



EUROPEAN PARLIAMENT EMPLOYMENT COMMITTEE MINI-HEARING 17 MARCH 2010

THE SITUATION OF YOUTH IN THE EUROPEAN UNION SPEECH BY MATTHEW HIGHAM

Ladies and gentlemen,

Tackling the situation of young people in today's labour markets is a key issue to enhance Europe's competitiveness. To be successful, we ultimately need to ensure that the talents of today's younger generations can be better utilised, rather than wasted.

Youth unemployment rates were already alarming before the crisis, a clear indication of structural problems. The crisis has made the situation even worse (over 20 %).

I am therefore very pleased to have the opportunity today to share with you our views on how the EU can move forward with renewed impetus to tackle this long-term problem.

Youth and EU2020

European employers believe that the EU can help redress the situation if it fosters innovation, improves education and training, and develops entrepreneurship, which are among the flagship objectives of EU2020. BUSINESSEUROPE fully welcomes these priorities and the strong emphasis on young people, namely "Youth on the move".

We hope that a EU2020 strategy will generate a sense of urgency in the Member States.

To reduce youth unemployment, we firstly need an increase in economic growth. By raising growth from 1 to 2 %, we estimate that 6.5m jobs will be created.

Inclusive growth is an important part of a EU2020 strategy. We need to ensure access and opportunities for all, and no longer tolerating a situation where specific groups are underrepresented on labour markets.

European social partners have recently approved an agreement on inclusive labour markets, which will be presented at the Tripartite Social Summit on 25 March. It shows that social partners can find balanced solutions to make flexicurity work in practice and achieve inclusive growth. We jointly propose measures to stimulate the participation of young people and other disadvantaged groups on the labour market.

Overcoming long-term structural deficits

Persistent high youth unemployment denotes a waste of resources that we cannot afford. A better match between qualifications and the needs of companies is a vital measure to tackle labour market and public finance challenges in an ageing society. This will be key to avoid a lost generation paying a disproportionate cost for the crisis.

Education and training systems must better prepare young people for their first job by providing them with the skills companies need. Business has an important role to play through partnerships with education systems to better transmit changing skills needs on labour markets. They can help to make clear the relevance to the workplace of the skills and knowledge developed by students.

This implies better anticipation of future skills needs.

CEDEFOP expects that by 2020 around 80m jobs will become available, including almost 6m new jobs. Most of these will require highly skilled workers. Currently however, only 25% of the EU's adult population is highly educated (US: 38%). 80m people have no or low qualifications. In 2009, 1 in 6 left school with no diploma.

In several European countries, we see that high unemployment coexists with unfilled vacancies (end 2009: 450,000 in UK and 800,000 in Germany). Increasingly, shortages exist in STEM areas (Science, Technology, Engineering, Maths). Coupled with this, problems with basic skills (literacy, numeracy, communication skills etc.) are common in many workplaces, leading to poorer customer service and lower productivity.

This dual problem, as rightly highlighted by the Commission's New Skills for New Jobs, is a symptom of the wider deficiency in many systems when it comes to addressing the need for better matching between skills supply and labour market demand.

The practice of vocational training should be extended to address in particular the issue of youth unemployment. An excellent way of providing young people with competences companies are looking for are VET systems that provide practical training in a company alternating with teaching in a vocational college.

Active labour market policies that guide individuals towards new jobs and enable them to acquire new skills are also needed in parallel with lifelong learning policies.

In order to maximise the contribution they can make, companies, in particular SMEs, also need more support. For example, they need support to find funding for training, locate good training providers, etc. Also, to encourage employers to offer apprenticeships, the number of applications must increase, while the associated cost and bureaucracy involved should be reduced.

Enterprises are also increasingly recognising the potential of more diverse and mixed compositions of personnel, with young people bringing a greater array of skills, such as problem solving, team building, innovation, ICT, and creativity, to name a few.

But the right skills are not enough. For well-functioning labour markets we need labour market policies that do not punish young people. Many labour markets in Europe are rigid, giving a lot of rights to insiders and keeping others out.

Labour market rigidities such as "last-in first-out" principles or high costs of hiring and firing do not help the situation of young people trying to integrate the labour market. Tackling these obstacles would help the employer to hire the right person for the job and in the longer term would also help reduce youth as well as structural unemployment. Countries which have more flexible labour markets also have lower youth unemployment.