

World of Work: A European Perspective on Youth Unemployment

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Abstract

The paper points out which key factors correlate with high and low levels of youth unemployment in Europe. It also focuses on national and European measures to combat youth unemployment and discusses their implementation process and effectiveness. Youth unemployment relates to the general macroeconomic situation. It is also influenced by structural factors of the labour market as well as by the quality of the educational and training systems. Although the EU only has limited competences in the area of youth and employment policy, European measures have been designed to assist EU Member States. Two of the most relevant EU-instruments are the Youth Guarantee and the Youth Employment Initiative. The implementation process has already started but obstacles with regard to the financing of the projects remain. Nevertheless, inaction would be much more costly. It is estimated that young people not in employment, education or training cost the EU 153 billion Euros (1.21% of EU-GDP) annually. The key elements to reduce youth unemployment are economic growth and job creation, a close connection between apprenticeship/education and the labour market as well as high spending on active labour market policies. Thus reformed apprenticeship systems, educational and vocational guidance and more dynamic public employment agencies could contribute to reduce youth unemployment rates in several EU Member States.

Keywords:

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Measures to combat youth unemployment
Good Practice examples

Schlüsselwörter:

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Maßnahmen gegen Jugendarbeitslosigkeit
Good Practice Beispiele

1 Introduction

As a consequence of the economic and financial crisis of 2008 the youth unemployment rate has risen all over Europe. Nevertheless, there are big differences between the EU Member States. In some European countries like Greece or Spain every second youngster is currently without a job. In other European countries like Germany and Austria youth unemployment is still relatively low. Youth unemployment not only depends on the macroeconomic situation of a country, it is furthermore influenced by structural factors of the labour market as well as by the quality of the educational and training system. Since youth unemployment presents a challenge to the EU as a whole, several measures have been taken at European level to tackle it. This paper focuses on two of the most relevant EU-instruments, namely the EU-Youth Guarantee and the Youth Employment Initiative (YEI). It presents their main goals and discusses their implementation process. Since Austria is the country with the second lowest youth unemployment rate in the EU, we analyse the main factors of its successful track record. In the conclusion measures are identified which may be useful in combatting youth unemployment.

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2 Youth unemployment in Europe

Recent statistics show that the youth unemployment rate in the EU-28 stands at 20.9% (March 2015/15-24 year olds). This is a decrease compared to last year, when the youth unemployment rate in the EU-28 stood at 22.4% (April 2014/15-24 year olds). Nevertheless, there are big differences between EU-countries and youth unemployment remains at a relatively high level throughout the European Union.

Lowest youth unemployment rates	Highest youth unemployment rates
Germany: 7, 2%	Greece: 50, 1%
Austria: 10, 5%	Spain: 50, 1%
Netherlands: 10, 8%	Croatia: 45, 5%

Table 1: Youth unemployment in Europe. Source: EUROSTAT (March 2015/15-24 years)

2.1 Long-term developments since 2000

Youth unemployment in the EU-28 and the Eurozone declined between 2005 and 2007. It reached its minimum value of 15.1% in the first quarter of 2008. However, the economic crisis especially hit young people. From the second quarter of 2008 youth unemployment increased rapidly, peaking at 23.6% in the first quarter of 2013. Since the end of 2013 the youth unemployment rate started declining again.



Fig. 1: Youth unemployment in Europe: long-term developments since 2000. (Source: Eurostat)

2.2 (Youth) Unemployment and the macroeconomic situation: before and after the crisis

The correlation between business cycles and the level of (youth) unemployment is evident. As a result of the financial and economic crisis, Europe has been confronted with a period of economic recession. Between the second quarter of 2007 and the second quarter of 2009 the European GDP fell by around 9.5 %. At the same time, employment decreased by around 4%. Although employment in EU-28 started growing at the end of 2013 - as did household disposable income after nearly four years of decline - employment rates remained below pre-crisis levels (68.4 % in 2013 vs. 70.3 % in 2008). Furthermore they are still far off the Europe 2020 target of 75%. The situation of young people is of particular concern. In August 2014, almost two thirds of the

