

# Chapter 2

## Youth Labour Market Prospects and Recent Policy Developments

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### 2.1 Introduction

This chapter documents recent labour market and social trends in Europe and discusses some of the policy efforts implemented by countries in an effort to respond to the youth employment crisis. It begins by analysing the situation among youth in Europe in comparison to the rest of the world, noting that youth unemployment in Europe is among the highest in the world. The chapter then takes a closer look at the variation in a number of labour market and social indicators across European countries, with a particular focus on EU member states.

The chapter highlights that the youth labour market crisis has threatened to delay economic recovery and risks to put the European model of social well-being in danger. These risks in part explain the rather forceful policy response of EU member states, notably the introduction of the European Youth Guarantee (YG). The chapter then assesses the comprehensive package of measures of this programme aimed at addressing the challenges of youth employment. In particular, it looks at the range of measures proposed in terms of their scale and design in a cross-country comparative manner and points to areas where the effectiveness of interventions could be improved.

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## 2.2 Recent Labour Market and Social Trends Among Youth

Economic growth in Europe remains weak in comparison to other advanced economies for a number of reasons, including (1) the absence of fiscal stimulus, due to rather strict austerity conditions, (2) weak private consumption demand due to low employment and labour income growth and (3) subdued private investment, reinforcing the shortfall in aggregate demand, but also endangering future productivity and employment growth. Moreover, expectations about future gains in growth are being constrained by slowdowns in population growth, but also increased uncertainty surrounding the United Kingdom's decision to leave the European Union. The sustained slow growth continues to weigh on labour markets, with often disproportionate effects on youth.<sup>1</sup> Indeed, young people are especially vulnerable to labour market shocks as they tend to lack experience and tenure and thus are often the first to be affected by job loss.

### 2.2.1 *Young Europeans Face some of the Highest Unemployment Rates Across Regions*

Youth employment prospects across the globe were particularly hard hit by the global and financial economic crisis (Fig. 2.1). Since the onset of the crisis, Europe experienced one of the largest increases in youth unemployment rates: rising from just above 15% in 2008 to over 21% at its peak in 2013. Since that time, however, it has recovered modestly and is expected to fall to just under 20% in 2017. In 2017, it is anticipated that Europe will have the third highest youth unemployment rate globally, behind only Arab states and Northern Africa (around 30%) and well above the average global youth unemployment rate at approximately 13%.

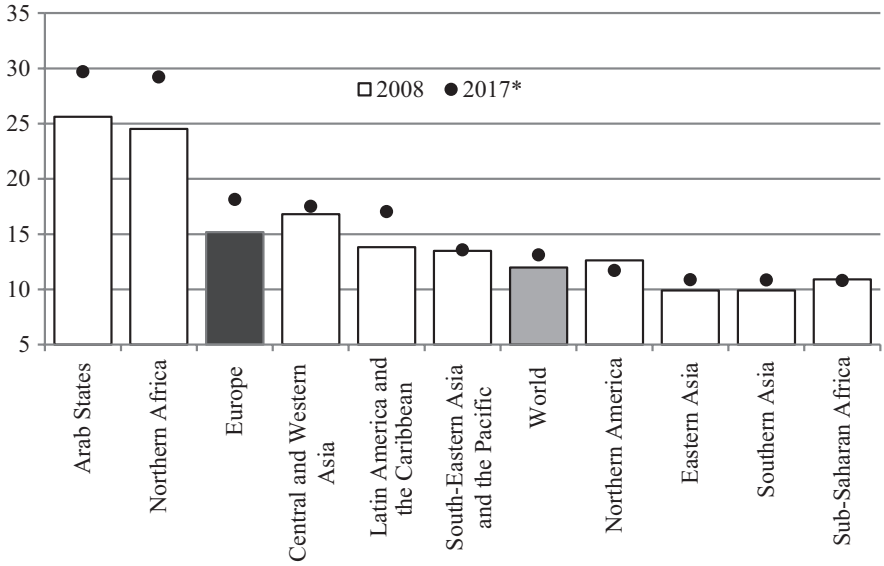
Importantly, the aggregate trends in youth unemployment mask the large variations that exist within Europe (Fig. 2.2). In particular, Western and Northern European countries have weathered the crisis fairly well and in 2015, youth unemployment rates were comparatively low (the exceptions being Belgium, France, Finland, Ireland and Sweden, where youth unemployment rates in 2015 were above 20%).<sup>2</sup>

In Eastern and Southern European countries, youth unemployment rates remained elevated, notably in the latter. In Southern Europe, youth unemployment rates were, on average, 20 percentage points higher in 2015 than in 2008. The challenge in 2015 was particularly acute in Italy, Serbia, Croatia, Macedonia, Spain, Greece and Bosnia and Herzegovina, where youth unemployment rates were in the order of 40% or more.

