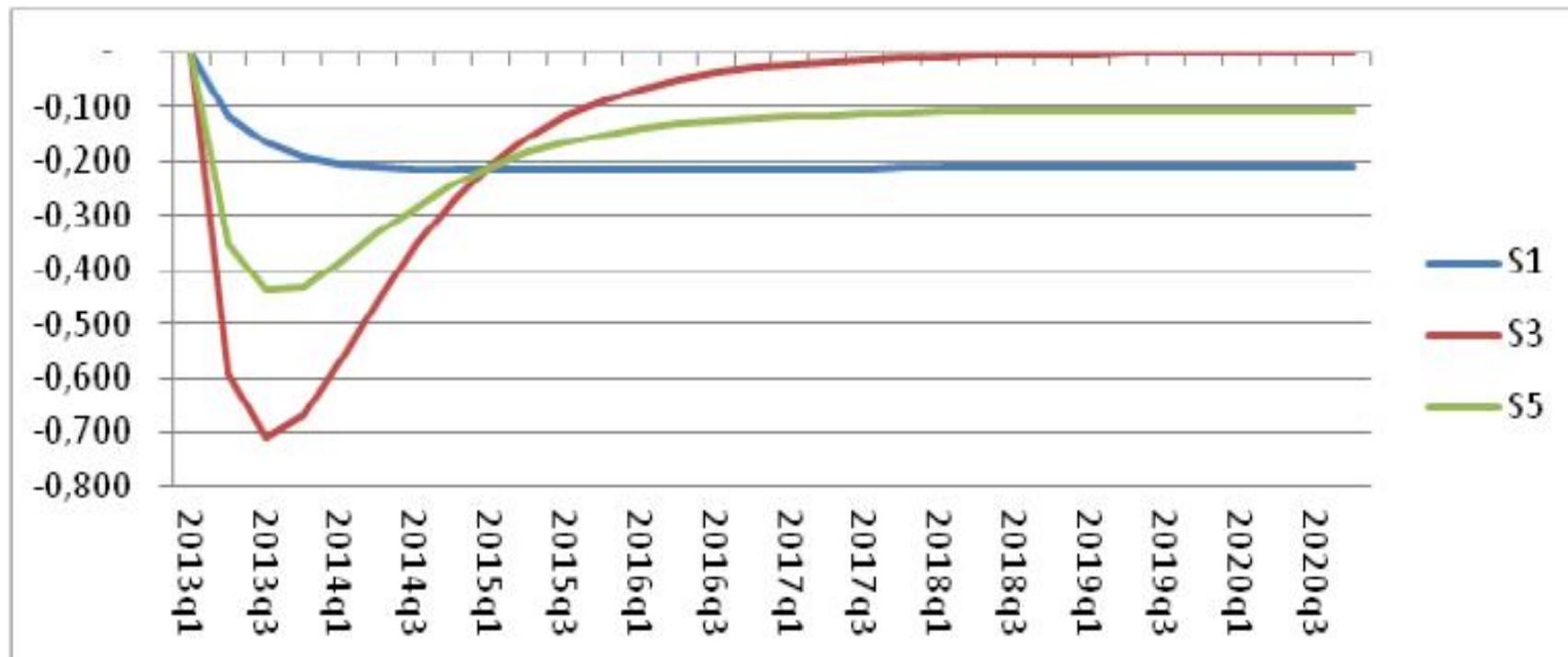
2) Persistent (four quarters) reduction of the labour cost of newly hired workers through transitory wage subsidies: amount consistent with the YG funds being spent in each period

# Scenarios

- S1: 100% of YG funds to reduction of hiring cost (hiring subsidy).
- S3: 100% of YG funds to new entrants' wage subsidisation.
- S5: 50% of YG funds to reduction of hiring cost, 50% of YG funds to new entrants' wage subsidisation.