EU Member States had youth unemployment rates which were still close to their historic highs – EU average of 21.7 % compared to about 15 % in the first half of 2008. (European Commission, 2015, p. 16)

Chart 1: Growth in real GDP, real household disposable income and employment, year-on-year change



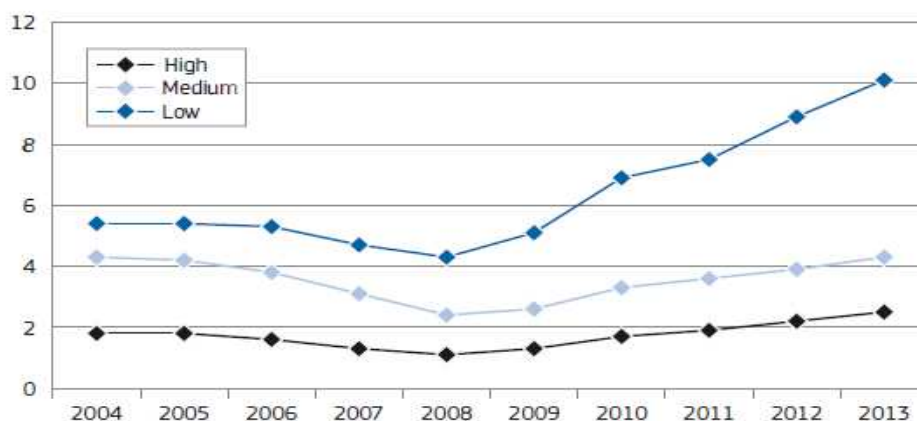
Source: Eurostat, National Accounts, data non-seasonally adjusted [nama_gdp_k]

Fig. 2: Correlation between business cycles and level of youth unemployment. (Source: European Commission, 2015, p. 16)

2.3 Youth unemployment, education and labour market policies

Educational attainment levels and employment rates do also correlate. Since 2008, the gap in long-term unemployment rates between low-skilled workers and high skilled and medium-skilled workers has widened significantly. (European Commission 2015, p. 26)

Chart 17: Long-term unemployment rates by skill level (% of labour force), 2004-13



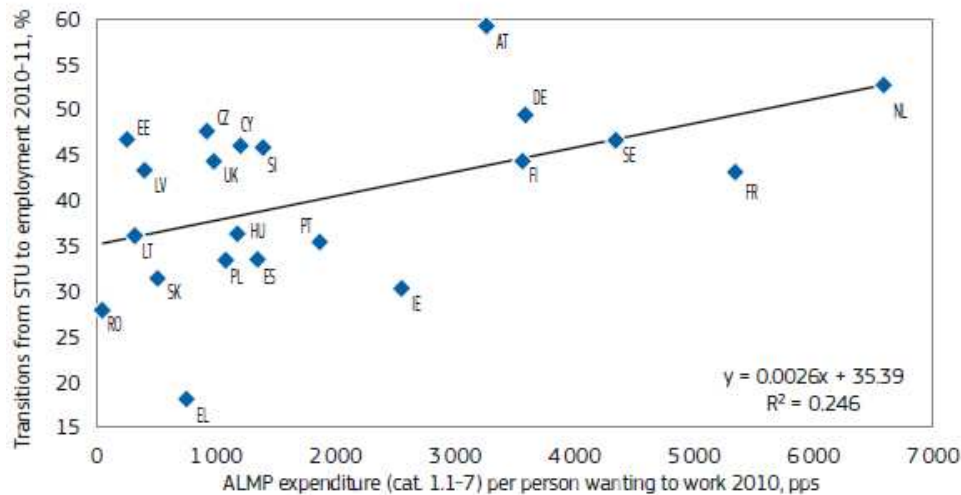
Source: EMPL calculations based on Eurostat data.

Fig. 3: Correlation between educational attainment level and employment rate. (Source: European Commission, 2015, p. 26)

A correlation between labour market policies and employment rates can also be identified. Countries that spend most on active labour market policies (ALMP)¹ per person willing to work show higher exit rates out of short-term unemployment (e.g. Austria, Germany, Netherlands). Similarly, Member States with low levels of

ALMP spending prior to the recession, but who increased or maintained their ALMP spending per person willing to work (e.g. the United Kingdom, Estonia, Latvia, Slovakia and the Czech Republic), had a better performance in containing levels of unemployment. (European Commission 2015, p. 26)

Chart 19: Higher spending on activation is associated with higher exit rates out of short-term unemployment



Source: Eurostat, EU-LFS, ad-hoc transition calculations based on longitudinal data and LMP database.