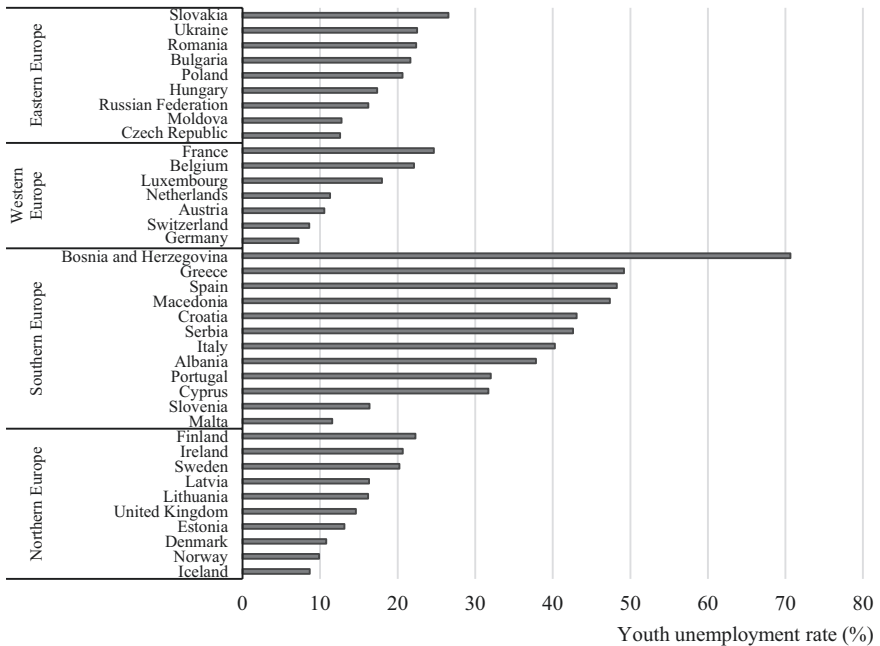
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<sup>1</sup>Youth, unless otherwise stated, refers to persons aged 15–24.

<sup>2</sup>In Northern Europe, the youth unemployment rose significantly (to above 20%) but has experienced a stronger recovery in recent years.



**Fig. 2.1** Youth unemployment rates (15–24) by region, 2008 and 2017\* (%) (Note: \*refers to projections. Regions correspond to ILO classifications; Source: ILO Trends Econometric Models, April 2016)

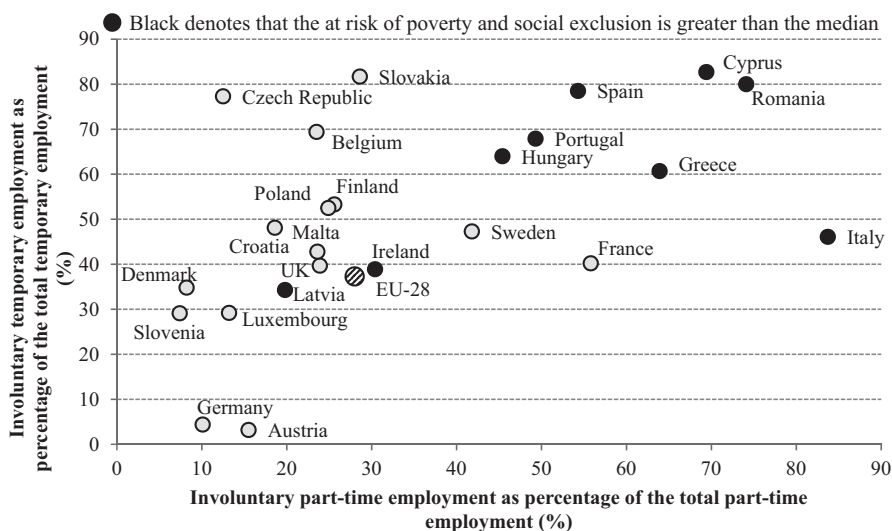


**Fig. 2.2** Youth unemployment rates (15–24) in European countries, 2015 (%) (Source: ILO Trends Econometric Models, April 2016)

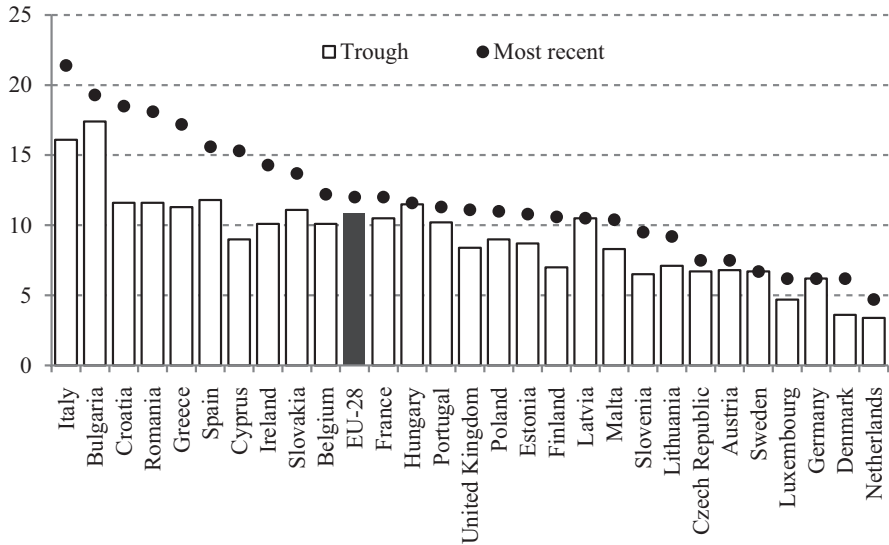
Going forward, across European regions, youth unemployment rates are expected to continue falling in the near future (with strong improvements anticipated in Southern European countries – albeit from rather elevated levels) but are unlikely to reach levels experienced before the financial crisis as the pace of economic recovery remains too slow.

