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NOTE

from: The Presidency
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: Youth Employment
- *Policy debate*

Delegations will find attached a note from the Presidency outlining the context for the policy debate and providing guidance with a set of questions for discussion by Ministers at the EPSCO Council on 20 June 2013.

EPSCO 20 June 2013
Policy debate on Youth Employment

Presidency paper and questions

With a view to the forthcoming discussions on youth employment at the European Council session on 27-28 June, the Presidency has put this subject on the agenda of the EPSCO Council. Ministers should have the occasion to discuss this highly important issue at the EPSCO Council and thus to contribute to the European Council.

Youth unemployment continues to present a major challenge for the European Union and for most Member States. In April 2013, the youth unemployment rate reached 23.5% in the EU 27. Moreover, the disparities between and regions within Member States are remarkable: the youth unemployment rate is over 50% in some Member States and over 70% in some regions, while in a few regions it is even below 5%. All in all, currently more than 7.5 million of young people under 25 are neither in employment, education or training (NEET).

Recognising the urgency required in tackling the challenge of youth joblessness, the EPSCO Council quickly agreed on the Recommendation on a Youth Guarantee in February¹.

The Recommendation is that Member States should:

Ensure that all young people under the age of 25 years receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education.

It is recognised, both in the Recommendation itself and more generally, that the pace of implementation must take account of the scale of the youth unemployment and inactivity challenge and consider the fiscal capacity of each Member State. At the same time, Member States should take all possible measures to ensure that the Recommendation is swiftly implemented.

¹ Formally adopted in April 2013.

Furthermore, in February 2013, the European Council set aside EUR 6 billion² for the Youth Employment Initiative (YEI) in the Union's budget over the next seven years which should target unemployed or inactive persons aged 15-24, and which is intended to support the implementation of the Youth Guarantee. The European Social Fund programming process should play a crucial role by earmarking additional resources to implement the targeted measures to be supported by the Initiative, such as support for high-quality traineeships and apprenticeships, quality vocational education and training, reduction of non-wage labour costs, start-up support for young entrepreneurs etc.

Implementing the Guarantee

In these circumstances, it is suggested that the best way of maintaining the momentum generated by the adoption of the Recommendation would be for each Member State now to commit to adopting, by the end of 2013, concrete plans for the implementation of the Guarantee. Such plans should include:

- the types and scale of measures (training, apprenticeships, education, work placements, etc.) that will be required to make up the current shortfall in opportunities for young people in the first four months of unemployment, and how and when these will be put in place;
- the costs of implementation, and how it is envisaged that these will be met (how much can be provided from domestic sources, and what is the likely need from EU funds, e.g. ESF and YEI), taking account of the extent of the youth employment challenges faced in each Member State.
- the processes that will be required for implementation (outreach, registration, individual action planning, tracking of individual outcomes), and how and when these will be put in place;

² Out of which € 3 billion is to be allocated under an additional budget line outside of the ESF.

Financing

The International Labour Organisation (ILO) has estimated the annual cost of implementing a Youth Guarantee in the Eurozone countries alone at EUR 21 billion, and this figure would be proportionally greater for the EU as a whole. It seems certain, therefore, that funding for measures in support of youth employment will continue to come primarily from domestic sources. Even so, in order to ensure that the Youth Guarantee is put in place with greatest urgency, and recognising the challenges facing individual Member States in achieving this, EU funds, including the € 6 billion allocated to the YEI, must be mobilised as early as possible and to best effect to support this process. In order to maximise the impact, additional resources from the ESF could also be earmarked to complement the YEI allocation.

Due to the urgency, one possible approach here could involve the frontloading of the funding set aside for the YEI to achieve the maximum impact in the early years of the next MFF period. For this to happen, it is crucial that programming for the ESF in the Member States is finalised and made quickly available following the adoption of the regulation, to ensure the delivery of the YEI.

A further means of increasing the impact of the YEI and the Structural Funds would be to explore the scope for more use of EIB funding to invest in job creation and youth entrepreneurship schemes.

Mobility of young people

When addressing the issue of youth unemployment, labour mobility is particularly relevant, as young people are very mobile. The issue of mobility needs to be examined from several perspectives, including geographical and cross-sector mobility.

In the 2012 Employment Package, the Commission announced the pilot project "Your first EURES job", to support trans-border recruitment and training in order to fill vacancies in bottleneck sectors through the use of the EURES portal³. Under the new MFF, the pilot programme will be mainstreamed in the Programme for Social Change and Innovation (PSCI) which provides for targeted mobility schemes for certain occupations, sectors and cohorts, such as youth. Targeted mobility schemes, such as "Your first EURES Job" could be considered as a useful tool in the future to facilitate job search and recruitment for young jobseekers and businesses to fill bottleneck vacancies. The development and implementation of 'Your first EURES Job' and other initiatives to encourage labour mobility – in particular among young people - could be referred for consideration to the Heads of Public Employment Services network (HoPES). Possible developments could include improved funding of, and pathways for, language acquisition. The HoPES network could also be an important body in developing, promoting and disseminating good practices to support youth employment among member states.

Moreover, labour market segmentation needs to be addressed by encouraging more young people to pursue education in the fields of science, technology, engineering and mathematics (STEM). The March 2013 European Council identified the enhancement of the performance of education and training systems to ensure that young people receive the appropriate skills as an important step towards improving the youth employment situation. Therefore, to improve the employability of young people, reforms of education and training systems need to adapt to the future needs of the labour markets. This includes work-based training and learning, for example via dual learning systems that require commitment from companies to provide relevant training openings. In order to achieve that, the quality and duration of apprenticeships should be enhanced and the attractiveness of the relevant vocational education and training programmes should be improved.

³ Financial support is available for both young jobseekers and employers (mainly SMEs). Due to the very limited funding, it is currently run in only some Member States. The first wave of the programme in 2012-2013 has an envelope of EUR 4 million. Another wave should be supported by 3,25 million. The budget of the third wave is to be confirmed. The EC funding would amount to ca. € 122 mio (17m p.a.).

The ESF will be used to fund mobility measures for young people both in terms of improved employment and education services, or EURES activities and to enhance opportunities for work-based learning.

Discussion points

Against the background outlined above, Ministers are invited to consider the following questions in their interventions and provide, to the extent possible, concrete reactions:

- *In order to speed up actions to tackle youth unemployment, which obstacles do you face, and consequently which reforms do you intend to take to implement the Youth Guarantee, including the submission of concrete plans (role of different authorities and organisations involved, types and scale of measures, financing and timetable) and how quickly will this plan be finalised for implementation?*
- *What practical steps are required to bring about the front-loading of the YEI to speed up the implementation of the Guarantee?*
- *What additional actions/reforms would be required to further improve labour mobility for youth?*