Fig. 4: Correlation between higher spending on activation and higher exit rates out of short-term unemployment. (Source: European Commission, 2015, p. 26)

3 Measures to tackle youth unemployment at European level

Youth unemployment is not only a national but a European problem. Therefore, the topic must also be a priority for the European agenda. Nevertheless, youth and employment policies remain a competence of the Member States. The EU plays only a coordinating role, issues guidelines and recommendations. But the EU has also taken several important measures in both policy areas, focusing on enhancing the mobility of young people, improving their education, simplifying the transition from education to work, improving their employability and reducing the high youth unemployment.

3.1 EU-Youth Guarantee (2013)

One important measure to tackle youth unemployment at European level is the EU-Youth Guarantee, which was adopted by the EU-Council in 2013. Its goal is to ensure that all young people up to the age of 25 receive a quality job, further education, an apprenticeship or a traineeship within 4 months after leaving formal education or becoming unemployed. In order to achieve this aim, Member States are invited to undertake structural reforms in their national employment agencies as well as in their educational systems. For the period 2014-2020, more than 10 billion Euros are provided from the European Social Fund (ESF) annually. The money must be co-financed from the national budgets. (European Commission/Youth Guarantee website)

Additionally to the Youth Guarantee the **Youth Employment Initiative (YEI)** was initiated. It particularly supports young people not in education, employment or training in the Union's regions with a youth unemployment rate above 25% (20 Member States). 6 billion Euros (3 billion from a specific YEI-budget line, 3 billion from the ESF) are foreseen for the period 2014-2020. (European Commission/Youth Guarantee website)

3.2 Implementation of Youth Guarantee and Youth Employment Initiative

All Member States have presented comprehensive **Youth Guarantee Implementation Plans**. These plans identify measures that need to be taken: structural reforms of national employment agencies as well as educational systems. The implementation of the national plans is now underway. The total cost of establishing Youth Guarantee schemes in the Eurozone is estimated by the International Labour Organization (ILO) at 21 billion Euros annually, or 0.22% of the Eurozone-GDP (European Commission/EU Youth Guarantee: Questions and Answers website). However inaction would be much more costly. The European Foundation for the Improvement of Living and Working Conditions estimates that young people not in employment, education or training cost the EU 153 billion Euros (1.21% of EU-GDP) annually. (European Foundation for the Improvement of Living and Working Conditions, 2012, p.9)

Youth Employment Initiative

Because the 20 Member States eligible for funding were reluctant to retrieve money from the YEI, the EU has decided to increase pre-financing. 1 billion Euros were made available already in 2015. Thus, Member States should be able to finance projects more rapidly. It is estimated that this should help up to 650.000 young people to find jobs, apprenticeships, traineeships or to continue their education. The table shows the YEI-specific allocation (3 billion) and the increased pre-financing for 2015 from this allocation. Together with the pre-financing from the ESF, Member States will receive 1 billion Euros in 2015. (European Commission/Youth Guarantee website)