### 2.2.2 Risks of Social Exclusion Are Being Driven by a Lack of Quality Opportunities

Some youth in Europe do have a job, but there is concern over the quality of employment and the extent to which it has deteriorated in recent years. In fact, in 2015 among EU-28 countries with available information, more than one-third of the youth employed with a temporary job were in temporary employment because they could not find a permanent job (Fig. 2.3). Similarly, among those youth with a part-time job, more than one-quarter were involuntary and would have preferred full-time employment. And while in some instances, part-time and temporary employment can serve as a stepping stone in one’s career, the evidence that these jobs lead to more stable employment is rather limited (OECD and ILO 2014). Moreover, countries with high incidence of involuntary temporary and part-time employment have higher risks of youth being in poverty or socially excluded.



**Fig. 2.3** Incidence of involuntary temporary and involuntary part-time employment (%) (Note: Data for involuntary temporary employment for the United Kingdom refers to 2014. Data for involuntary part-time employment for Latvia refers to 2014; Source: ILO calculations based on Eurostat)



**Fig. 2.4** Share of youth neither in employment nor in education or training (NEET) (percentage of the population aged 15–24) (Note: For countries where the incidence has increased, the trough refers to 2008 except for United Kingdom (2005); Denmark, Ireland and Spain (2006); Cyprus, Greece, Italy and Lithuania (2007); Luxembourg (2011); and Austria (2012); Source: ILO calculations based on Eurostat)

Moreover, in far too many cases, youth are neither in employment nor in education or training (NEET). Only in a few cases (Germany, Hungary, Latvia and Sweden) the share of youth NEET recovered to levels prior to the crisis (Fig. 2.4). On average, 12% of youth in the EU-28 are NEET, rising to more than 20% in the case of Italy. Extended periods of unemployment and inactivity, especially for young persons, can result in skills erosion and dampen efforts to gain relevant labour market experience, which, in turn, would result in growing discouragement or worse social exclusion and poverty. Left unaddressed, this can have long-lasting negative repercussions on not only the future employability and earning capacity of youth but also on societal well-being, aggregate productivity and economic growth. The following section will examine recent policy developments to address the challenges described in this section and assess the adequacy of policy efforts, notably the European YG scheme.

### 2.3 Recent Policy Developments

Against the backdrop of weak labour market prospects for youth, some important steps have been taken to tackle youth unemployment in Europe, the most significant being the European YG. Formally adopted by the Council on 22 April, 2013

(European Council 2013a), following a proposal made by the European Commission (EC) in December 2012 (EC 2012a), the YG aims to offer a good continued education, apprenticeship, training or employment opportunity to all unemployed young people within four months of their leaving employment or education. The YG is one of the most comprehensive and innovative labour market policies of the last few decades and has received strong support from all stakeholders. Successfully rolled out in Scandinavian countries, youth guarantees are a wide-ranging set of active labour market policies (ALMP), often accompanied by much needed reforms of vocational training systems, education systems and public employment services (PES), which are the entities responsible for offering work or education opportunities to candidates who meet eligibility criteria.

Given the comprehensive and innovative nature of the European YG, an analysis of its main features, implementation and challenges may shed light on the general effectiveness of youth labour market policies. With this in mind, the aim of the following sections is to examine the principal features of the European YG programme, with a particular focus on the key factors to its success and their presence in various European countries' implementation processes.

### ***2.3.1 A Comprehensive and Innovative Labour Market Approach: The Youth Guarantee<sup>3</sup>***

The idea of a youth guarantee emerged in the 1980s and 1990s in the Nordic countries. In particular, Sweden introduced the first youth guarantee in 1984, Norway established a similar programme in 1993, and Denmark and Finland implemented their first youth guarantees in 1996 (Mascherini 2012). Although these pioneering experiments differed in several respects, they had some common features: first, they shared the primary goal of reducing the time span that young people remained unemployed or inactive and, second, already at this time, PES played a crucial role, which was fundamental to the provision of a customized approach (Mascherini 2012).

The institutions of the European Union had already taken steps to establish a European YG even before the 2008 economic and financial crisis.<sup>4</sup> However, in 2010, when the youth unemployment rate in the European Union had reached an unprecedented high, only a few countries had programmes in place to address this challenge. For this reason, throughout 2010 the number of institutional efforts was multiplied, and there were a number of calls by the Parliament, the Commission and the European Youth Forum for the establishment of a European YG. However, more concrete steps towards its establishment were not taken until 2012. First, the EC launched an employment package insisting on the need for an EU-wide YG and put

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<sup>3</sup>A more complete description of the implementation process of the European YG is presented in Escudero and López Mourelo (2014).

