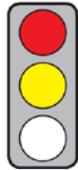


## KEY ISSUES

**Objective of the Communication:** The Commission calls on the Member States to combat youth unemployment without delay and develops concrete proposals in this regard. Traineeships are to be regulated EU-wide.

**Affected parties:** Employers and employees, educational institutions.



**Pro:** (1) Labour-market-based training concepts ease the transition from education to work as employers are spared time-consuming and costly workplace training.

**Contra:** (1) The youth unemployment rates, when looked at in isolation, significantly overstate the problem of youth unemployment.

(2) Subsidies for small and medium-sized enterprises that create jobs for young people, distort the labour demand to the detriment of the older workforce.

(3) The Youth Guarantee will not noticeably increase the employment level of young people because jobs are created not by government promises but by companies.

## CONTENT

### Title

**Communication COM(2013) 447:** Working together for Europe's young people - A call to **action on youth unemployment**

### Brief Summary

#### ► Context and objective

- The youth unemployment rates (15 to 24 year-olds) have risen dramatically in many EU Member States as a result of the economic and debt crisis. In the second quarter 2013 it was 23.2% EU-wide. (Source: Eurostat)
- The Commission calls on Member States to combat youth unemployment without delay and proposes the following measures in this regard:
  - implementing the Youth Guarantee [COM(2012) 729, see [cepPolicyBrief](#)],
  - implementing the Youth Employment Initiative [COM(2013) 144],
  - greater use of the European Social Fund (ESF),
  - supporting the mobility of employees and trainees, inter alia, by way of the European job mobility portal EURES (European Employment Services) and the programme for education, training and youth "Erasmus +",
  - reforming vocational training,
  - regulating traineeships and
  - addressing skills mismatches based on future trends.
- In Annex 1, the Commission formulates country-specific recommendations for necessary reforms in 19 Member States (see attachment). There are no country-specific recommendations for the "programme countries" Greece, Ireland, Portugal and Cyprus, or for Germany, the Netherlands, Austria and the Czech Republic. The country-specific recommendations relate to
  - school and higher education,
  - vocational training and
  - measures for the labour market.
- The Commission finds that "deep structural reforms" (p.2) by the Member States are necessary for Europe to regain its competitiveness in the medium term.

#### ► Implementation of the Youth Guarantee

- The Member States passed the Youth Guarantee [COM(2012) 729, see [cepPolicyBrief](#)] in the Council on 22 April 2013. In it they undertake to offer a job or a traineeship to every young person between the age of 15 and 24 within four months of their leaving school or becoming unemployed.
- The Member States must submit a plan to the Commission on the implementation of the Youth Guarantee setting out, in particular:
  - which public agencies and other organisations such as unions and employer's associations are to be involved and in what form and
  - how it will be financed, how progress will be monitored and the timetable.
- Member States with youth unemployment rates above 25% are to submit the plan in 2013, the other Member States by spring 2014.

► **Implementing the Youth Employment Initiative**

- The Youth Employment Initiative [COM(2013) 144] is allotting a total of EUR 6 billion for 2014–2020 for the individual support of unemployed young people in regions experiencing youth unemployment rates above 25%.
- The Commission is calling on the European Parliament and the Council
  - to provide these funds within a multi-annual financial framework for the years 2014 - 2020 (MFF; see [cepPolicyBrief](#)),
  - to commit all the funds to 2014 and 2015 in order to achieve a greater effect, and
  - to use the funds primarily for implementing the Youth Guarantee.
- In order to be able to use funds from the ESF for 2014 - 2020 for the employment initiative, the Member States currently still have to
  - work together with the Commission to lay down a "Common Strategic Framework" for the European structural investment funds (inter alia ESF, European Regional Development Fund and the Cohesion Fund) which will define how these funds are to be aligned with the "Europe 2020" Strategy [COM(2010), see [cepPolicyBrief](#)] [COM(2013) 246 Art. 10,11,12];
  - draft "operational programmes" containing, in particular, the concrete measures to be financed from the ESF, which the Commission will adopt by way of implementing acts [COM(2013) 246 Art. 87];
  - conclude "partnership contracts" with authorities, economic and social partners and bodies representing civil society relating to the key elements of the operational programme which the Commission will adopt by way of implementing acts [COM(2013) 246 Art. 5, 13, 14 and 15].
- The Member States are to accelerate work on the operational programmes for the Youth Employment Initiative and submit them to the Commission.
- In order to ensure quick implementation of the operational programmes, the Regulation on the European structural investment funds [COM(2013) 246] and the Regulation on the ESF [COM(2011) 607 final/2] are to be amended so that the "Common Strategic Framework" and the Partnership Agreements are not a prerequisite for the Youth Employment Initiative.
- The European Investment Bank (EIB) is to provide small and medium-sized enterprises (SME) with financial support if they provide jobs and traineeships for young people (up to 24 years old).