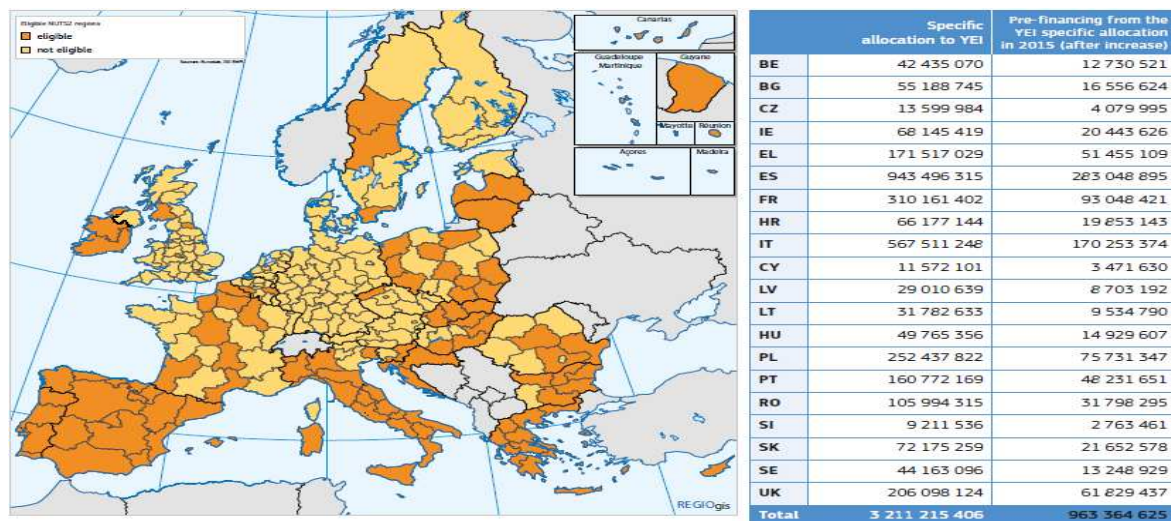


Fig. 5: YEI allocation per country and pre-financing in 2015. (Source: European Commission, Infographic map)

4 Austria in the European context

Although Austria has been hit by the crisis as well, youth unemployment remained relatively low (10, 5% in March 2015/EUROSTAT). This is not only due to a better macroeconomic performance over the medium term with a higher GDP and stronger economic growth compared to most of the other EU-countries. There are also other factors that have had a positive influence on the level of youth unemployment in Austria. Its dual apprenticeship system contributes to the low youth unemployment rate in Austria. Dual apprenticeships systems of different designs exist in nearly every EU-member state. Nevertheless they are traditionally of greater importance and well developed in Germany, Austria, Denmark and the Netherlands. (Riederer, 2014, p.2)

4.1 Well-functioning dual apprenticeship-systems in the EU and their correlation to low rates of youth unemployment

In particular Germany and Austria - but also the Netherlands and Denmark - are characterised by continuously low youth unemployment rates since 2007. All four countries have a well-developed dual apprenticeship-system. Moreover, they were affected much less by the economic crisis than other European countries. Countries like e.g. France, the United Kingdom, Spain or Greece had higher youth unemployment rates since 2007. They have either a liberal or a state-run apprenticeship system and elements of dual education are much less developed. In addition, the high youth unemployment rates are also a result of the weaker macroeconomic situation. This has been especially true for Greece and Spain.