<sup>4</sup>Decision 2005/600/EC of 12 July 2005, OJ L 205, 6.8.2005, p. 21. See also EC (2012a).

forward a proposal for a Council Recommendation to be issued at the end of the year (EC 2012b); then the European Parliament insisted on the role of a youth guarantee programme, and finally the European Council supported this idea and affirmed that such measures could receive financial support from the European Social Fund.

At the end of 2012, the EC launched a youth employment package that included a proposal for a Council Recommendation on the establishment of a youth guarantee (EC 2012a). This proposal set out the principal elements of the YG and articulated six pillars that should underlie its establishment: (1) interaction with all stakeholders, (2) early intervention and activation, (3) support for labour market integration, (4) use of European Structural Funds, (5) monitoring and evaluation and (6) implementation of the national YG schemes as soon as possible. Furthermore, the proposal specified the mechanisms that the Commission would use to support the establishment of the YG in member states, namely, financial support, sharing of good practices, monitoring of measures adopted and support for dissemination and awareness-raising activities (EC 2012a). Finally, the Council adopted the proposal in April 2013 (European Council 2013a).

Throughout 2013, there were movements to provide financing for the YG programme, including the creation of the Youth Employment Initiative (YEI) with an endowment of 6,000 million euros to support its implementation. Importantly, the establishment of the European YG has had the ongoing support of the social partners, who also played an active role throughout the entire negotiation process (Bussi and Geyer 2013).

In its current form, the European YG is a commitment by member states to guarantee that all young people under the age of 25<sup>5</sup> receive, within four months of becoming unemployed or leaving formal education, a good quality offer of work to match their skills and experience or the chance to continue their studies or undertake an apprenticeship or professional traineeship (European Council 2013a). The comprehensiveness and inclusiveness of this scheme, as well as the wide support it has received from all stakeholders, make it a unique policy strategy. In addition, the YG scheme is also an innovative policy approach (e.g. relative to other ALMPs) particularly in two fronts: first, it includes a “guarantee” concept, whereby states and their institutions are committed to mobilize all the resources at their disposal to ensure that no unemployed young person is left behind (Bussi and Geyer, 2013), and, second, it establishes a maximum period of 4 months from when a young person becomes unemployed or leaves education, while other ALMPs generally do not include such timeframes (Besamusca et al. 2012; Bussi and Geyer 2013).

Although YG national programmes vary widely from country to country, their design and implementation share a number of common characteristics as they are based upon the European YG policy framework. For instance, all the programmes entail three kinds of measures: (1) education and training for employment, includ-

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<sup>5</sup>The starting age of the YG is country specific and depends on the age at completion of compulsory schooling. In Austria, for example, initiatives to ensure early intervention and activation start already on youth in the last 2 years of compulsory schooling (compulsory schooling ends at 15) through activities related to youth coaching.

ing the provision of professional guidance and help for early school leavers to return to education; (2) employment intermediation services, such as job-search assistance and personalized follow-up of career plans; and (3) ALMPs affecting labour demand, such as hiring subsidies, public work programmes (e.g. in community services) and start-up incentives. Another common feature of many of these YG programmes is that they are run by PES. Efficiency of PES is therefore central to ensuring YG programmes' effectiveness. In fact, often, the management of the services offered by the YG is given over to PES at the regional or municipal levels. This being the case, implementation strategies vary according to local contexts.

As will be highlighted in this section, the different national youth guarantee programmes have become a coherent set of policy measures. This is an important endeavour as a number of those measures have their origin in pre-existing policies which had to be adapted – both in their design and delivery – to comply with the European YG recommendations, all while respecting national specificities. In fact, according to the EC (2016), following the implementation of the national YG programmes (2013–2015), member states adopted 132 labour market reforms targeting youth. Naturally there is great variation between countries depending on the extent of the reforms needed to comply with the EC recommendations and readiness/willingness to implement these reforms. As such, a number of countries leveraged well-established policies that were broadly in line with the recommendations, which they in turn scaled-up and reinforced (Austria, Denmark, Germany, Estonia, Finland,<sup>6</sup> Ireland, Luxembourg, Malta, Netherlands, Sweden and the United Kingdom). Meanwhile, other countries had to put in place substantial reforms as they faced major challenges to comply with the recommendations (Belgium, Bulgaria, Croatia, France, Hungary, Italy, Lithuania, Latvia, Poland, Portugal and Slovenia). Finally, some other countries would need to undertake important new policy developments to comply with the recommendations, as they have not yet managed to implement the necessary changes (Cyprus, Check Republic, Greece, Spain, Romania and Slovakia) (EC 2016).

### ***2.3.2 What Makes Youth Labour Interventions Successful? A Look at the Youth Guarantee Country Programmes***

A number of studies have analysed theoretically how measures to increase employability affect employment outcomes, particularly in the context of the OECD countries (Caliendo and Künn 2014; Card et al. 2010, among others).<sup>7</sup> However, due to their recent implementation, the impact of YG programmes in Europe has yet to be

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<sup>6</sup> See Chap. 5 for a description of the implementation process of the YG scheme in Finland.