► **Greater use of the European Social Fund (ESF)**

- The Commission calls for at least 25% of cohesion policy funding (at least € 80 billion) to be channelled into the ESF in the period 2014-2020.
- The Commission calls on the Member States to work with it to design concrete programmes for the deployment of ESF funds as quickly as possible. The funds are to be deployed as early as 2014, mainly for
  - the employment of young people,
  - investment in the education and training of young people and
  - the adaptation of educational and vocational training systems to the needs of the labour market.
- Member States with youth unemployment levels over 25% should, in addition, set up "Action Teams" to combat youth unemployment.
  - The Action Teams are made up of national representatives and experts from the Commission.
  - They are to ensure the rapid provision and deployment of funds from the ESF and the Youth Employment Initiative.

► **Boosting the mobility of employees and trainees**

- According to the Commission it is necessary to build a functioning "genuine" European labour market - i.e. one which is accessible to all employees.
- In order to improve employee mobility, the Commission calls on the European Parliament and the Council to rapidly adopt the following proposals from the Commission which are already on the table:
  - Professional Qualifications Directive [COM(2011) 833, see [cepPolicyBrief](#)],
  - Directive on portability of supplementary pension rights [COM(2007) 603, see [cepPolicyBrief](#)],
  - Directive on the enforcement of the rights of mobile workers [COM(2013) 236, see [cepPolicyBrief](#)] and
  - Decision on enhanced co-operation between Public Employment Services [COM(2013) 430, see [cepPolicyBrief](#)].
- In order to improve the mobility of trainees, the Commission wants to support the EURES network and improve support for trainees under the "Erasmus +" programme.
  - **Support for EURES:**
    - EURES is a European cooperation network for public employment services involving employer associations and unions.
    - In future, the Commission also wants apprenticeships and student traineeships to be offered via the EURES portal.
    - The Commission will submit a legislative proposal for.
  - **Support for trainees under "Erasmus +"**
    - The cross-border mobility of trainees has, until now, been supported by the Leonardo-Da-Vinci-Programme which has provided funds for 500,000 people in vocational education and training and 225,000 students to spend time abroad.

- "Erasmus +" will replace inter alia the "Leonardo-Da-Vinci-programme". It will be financially equipped to support 5 million young people, 700,000 of whom will be in vocational education or training.

► **Reforming vocational training**

- The Commission calls on the Member States to (p. 9)
  - launch "high quality apprenticeship-type training" and
  - promote "national partnerships for dual learning".
- Apprenticeships are to form part of the Youth Guarantee.
- The private sector is called upon to engage actively in the process.
- The EU will provide financial support for the training reform.

► **Regulating Traineeships**

- The Commission has submitted a proposal for a Council Recommendation on a Quality Framework for Traineeships [COM(2013) 857].
- In particular, it wants
  - to improve the working conditions and the learning content and
  - to increase the cross-border mobility of trainees.

► **Addressing skills mismatches based on future trends**

- The Commission emphasises that the future trend is for ever higher skill requirements. It calls for skills mismatches to be addressed.
- It sees information and communications technology, healthcare and the green economy as sectors with particular recruitment potential for the future. The Commission calls on Member States to gear their education systems more towards these sectors.
- The Commission believes it is essential to teach young people entrepreneurial skills in order to ensure more start-up businesses in the future. It will therefore provide "more detailed policy guidance on entrepreneurship in education" (p. 12).

### Statement on Subsidiarity by the Commission

The Commission does not consider questions of subsidiarity.

### Policy Context

This Communication on combating youth unemployment is a supplement to the Youth Guarantee [COM(2012) 729, see [cepPolicyBrief](#)] and to the Youth Employment Initiative [COM(2013) 144], with which the Commission has already reacted to the high level of youth unemployment.

### Options for Influencing the Political Process

Leading Directorate General:	DG Employment and Social Affairs (leading)
Committees of the European Parliament:	Employment (leading), Rapporteur N.N.
Federal Ministries:	Family (leading)
Committees of the German Bundestag:	Labour (leading); Economy; Family

## ASSESSMENT

### Economic Impact Assessment

#### Ordoliberal Assessment

The level of youth unemployment in many of the Member States is, on the one hand, the consequence of adjustment responses to the current economic, financial and debt crisis and thus also cyclical in nature. On the other hand, however, and most notably, it is the result of severe structural problems in the labour market, particularly in southern European countries. Consequently - as the Commission rightly recognises - the essential reforms must also be carried out at the level of the Member States.

