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HUNGARIAN PRESIDENCY CONFERENCE ON YOUTH UNEMPLOYMENT

ADDRESS BY HELENA STRIGÅRD, ADVISER, BUSINESSEUROPE

Session 2: Facilitating upward transitions and tackling youth unemployment

Thank for invitation. I will focus on how to tackle youth unemployment through ensuring employability right from the start. That is, getting it right already in the initial education, be it on secondary or tertiary level.

However, we should always keep in mind when discussing the challenge of how to get more young people in employment that reforms are needed both on the supply side, linked to the education system, and on the demand side, in terms of stimulating companies to hire. These factors are part of the same equation.

Now, what about the supply side? Is there really a problem here, considering that youth today are more educated than ever? Moreover, in their world, internet has “always” existed, meaning that they have the necessary IT skills to seek information and create new contacts in milliseconds.

At the same time, we know that higher skills are increasingly sought after on European labour markets. Projections by Cedefop shows that the foreseen demand for highly skilled workers will raise dramatically up until 2020 while 20 million low-skilled jobs will disappear.

Against this background, it seems like a paradox that youth unemployment in Europe is so high, and is projected to stay high. For 2012, OECD expects youth unemployment in Spain to remain above 40%.

Looking closer, there are two main explanations for this paradox.

- 1) Firstly, our labour markets are too rigid and the framework conditions for creation of new jobs in an alarmingly poor state. On this, and the importance of macro-economic stability, I will get back to more in detail in tomorrow's panel.
- 2) Secondly, we might have the most highly educated generation of all times, but having the *right* set of skills and competencies in relation to what is needed on the labour markets is still a neglected factor in our education systems.



To provide a stronger connection between education and working life, efforts must be made both from the side of the education provider and from the business community. In addition, the responsibility of the individual should be emphasised.

Companies across Europe are committed to contribute to making this connection. CBI, our British member, showed in a survey that a majority of British companies felt the best thing they could do to facilitate young people's transition into the labour market was to offer opportunities for work place learning. Such opportunities pay off for the individual learner. In Denmark, 90% of youth who has undertaken vocational training find employment within one year thanks to the dual system that combines school and practice.

In this context, it should be noted that the training paid for by employers in 2010 was at its highest level since 1995 according to Eurofound. During the same time on-the-job-training increased as well. I mention this because we should not forget about the group of youth that are low-skilled and in many cases acquires the necessary training altogether *at* the work place.

However, companies' involvement/investment in education and training could be encouraged further:

- * Cutting red tape, for instance surrounding the provision of apprenticeships: a majority of the companies in the CBI study I referred to considered this to be the main obstacle for accepting apprentices.
- * Positive financial incentives should be considered for both employers to get involved in training and for education providers to collaborate with business.
- * Our education systems should also become more open towards letting employers have a say on the content of courses and taking part in the education, to improve the responsiveness of educations to labour market needs in real time, through a continuous adaption process.

The measures touched upon so far mainly deal with how to avoid youth unemployment in the first place. Now let's turn briefly to the measures needed to help youth that are in unemployment to find a job.

For this, we need active labour market policies that include measures to upgrade and update skills. But we also need well-targeted guidance/job seeking services. In the recent crisis, the public employment services in many countries did not have the capacity to deal with the variety of job seekers. More partnerships and collaborations between public and private employment agencies could have helped ease the situation while making efficient use of resources, as private agencies are often specialised in certain fields and categories of job seekers. We should therefore make sure that member states open up for private agencies to play a complementary role to public employment services and encourage collaborations.



Session 3: Stimulating labour demand and promoting the creation of quality jobs for young people in a period of economic recovery

Even the most well developed education systems and efficient labour market policies in the world will not be enough in tackling youth unemployment unless there are jobs to apply for in the first place.

And job creation depends on our ability to boost economic growth, which in turn demands macro-economic stability. There are no short cuts in this. If we do not deal with our problems now, the price to pay is only going to get higher down the line in terms of jobs and living standards. One of the groups that will take the hardest hits in such a situation is youth.

So, to answer the question on what incentives are needed to stimulate companies to hire, this can be put quite simply:

- a stable macro-economic environment that enables us to invest in education and training including lifelong learning, ALMP etc.
- modern labour markets building on the flexicurity approach as a tool box for reform.

As we have heard in the OECD presentation today, high minimum wages and strict employment protection legislation for permanent contracts impact on the transition periods into employment for youth. BUSINESSEUROPE is deeply concerned with the current situation and its effects on youth's employment.

It is a reality that employing someone on a permanent contract while order levels and demand remain unstable is hampered by the high level of employment protection legislation for such contracts. Introducing SOEC are not going to help reduce segmentation at European labour markets, in our view. The basic problem of why companies are not hiring or why more jobs are not being created will not be solved by a one-size fits all solution that brings all contracts to the level of permanent contracts. Companies need a range of contractual arrangements.

It should also be noted that in practice, fixed term contracts function as stepping-stones for youth to enter permanent contracts.

It was mentioned yesterday that we would not need more flexibility since European companies did not have problems in laying-off workers during the crisis. I have to react to this as well. This constituted a huge problem for European companies. It meant that they lost highly valued employees with knowledge and experience specific to the operations of the company. It constituted a significant loss in human capital. One explanation to the fact that European employers did not lay-off workers to the same extent as US employers is the investment companies in the EU had done in the education and training of their employees. Another reason is the fact that possibilities for internal flexibility that is through flexible working time arrangements helped companies keep their employees in spite of orders falling.