<sup>7</sup> Escudero and López Mourelo (2014) and Escudero (2015) describe in detail the effects that each of the interventions included in the YG (namely, training, labour intermediation services, hiring subsidies, public work programmes and start-up incentives) is expected to have according to economic theory.



systematically evaluated. This notwithstanding, the impact evaluations that were done in the countries that pioneered the enactment of youth guarantees show that these measures have had some success in facilitating young people's transition into the labour market (ILO 2012). For instance, Chap. 5 of this volume shows that the YG initiative introduced in Finland in 2005 had positive activation and employment effects among the skilled unemployed youth who had a vocational secondary education, while no effects were found among unskilled young people who had only completed compulsory schooling. The best outcomes, however, come from programmes that include a full range of different measures, as the proposal for the current YG programme does. Successful youth programmes include those implemented in Norway and England,<sup>8</sup> which have had excellent results in terms of employment and activation, in both the short and the long terms (Hardoy et al. 2006; Blundell et al. 2004; De Giorgi 2005). Moreover, data from countries such as Sweden indicate that youth guarantee plans are an efficient way to address youth labour market challenges if they are designed and implemented properly, as they can produce significant effects at a relative modest cost (ILO 2012).

Many of the main elements of youth guarantee programmes, as these are conceived today, have been studied in detail, providing insight into their likely outcomes. A number of studies show, for example, that job-search assistance and a personalized follow-up of career plans have positive effects on employment (Dolton and O'Neill 1996; and Micklewright and Nagy 2010). Similarly, conditioning benefits to job-search components promotes activation and increases employment rates (Graversen and van Ours 2008; van den Berg et al. 2009). Lastly, education and professional training are among the most effective measures, especially in the medium to long term, which is when the yields of investment in human capital tend to maximize (Card et al. 2010).

Although further work is needed to gain a deeper understanding of the specific effects of youth guarantee programmes, it is possible to highlight five prerequisites for their successful functioning (ILO 2014; Escudero and López Mourelo 2014):

- Firstly, interventions must be implemented early. Empirical evidence shows that youth guarantees should be implemented during the first months of unemployment, as prolonged unemployment spells weaken the effectiveness of activation measures. This is true, first, due to skills erosion, which becomes more pronounced the longer the period out of employment. Second, longer unemployment spells reduce job-search efforts, which make a transition to inactivity more likely. Importantly, the need for youth guarantees to be implemented in a timely manner has been widely recognized, as is demonstrated by the establishment of a maximum period of 4 months from the time when a young person becomes unemployed or leaves education within which this guarantee must take effect.
- Secondly, eligibility criteria must be clear and make it possible to identify specific sub-groups within the target group. Once the different target groups have

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<sup>8</sup>The New Deal programme for young people in England is very similar to the Nordic guarantees.

been identified, a package of measures must be developed in line with the specific needs of each group. As such, the measures designed to help a young person who has just left education and has no work experience would not necessarily be the same as the support for another young person who has already had a job. In the same line, training and education measures should be tailored to match young people's skill levels.

- Thirdly, a useful combination of high-quality formal education and training is needed to enable young people to fully participate in the labour market. In this context, evidence shows that specific skills – particularly when they match labour market's demand – are as important as general skills, and that only through a combination of these two kinds of training can young people be prepared to meet the labour market's requirements. Furthermore, this combination of education and training can be complemented by policies that help young people to gain work experience (e.g. such as apprenticeships) in order to achieve a long-term integration into the labour market.
- Fourthly, the creation of appropriate institutional frameworks is crucial for programmes' effectiveness. In this regard, it is important to highlight the fundamental role played by PES. The success of youth guarantee programmes will depend on whether PES are well resourced and properly staffed (in terms of both numbers and competencies) to offer customized support to different groups and effectively manage the range of services offered under youth guarantee programmes. Similarly, social dialogue, as well as the participation of all social partners in the design and implementation of the measures, is fundamental.
- And, finally, ensuring sufficient resources is indispensable to the effective operation of these programmes. This requires accurate projection of the funds required, and also ensuring that the budget is flexible enough to enable programmes to effectively respond to economic cycles. Finland's experience of the recent economic crisis demonstrated the importance of this flexibility, when the rapid increase in the demand for measures to support the unemployed youth proved a challenge for the Finnish PES. In line with this, the experience of Sweden proved that youth guarantees can yield positive impacts at a relative modest cost. In 2010 (latest available figures), the estimated cost per participant of the Swedish youth guarantee plan was approximately 6,000 euros plus administrative costs (approximately 600 euros per participant), an investment that had a 46% success rate (ILO 2012).

### ***2.3.3 Policy Developments Towards an Effective Response to the Youth Labour Market Crisis: The Implementation of the Youth Guarantee***

In June 2013, the European Council urged member states to present their YG implementation plans by the end of 2013, with a view to putting these into action in 2014 (European Council 2013b). By May 2014, all the European countries had presented their YG implementation plans. Over the course of 2014, some countries – including

Belgium, Croatia, Hungary and Sweden – even submitted updated versions of the plans they had presented at the end of 2013.