**The youth unemployment rates, when looked at in isolation, significantly overstate the problem of youth unemployment** because it is defined as a quotient of the number of young unemployed (numerator) and the number of young people in the labour force, i.e. those either in work or seeking work (denominator). Young people who are still in school, higher education or unpaid training and who are not therefore available to the labour market are basically not included in the denominator. The correct way is to look at the number of young unemployed (numerator) in relation to the total number of young people (denominator). This puts the phenomenon of youth unemployment into much greater perspective. Thus, in 2012, although Greece and Spain had youth unemployment rates of 55.3% and 53.2% respectively, the level of unemployed as a proportion of all young people was only 16.1% and 20.6% respectively (Source: Eurostat).

In addition, the youth unemployment rates in the Member States are only comparable to a very limited degree: If trainees receive remuneration, as is the case in the dual system in Germany, they count as part of the workforce. This raises the denominator thereby lowering the youth unemployment rate. If, as in Greece and Spain, they are undergoing purely academic training and therefore do not receive any remuneration, they do not count as part of the workforce. This lowers the denominator thereby raising the youth unemployment rate.

The trend in youth unemployment runs parallel to that of unemployment in the overall population. Labour market policy reforms by the Member States and support from the EU cannot therefore be restricted to creating jobs for young people. **Subsidies** from the European Investment Bank, **for small and medium-sized enterprises (SMEs) that create jobs for young people**, are therefore ill-conceived because they **distort the labour demand to the detriment of the older workforce**.

#### Impact on Growth and Employment

**The Youth Guarantee will not noticeably increase the employment level of young people because jobs are created not by government promises but by companies** and they cannot be forced into it by government. The Youth Guarantee is therefore implemented at its best by way of new jobs in government service or by offers of government education and training. However, the former cannot be financed in any of the Member States, due to the current budgetary situation, and the latter, on the one hand, tie young people to their home country thereby reducing the incentive for migration to other Member States. On the other hand, the qualification level may rise by additional government education and training programmes, as long as they are based on economic need.

The Commission's proposal to extend the EURES internet portal is basically reasonable because publishing more apprenticeship vacancies via EURES – particularly in professions with a lack of applicants – will strengthen the single market. Both Member States and regions with high youth unemployment profit from this as do those with a high number of vacant apprenticeship training positions.

**High quality, labour-market-based training concepts ease the transition from education to work because they save time-consuming and costly workplace training.** The dual training system may serve as a model here and the "national partnerships for dual learning" may help to establish such a system in Member States. In addition, labour-market-based training contributes materially to strengthening the competitiveness of the Member States – the EU's main challenge. The launch of such training systems requires a significant amount of time, however, and positive results of labour-market policy will only be seen in the medium to long-term – i.e. generally not before the next election date.

Promoting cross-border mobility for trainees is correct as a matter of principle. Traineeships are an attractive option to join the labor market. An increase in cross-border traineeships will boost the trainee's chances of finding a job in another member state. Member states with high unemployment rates and member states with a high number of job vacancies will both benefit from this. It is also correct to improve working conditions and the overall quality of traineeships. However, new legislative measures should not lead to companies losing interest in hiring trainees. This would lower the number of traineeships available and the transition from education to labor market would become more difficult.

## Legal Assessment

### Legislative Competency

The proposed measures are correctly formulated as non-binding recommendations to the Member States because the EU has only very limited competency for the respective areas. This applies as much to the "more detailed policy guidance on entrepreneurship in education" aimed at schools as to the various recommendations aimed at national vocational and educational training systems. Their composition is in fact left expressly up to the Member States, including, in particular, the incorporation of "entrepreneurial skills" into the educational (Art. 165 (1) TFEU) and vocational (Art. 166 (1) TFEU) training curricula.

## Conclusion

The youth unemployment rates, when looked at in isolation, significantly overstate the problem of youth unemployment. Subsidies for small and medium-sized enterprises that create jobs for young people, distort the labour demand to the detriment of the older workforce. The Youth Guarantee will not noticeably increase the employment level of young people because jobs are created not by government promises but by companies. Labour-market-based training concepts ease the transition from education to work as employers are spared time-consuming and costly workplace training.