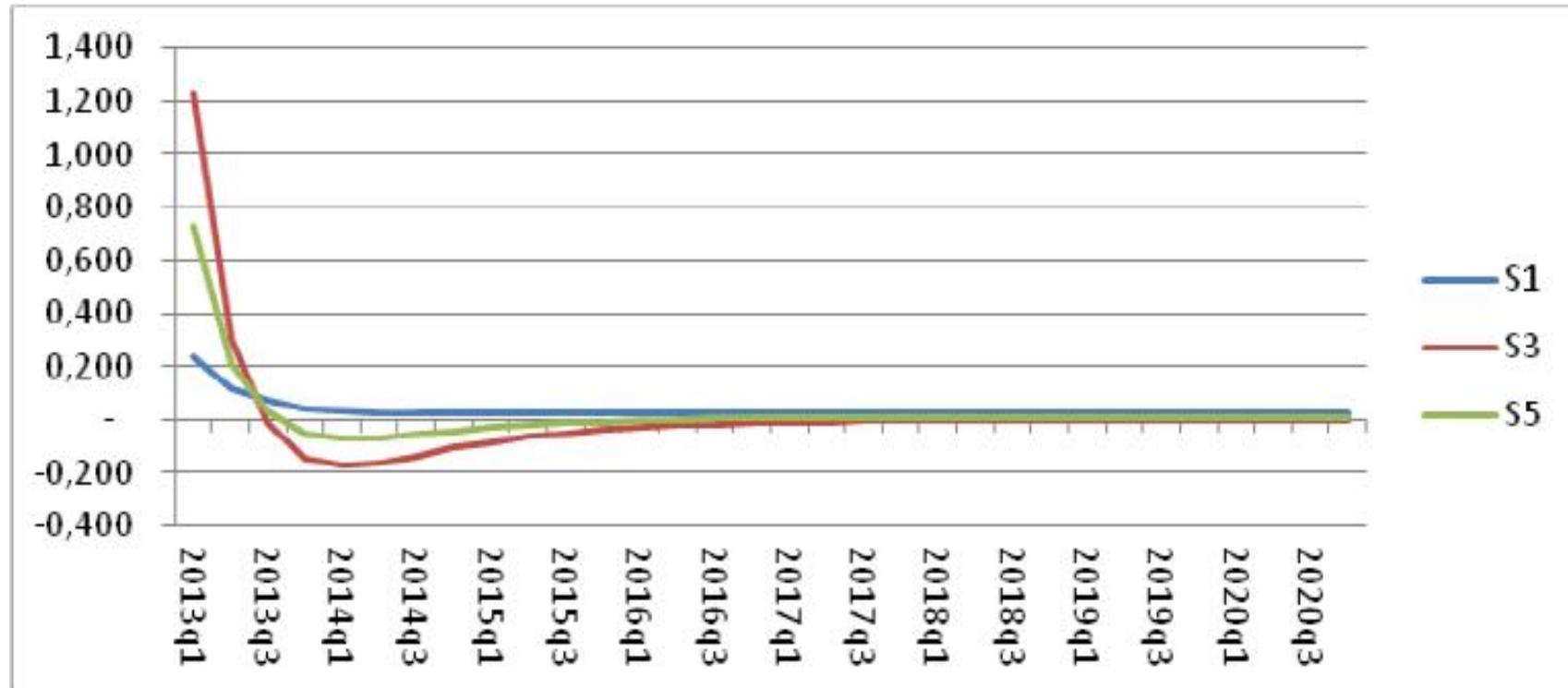
# Unemployment response

Figure 3: UR response to the policy scenarios. % deviations from control



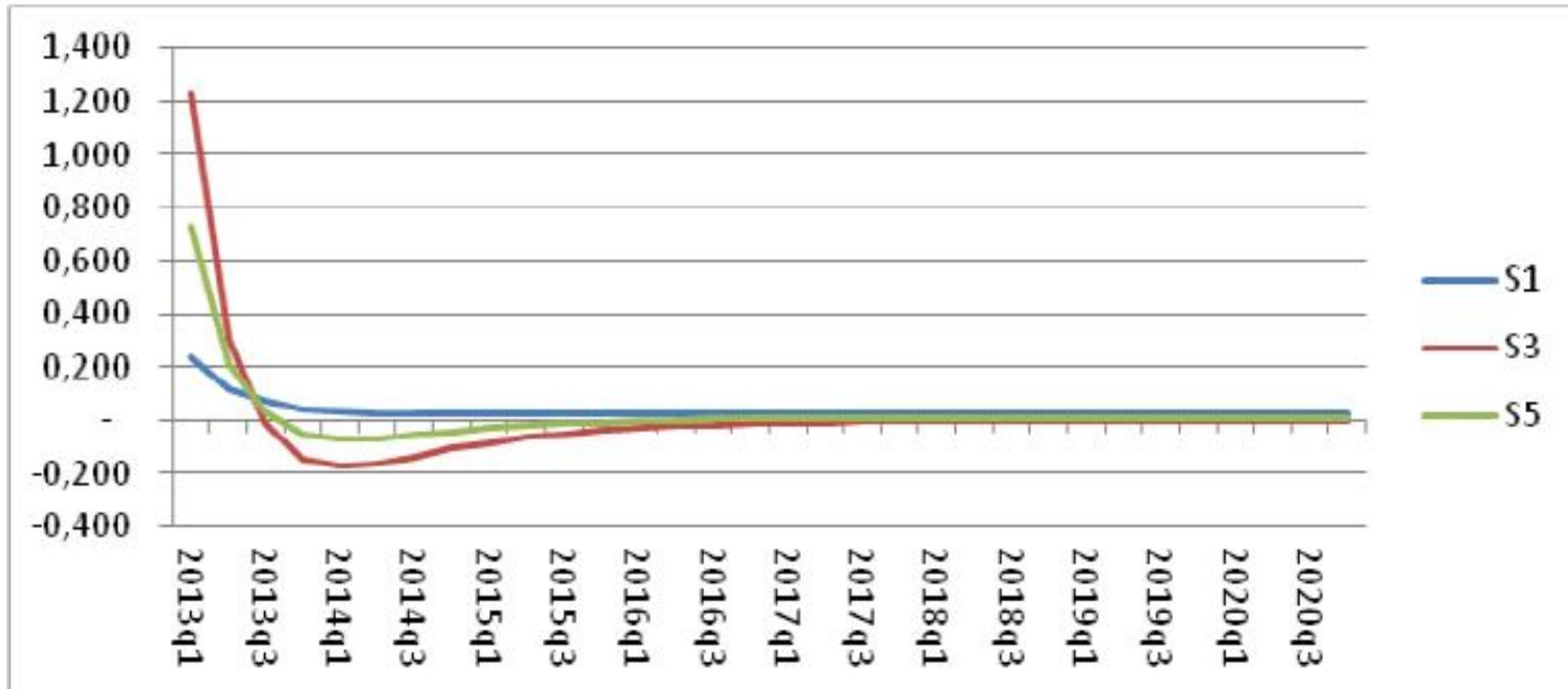