Three years later, most of the European countries have already made encouraging progress in the implementation of their national YG schemes. Moreover, the recent availability of information about this implementation allows for an assessment of preliminary outcomes and successes to date, as well as an identification of remaining challenges. In particular, the EC has recently published a document that reviews steps taken by the European countries between April 2013 and July 2016 to implement the YG (EC 2016). In this context, this section examines published European countries' implementation plans, as well as the most recent documents of the EC on the progress made to date (i.e. July 2016) regarding the actual implementation of the national YG schemes (EC 2016). It presents a comparative analysis with regard to the application of the various measures, whether countries have considered the factors that have been identified as key to the success of this type of programme, and whether the implemented policies go on a similar path than planned in terms of the types of programmes deployed and resource allocation. Escudero and López Mourelo (2014) had already showed that countries have opted for early intervention in their YG implementation plans, fixing a maximum period of either three or four months for the provision of the YG. Likewise, they have all established clear eligibility criteria and created specific measures for the most vulnerable young people. In view of this, this section examines whether countries have outlined a combination of formal education measures and professional training policies (Sect. 2.3.3.1), and whether they have developed suitable institutional frameworks and have allocated sufficient resources (Sect. 2.3.3.2).

### 2.3.3.1 European Countries' Measures to Support Youth Employment

An examination of all the European countries' implementation plans reveals a wide variety of measures and initiatives included within the framework of the YG. Despite this diversity, measures can generally be divided into three broad categories: (1) training, which includes education and training for employment and also the provision of measures to reduce school dropout and provide assistance to the completion of studies; (2) employment intermediation services; and (3) ALMPs aimed to affect labour demand, such as direct employment creation, hiring subsidies, and start-up incentives.

As Table 2.1 shows, all European countries incorporate education and training for employment into their implementation plans (only Hungary and Italy have not yet taken steps to put in practice this planned initiatives). The principal goal of this measure is to improve young people's skills to enable them to better meet labour market demands. For instance, Austria has a Training Guarantee that ensures that all young people who completed compulsory schooling (15 years of age) and are younger than 18 (or 24 if they have any kind of disability) have access to an apprenticeship with a firm. In addition, it has established a training programme for apprentices that provides them support and advice throughout their training. Another

Table 2.1 Measures implemented as part of the national youth guarantee programmes by country

	Education and training for employment	Remedial education and school dropout	Employment intermediation services	Direct employment creation	Hiring incentives	Start-up incentives	Other measures
Austria	● ■	● ■	● ■			●	
Belgium	● ■	● ■	● ■	● ■	● ■	●	Financial help for young people in low income households
Croatia	● ■	●	● ■	● ■	● ■	●	Development of a system to identify young NEETs Adoption of a law on youth Development of a labour market monitoring and evaluation system System for evaluating and predicting necessary skills
Czech Republic	● ■	●	●				Encouragement of ethnic minority young people to pursue secondary and further education
Denmark	● ■	● ■	●		●		
Estonia	● ■	●	● ■	■	● ■		
Finland	● ■	●	● ■		●		Workshops on developing soft skills
France	● ■	● ■	● ■		● ■	●	



Table 2.1 (continued)

	Education and training for employment	Remedial education and school dropout	Employment intermediation services	Direct employment creation	Hiring incentives	Start-up incentives	Other measures
Poland	● ■	● ■	● ■		● ■	● ■	Amendment of the act on employment promotion and labour market institutions Promotion of regional mobility
Portugal	● ■	● ■	● ■		●	●	Promotion of international mobility
Romania	● ■	● ■	● ■		●	●	PES reform
Spain	● ■	● ■	● ■	●	● ■	●	PES reform Mobility programmes
Sweden	● ■	●	●		●		Promotion of regional mobility

Source: Compiled by authors based on Escudero and López Mourello (2014), additional implementation plans available online and EC (2016)

Legend: ● = planned; ■ = executed

Note: This table only includes information of countries for which the YG implementation plans are available online. For this reason, there is no information on Bulgaria, Cyprus, Greece, Malta, Slovakia, Slovenia or the United Kingdom. The information on Belgium combines all the initiatives included in its four regional plans. Information on measures executed was gathered from EC (2016) that reviews steps taken by the European countries between April 2013 and July 2016 to implement the YG.

interesting measure of this type is the launch of a dual professional training scheme in Spain that combines training with work experience in a company, via a Training and Apprenticeship Contract. These contracts last between one and three years, with 75% of time spent working during the first year and 85% over the next two years, with the remaining time used for training.

Likewise, all European countries' implementation plans include measures to reduce school dropout and improve completion rates. However, only nine out of the 21 countries analysed have to date taken efforts to implement these measures. One example in this regard is Germany, which has implemented initiatives aimed at helping young people to get a secondary school diploma and reduce the risk of them leaving school without any qualifications. To this end, Germany's YG includes, among other things, coaching sessions to encourage the take up of training programmes; professional preparation programmes; and specific strategies to support the most vulnerable students.