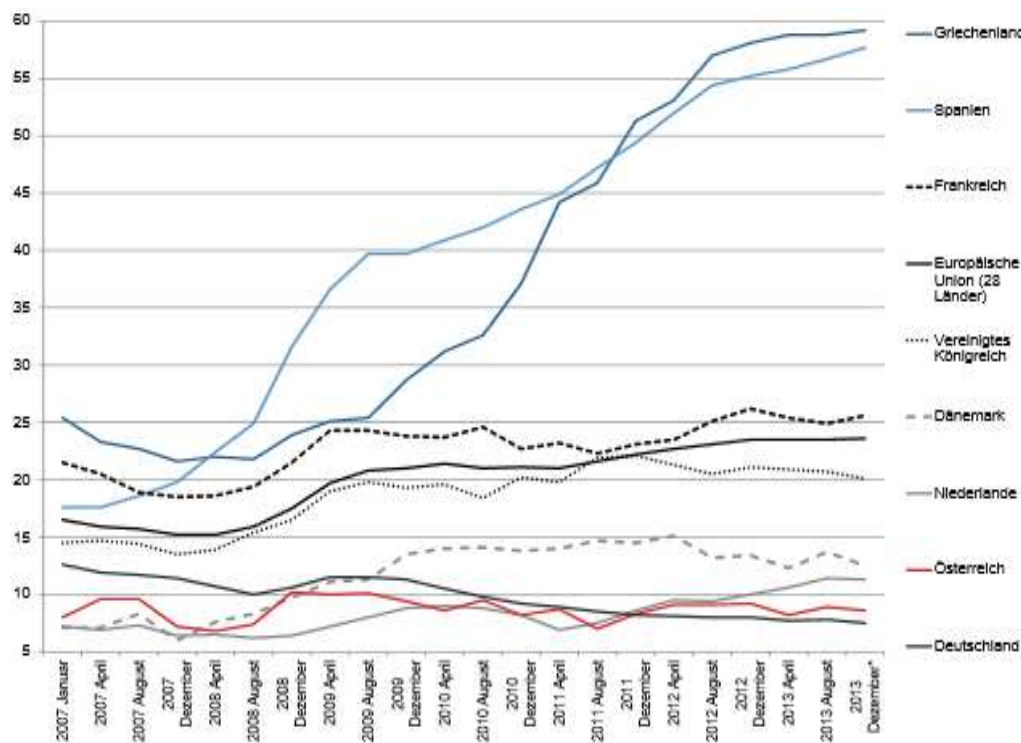


Fig. 6: Correlation between well-functioning dual apprenticeships systems and low rates of youth unemployment. (Source: Riederer, 2014, p.3)

4.2 Good practice examples in Austria

ibobb (Information, Beratung und Orientierung für Bildung und Beruf)

ibobb is an initiative of the Austrian government and the social partner organisations. It was launched in 2010 and aims at providing pupils at school with an individual, high-quality educational/ vocational guidance, focusing on their talents. There are three cooperation partners to implement ibobb: schools, administration of schools, teacher training colleges.

Training guarantee and supra-company apprenticeship

Each unemployed person under 18 who wants to complete an apprenticeship but is not accepted at the market can complete a supra-company apprenticeship instead. These supra-company apprenticeships are publicly financed and cost around 10.412 € per person/year. The training guarantee was introduced in 2008. Due to its success, which manifests itself in Austria's low youth unemployment rate, it served as role model for the EU-Youth Guarantee.

	Persons enrolled in programme	Money spent
Year 2008/09	10 541	86 952 115,68
Year 2009/10	12 191	105 747 677,59
Year 2010/11	12 799	124 818 090,61
Year 2011/12	12 172	128 205 293,56
Year 2012/13	11 693	121 614 520,39
Year 2013/14	11 949	134 864 274,30
Year 2014/15	11 147	156 750 379,20
Total	82 492	858 952 351,33
	10 412 €per person/year	

Table 2: Money spent for supra-company apprenticeships (Source: Austrian Job Centre, 2015)

Youth Coaching: Young persons between 15 and 19 years are supported in their transition period from school to work or further education. A special focus lies on youngsters who are at risk of educational dropout, youngsters with disabilities and/or youngsters with special education needs.

Austria also plays an important role in the context of the **European Alliance for Apprenticeships**. The Austrian government as well as the social partner organisations are engaged in bilateral cooperations with other EU Member States. The aim is knowledge transfer concerning the dual apprenticeship system.

5 Conclusions

Youth unemployment and unemployment in general depend very much on the national macroeconomic performance. There is a strong correlation between business cycles and the level of (youth) unemployment. Youth unemployment is also influenced by structural factors of the labour market (e.g. recruitment costs, investments in active labour market policies etc.) as well as the quality of the educational and training system. In order to provide high quality education and boost the employability of young people, reforms of the apprenticeship systems are needed in several EU-countries. A key element is a close connection between apprenticeship/education and the labour market. The well-functioning dual apprenticeship system of Austria and Germany could be used as role model. Nevertheless, one cannot simply “export” this system. Country specific approaches are needed to respond to different national characteristics. Educational and vocational guidance is equally important. The ideal case would be to offer it already at school, as is the case in Austria (ibobb/Youth Coaching) or in Finland. The more countries spend on active labour market policies per person willing to work, the higher the exit rates out of short-term unemployment. Therefore, public employment agencies should be further developed and more effective measures of active labour market policies, like e.g. training schemes and employment subsidies, should be taken. Finally, the role of the European Commission to permanently monitor and evaluate national youth policy measures is decisive for their success.

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¹ ALMP: public employment services/training schemes/employment subsidies