# Hiring rate response

Figure 4 : HR response to the policy scenarios. % deviations from control



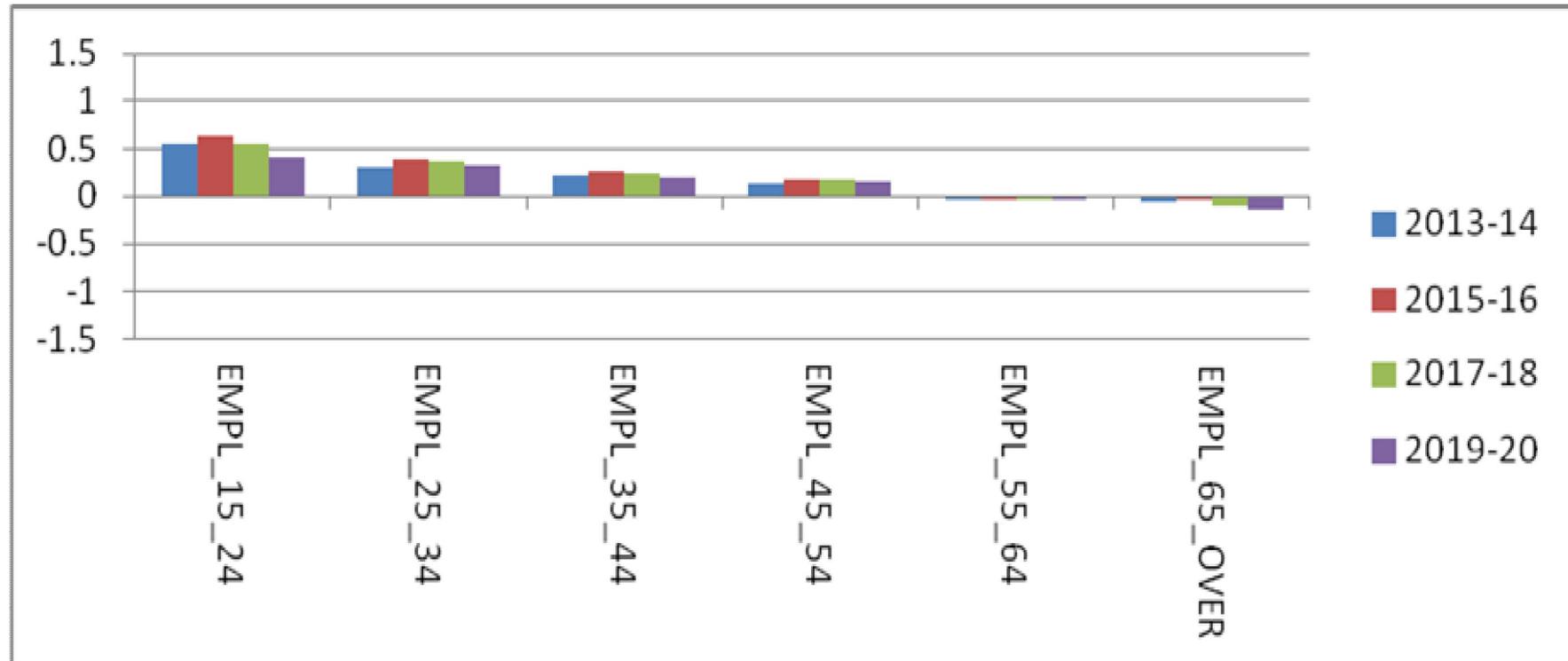
# Hiring rate response

Figure 4 : HR response to the policy scenarios. % deviations from control



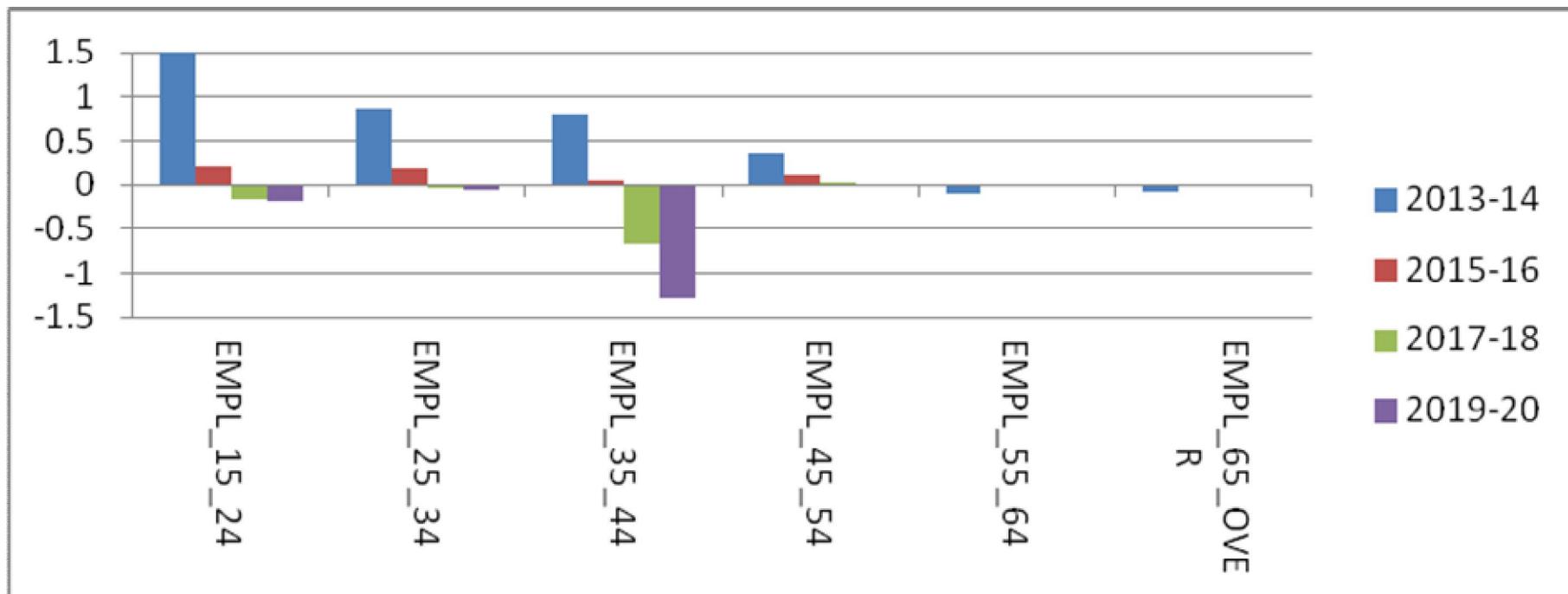
## Variation % employment, age brackets (with respect to benchmark)