The final category of measures that all European countries' implementation plans include is employment intermediation, such as job-search assistance and personalized follow-up of career plans. These measures aim to boost young people's individual efforts and increase the effectiveness of their job searches and to facilitate the matching of labour supply to demand. In practical terms, with the exception of the Czech Republic, Denmark, Netherlands and Sweden, all the countries have carried out reforms aimed at either reinforcing their PES or providing additional employment intermediation services. For instance, in an effort to improve labour intermediation services, Luxembourg undertook significant reforms of its PES in 2012, including a thorough review of all operations and the launch of new procedures. Furthermore, it has increased the number of staff in PES offices and provided each office with a person focusing exclusively on the implementation of the YG.

Regarding hiring incentives, almost all the countries include in their implementation plans these measures, with the exception of Austria and the Czech Republic. However, only half of them have already started to put them in place. Importantly, these hiring subsidies generally take the form of employment subsidies or reductions in hiring costs through social security bonuses. For example, Ireland introduced an employment subsidy that allows employers that hire an unemployed young person to receive a lump sum of 7,500 euros.

On the other side of the spectrum, the least commonly found category of measures in the YG implementation plans is direct employment creation. Only Belgium, Croatia, Ireland, Luxembourg and Spain have considered implementing temporary public works programmes – and only Belgium and Croatia have made steps towards implementation. For instance, Croatia has established a community services public employment programme with a maximum duration of 12 months, targeting young people under the age of 30 who have been unemployed for at least six months.

Lastly, while the vast majority of European countries include programmes to encourage entrepreneurship in their YG implementation plans, only Italy, Latvia, Lithuania and Poland have in place start-up incentives of this nature. In general, these programmes offer financial support for the establishment of new businesses, as well as the training and advice necessary to increase their survival rate. For

example, Latvia has launched a programme to support young entrepreneurs (under 30 years), which includes guidance on their business proposals and a 3,000 euro grant if the PES deems that these proposals merit support. In addition, the programme also includes advice during the first year of an enterprise's operation and a wage subsidy for the first six months.

Importantly, in addition to these active labour market programmes included within the framework of the YG, national YG schemes also consist of other measures such as labour market and education system reforms, adoption of and amendments to laws concerning youth issues and initiatives aimed to promote poverty reduction and social development. Although a detailed analysis of this last component is beyond the scope of this chapter, the last column of Table 2.1 provides a list by country of these additional actions.

### **2.3.3.2 Existing Support Mechanisms for the Implementation of Youth Policies**

The objective of this subsection is to determine whether member states have complied with the remaining key success factors, namely, to develop suitable institutional frameworks and the sufficient allocation of resources.

As regards the various institutions responsible for the YG's smooth operation, most countries have focussed on creating appropriate institutional frameworks with a wide range of different actors involved. In terms of public administration, the responsible body in most countries is the Ministry of Labour, although Ministries of Education, Social Affairs and Science and Research are also involved. Moreover, a number of states have incorporated plans for the modernization of their PES into their implementation plans, in order to ensure that the necessary requirements for the establishment of an effective YG can be met. Social dialogue and the participation of all the social partners in the design, implementation and execution of measures play an essential role. It is thus encouraging that, in the majority of countries, cooperation agreements have been forged with employers' organizations, trade unions, schools, training centres, and non-governmental organizations.

Regarding the allocation of resources, the submission of implementation plans was the central requirement for European countries to benefit from the 6,000 million euros that the European Council had mobilized through the Youth Employment Initiative (YEI) to fund the establishment of the different YGs, based on two requirements: first, countries had to have regions within their territories with a youth unemployment rate higher than 25% in 2012 and, second, countries had to match this grant with a contribution of at least the same amount from their European Social Fund allocation. Out of the 21 countries with information on YG implementation plans, 14 were considered eligible for YEI funding, but even those not eligible (Austria, Denmark, Estonia, Finland, Germany, Luxembourg and the Netherlands) planned the implementation of a national YG scheme.

Interestingly, information exists that allows for an initial assessment of the reported expenses countries foresaw for the launch of the YG in the implementation



plans, which can be compared with the actual spending of countries per beneficiary until April 2016. Table 2.2 shows the planned spending for the implementation of YG measures (during 2014 and 2015) in the 16 countries for which information is available. The first result that immediately stands out is the significant variation in the spending planned per eligible participant across the different countries. Germany, with an allocation of 20,765.3 euros (PPP) per eligible participant, is the country with the highest planned spending, followed by Hungary (13,384.8 euros, PPP) and Austria (11,081.3 euros, PPP). Meanwhile, with an over 10,000 euro-PPP difference per young NEET, countries with the lowest expenditure include Croatia (115.1 euros, PPP) and Belgium (797.4 euros, PPP). This outcome is not unexpected since German PES is well known to be well resourced. Indeed, in 2011 Germany had 44 PES staff for every 1,000 unemployed people, the highest among EU countries with available information (ILO 2014).

