



YOUTH GUARANTEE

I. State of play

There are currently over 26 million unemployed people in the EU, compared to 16 million in the first quarter of 2008. Of this total around 5.5 million are young people under 25 years of age, compared to around 4 million people in 2008. At the same time, there are in the region of 7.5 million young people who are neither in employment nor in education or training.

These structurally high levels of youth unemployment reveal that there are barriers to the smooth labour market integration of young people, and that they already existed in better economic times. The economic crisis has served to exacerbate the challenges faced in getting young people into work and highlights the longer-term need for reforms.

The extent of youth unemployment varies across the Member States, but it can be recognised that today's youth are in a critical situation. The youth guarantee can play an important role in providing support to help facilitate young people's labour market integration, if it is complementary to, and is not used to avoid, necessary structural adaptations of labour markets and education and training systems.

II. The youth guarantee and the youth employment initiative

The youth guarantee aims to provide young people under 25 with an offer of employment, further training, an apprenticeship or traineeship within 4 months of becoming unemployed or leaving formal education.

Recent documentation from the Commission has referred to the youth guarantee as a "forward-looking and fundamental structural reform in the mid and long-term". For BUSINESS EUROPE, the language around the guarantee has changed since it was first launched through the December 2012 Council Recommendation. At this time, it was presented more as a short-term crisis response to provide much needed support for those young people most adversely affected by the economic crisis.

The Youth Employment Initiative (YEI) aims to provide financial support to young people under 25 that are not in employment, education or training. It is targeted at those national regions where youth unemployment exceeds 25%. The EU has allocated up to 8€bn euro for this initiative.



The creation of the YEI appears to have altered the framework of the youth guarantee. The guarantee is now presented as a longer-term, political initiative that is meant to address the structural problem of youth unemployment. On the other hand, the YEI is a short-term financial scheme that can involve the implementation of the youth guarantee, but which is not exclusively about this. The YEI can also involve more individually targeted actions at the regional level.

Given this apparent shift as concerns the role of the youth guarantee in the context of the YEI, BUSINESSEUROPE reiterates its view that national labour market and education and training reforms are the best way to address the structural issues hampering youth employment. At the same time, while we believe that the youth guarantee can act as a vehicle for national reforms, it should not be seen as a structural reform in itself.

III. Reforms needed

Recalling that youth unemployment is a structural problem, BUSINESSEUROPE believes that, in the wider context of the European semester and country specific recommendations, national actions must focus on implementing structural reforms to labour markets and education and training systems.

Labour market reforms are necessary to combat segmentation and enhance access to labour markets for young people. Unduly high minimum wages and non-wage labour costs risk diminishing labour demand, particularly when it comes to young people's entry into the labour market. In order to increase employment opportunities for young people open, dynamic and mobile labour markets are needed. This includes temporary forms of employment, which can act as a stepping stone to permanent work for young people. Examples include:

- **Germany:** evidence shows that more than 50% of fixed-term employees moved directly into a permanent work relationship and between 2005 and 2011, the transfer rate increased markedly – from 39% to 56%. On the other hand, the German employers' organisation considers that government plans to restrict the use of flexible forms of employment and to introduce a general statutory minimum wage would be highly counterproductive. They would establish new entry barriers to the labour market especially for the young, among others.
- **Italy:** a decree law has been adopted with the aim of modernising the regulation of fixed-term contracts, in terms of duration and conditions, and simplifying apprenticeships, with regard to the training content. The Italian employers' federation believes that this can represent a positive step towards the development of a more dynamic labour market and encourage employment creation, if appropriately implemented.
- **Sweden:** the government is working with social partners at sectoral level to develop work introduction agreements. The agreements aim to stimulate companies to offer first contracts to young people.
- **UK:** there is a specific minimum wage for young people and the government has announced that it will abolish employer National Insurance for people under the age of 21.



Education and training reforms need to be built around the principle of better aligning education and training systems with the needs of the labour markets. Young people's transition from education to employment can be facilitated by expanding access to dual-learning systems, such as in the form of apprenticeships. Examples include:

- **France:** social partners have reached an agreement on vocational training reform. This aims at: securing employees' careers with the creation of a "personal training account"; better aligning the vocational training system with the enterprises' needs, and streamlining the current system so as to optimize employer investment in vocational training.
- **Ireland:** a Government Review Group has issued recommendations for a new apprenticeship model, which has significant potential, if implemented.
- **Spain:** A new contract has been established for training and learning whereby the foundations for dual training are established.

The EU also has a role to play in this regard, such as allocating resources from the European Social Fund and Erasmus+ to provide seed funding for Member States that wish to establish or reform their dual-learning systems.

IV. Conclusion

BUSINESSEUROPE supports the need to address the structural issues hampering youth employment and believes that these can be best tackled through undertaking national labour market and education reforms, along the lines of those highlighted in this statement. The youth guarantee can act as a vehicle for such reforms, but it should not be seen as a structural reform in itself.