*Youth Guarantee: Reduction hiring costs (100% funds)*



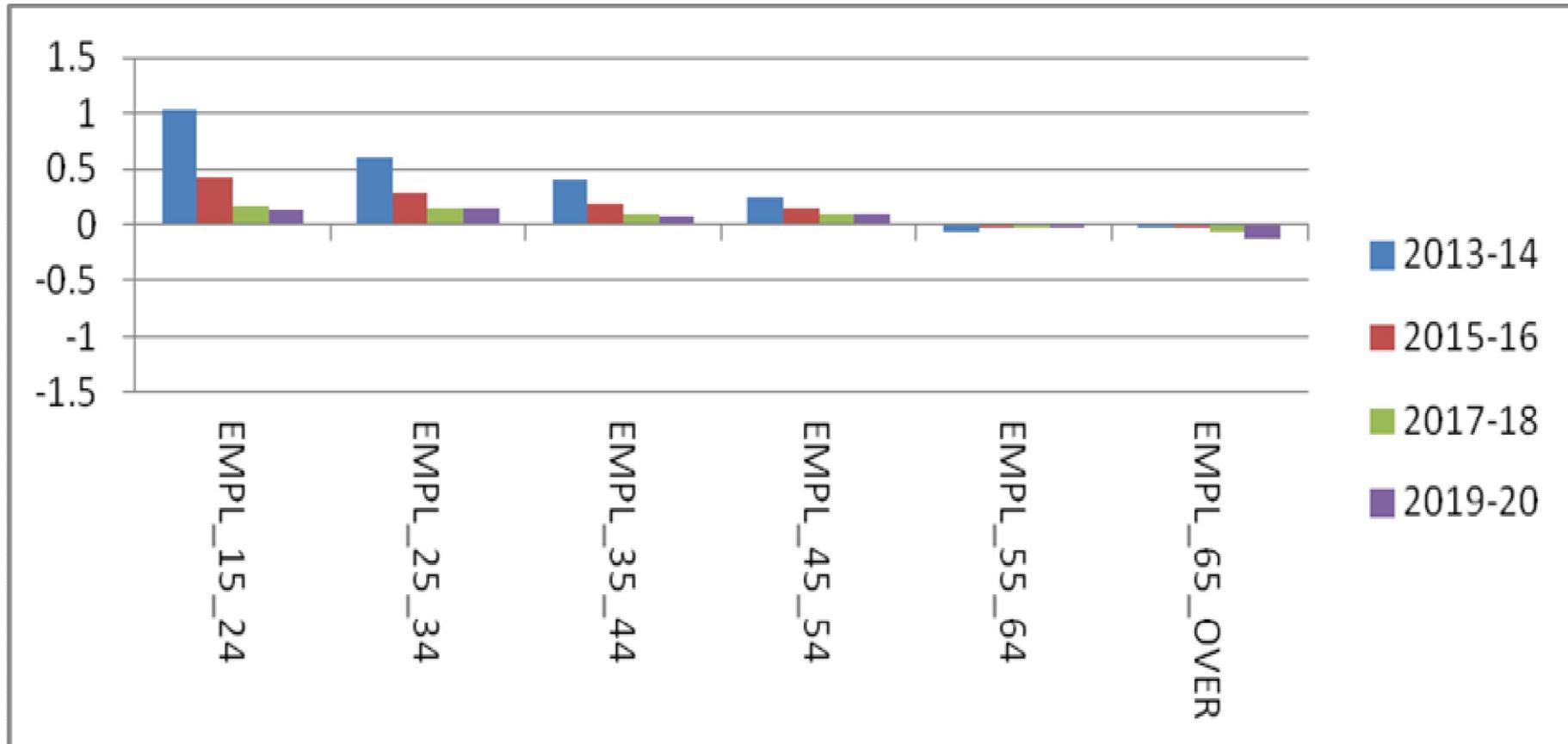
## Variation % employment, age brackets (with respect to benchmark)

*Youth Guarantee: Wage subsidies for new hiring (100% of funds)*



## Variation % employment, age brackets (with respect to benchmark)

*Youth Guarantee: Mix reduction (50% funds) subsidies (50% funds)*



# Recommendations

- Activation of younger workers important, but emphasis needed on job quality/security and social security
- High percentage of young people in precarious employment: more needs to be done
- Balance between short- and long-term goals: make sure that job creation does not hinder creation of stable jobs for young people
- Diversification of policies to take into account differing experiences of young people entering, re-entering, and participating in the labour market

# Thank you for your attention

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