The second outcome of the analysis of reported expenditure by country emerges from a comparison with what could be considered a recommended spending based on the Swedish example discussed at the end of Sect. 2.3.2. It is important to remember that the interesting feature of the Swedish example lies in its positive effects at a relative modest cost. Based on this case, the estimated costs of a youth guarantee plan for the EU-28 would have been approximately 45,400 million euros (PPP) (or 0.69% of total general government spending) in 2014. This is the total budget that would have been needed to take into account the number of young NEETs in 2014. However, most of the European YG plans are targeted to different groups with varying eligibility criteria (Escudero and López Mourelo 2014). As such, a comparison of the recommended spending adapted to the particular eligibility criteria of countries with the amounts reported by countries in their implementation plans reveals that more than 60% of countries have submitted proposed expenditures that are below the recommended threshold. This divergence is greatest in the case of Croatia and Belgium, which point to a spending of 12 and 7 times, respectively, less than what was recommended. Conversely, some countries, including Germany and Hungary, have submitted budgets in their implementation plans that point to a spending of around three times the recommended amounts on YG initiatives.

## 2.4 Conclusions

Youth were particularly hard hit by the global financial and economic crisis. In Europe, youth unemployment rates climbed to over 20%. And although there have been some improvements in recent years, a number of challenges remain including high incidence of youth neither in employment nor in education or training and elevated risks of poverty and social exclusion due to limited job quality opportunities. In an effort to address these challenges, the European YG, an innovative approach in many regards, was launched in April 2013.

The European YG is a particularly interesting paradigm to study youth labour market policies, especially in view of the scale of the actions planned, but also given

**Table 2.2** Planned spending on the national YG schemes by country

	Amounts reported in implementation plans (millions of euros PPP)	Number of eligible participants (thousands)	Amounts reported per eligible participant (euros PPP)	Estimated recommended spending (millions of euros PPP)	Resources gap (millions of euros PPP)
	(A)	(B)	(A/B)	(C)	(A–C)
Austria	644.9	58.2	11,081.3	347.7	297.2
Belgium	73.8	92.6	797.4	551.0	–477.1
Croatia	14.6	126.8	115.1	173.1	–158.5
Czech Republic	640.7	98.6	6,498.0	1,026.1	–385.4
Denmark	78.8	55.6	1,418.0	272.5	–193.7
Estonia	16.3	8.4	1,944.0	74.3	–58.0
Finland	184.0	64.6	2,849.9	342.8	–158.8
France	3,841.4	621.2	6,183.8	3,736.9	104.4
Germany	6,800.6	327.5	20,765.3	2,075.6	4,725.0
Hungary	2,044.2	152.7	13,384.8	788.5	1,255.7
Ireland	474.8	46.8	10,144.6	277.7	197.1
Italy	1,776.7	692.1	2,567.1	4,553.4	–2776.7
Latvia	40.5	16.9	2,394.8	162.7	–122.3
Netherlands	922.2	145.9	6,320.5	882.0	40.1
Poland	1,736.7	347.4	4,999.0	3,965.2	–2,228.5
Romania	416.2	384.7	1,081.8	1,111.8	–695.6

Source: Compiled by authors, based on the YG implementation plans available online

Note: Figures illustrate the cost of the implementation of YG measures for the period 2014–2015. This table includes only information on the countries that have YG implementation plans available online, and which include data on expected implementation costs. Estimated costs have been calculated based on the costs of the Swedish programme, which in 2010 amounted to 6,000 euros per participant. To calculate the total cost, administrative costs have been added, which in the case of Sweden were estimated at 600 euros per participant. These administrative costs represent the resources that would have been necessary for PES to assist all young people not in employment, education or training in 2014. However, in this table rather than NEET, figures illustrate costs based on the number of eligible participants, according to the eligibility criteria described in Escudero and López Mourelo (2014)

its comprehensiveness and inclusiveness. In fact, empirical evidence shows that the best outcomes are achieved when programmes incorporate a full range of interventions, as it is proposed in the European YG initiative. Moreover, some of the main elements of today's national YG schemes have been studied in much greater detail and have shown short- and long-term positive effects on both employment and activation. Importantly, as it is usual with labour market and social policies, effectiveness depends greatly on their design and implementation. In this regard, although the implementation process is still underway, this paper examines published European countries' implementation plans, as well as the most recent documents on

the actual implementation of the national YG schemes with views to examining whether the different plans include the elements identified as fundamental to the effective functioning of these programmes. The analysis shows that in the majority of European countries, national YG plans include at least three of the five elements, namely, identification of the right target groups, good institutional frameworks and high-quality programmes.

The remaining two aspects, i.e., sufficient resources and early intervention, deserve a little more discussion and also a closer look from implementing agencies. It is clear that countries have made significant economic efforts to activate the YG. In fact, some countries have planned a significant per capita expenditure that is even notably higher than what is recommended in this article. However, 60% of the countries analysed have submitted proposed expenditures in their implementation plans below the recommended levels, which amounts to an estimated gap of 7.3 billion euros (PPP). This means these countries will have to make greater financial commitments if the desired objective of reducing youth unemployment is to be achieved. In terms of the last point, it needs to be stressed that the scheme was not launched as early as it should have, which poses another threat to the YG's effectiveness. Indeed, extended periods out of employment have been proven to weaken the effectiveness of all activation policies.

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