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THE EUROPEAN YOUTH GUARANTEE: A REALITY CHECK

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The FEPS Young Academics Network is organised with the support of the Renner Institute.

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FEPS Young Academics Network

The Young Academics Network (YAN) was established in March 2009 by the Foundation of European Progressive Studies (FEPS) with the support of the Renner Institut to gather progressive PhD candidates and young PhD researchers, who are ready to use their academic experience in a debate about the Next Europe. The founding group was composed of awardees of the “Call for Paper” entitled “Next Europe, Next Left” – whose articles also help initiating the FEPS Scientific Magazine “Queries”. Quickly after, with the help of the FEPS member foundations, the group enlarged – presently incorporating around 30 outstanding and promising young academics.

FEPS YAN meets in the Viennese premises of Renner Institut, which offers great facilities for both reflections on the content and also on the process of building the network as such. Both elements constitute mutually enhancing factors, which due to innovative methods applied makes this Network also a very unique project. Additionally, the groups work has been supervised by the Chair of the Next Left Research Programme, Dr. Alfred Gusenbauer – who at multiple occasions joined the sessions of the FEPS YAN, offering his feedback and guidance.

This paper is one of the results of the second cycle of FEPS YAN, (the first one ended with three papers in June 2011), in which 5 key themes were identified and are being currently researched by FEPS YAN working groups. These topics encompass: “Education, Labour and Skills”, “Economic governance in the EU”, “Migration and Reassessment of integration models”, “Youth unemployment” and “Social Europe and public opinion”. Each of the meetings is an opportunity for the FEPS YAN to discuss the current state of their research, presenting their findings and questions both in the plenary, as also in the respective working groups. The added value of their work is the pan-European, innovative, interdisciplinary character – not to mention, that it is by principle that FEPS wishes to offer a prominent place to this generation of academics, seeing in it a potential to construct alternative that can attract young people to progressivism again. Though the process is very advanced already, the FEPS YAN remains a Network – and hence is ready to welcome new participants.

FEPS YAN plays also an important role within FEPS structure as a whole. The FEPS YAN members are asked to join different events (from large Conferences, such as FEPS “Call to Europe” or “Renaissance for Europe” and PES Convention to smaller High Level Seminars and Focus Group Meetings) and encouraged to provide inputs for publications (i.e. for FEPS Scientific Magazine “Queries”). Enhanced participation of the FEPS YAN Members in the overall FEPS life and increase of its visibility remains one of the strategic goals of the Network for 2012.

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1. Introduction

Unemployment and youth unemployment in particular, are among the most pressing social problems in Europe. Delayed entry into the labour market is associated with long-term troubles in finding employment and pay differentials that may last for decades. It is also a problem mostly likely to befall those young people who already held the weakest positions in the labour market, like school drop outs. For them, youth unemployment effectively blocks their most viable road towards upward social mobility. In the context of an ageing society, a large group of young people failing to acquire stable jobs also adds up to an intergenerational problem. After all, the future of our social model greatly depends on this young generation's ability to provide for a much more sizeable generation of retired people. High youth unemployment rates, in some countries up to nearly half of the labour force under 25, will have a detrimental effect on that capacity. Moreover, as high unemployment as this may have fundamental consequences to the moral and ideological underpinnings of the societies that, after all, is based on wage-work as the primary and the most desirable means of income.

This year, European social democrats launched a campaign for the *European youth guarantee*, effectively wishing to grant *the right* to work to young people. Those under 25 years of age, the guarantee holds, who have not found a job within three months, should be provided with a job, training or apprenticeship. The “guarantee” shifts the focus of unemployment away from individual problems of employability towards more traditionally social democratic ideals in which full employment is a societal responsibility. In a rather tautological way, the youth guarantee solves youth unemployment by simply not allowing for its existence. It is, as such, more an ideal than a policy and must be judged on the basis of the extensive operationalization at the national or even local level it needs to succeed.

In this paper, we examine the state and nature of youth unemployment in the EU and the potential of the youth guarantee. We study the countries where a youth guarantee has been implemented or is in the process of being introduced. Analysing the measures, target groups, rights and reciprocities involved in the existing guarantees, we then assess the possibility of copying the policy design in other EU member states. We will argue that while the youth guarantee was successfully implemented and uploaded to the European policy domain by a limited number of North-Western European countries, the concept has not yet been adapted to reality of those member states where it is most sorely needed. Conditions assumed as self-evident in countries like Finland and Austria, do not always exist in the member states that were most hardly hit by the crisis. There is a lack of stable labour market to integrate into, youth unemployment is not limited to lowly educated youth and the state of vocational education and training tends to lag behind. In order for the youth guarantee to be effective in Southern and Central Eastern European member states, its budget needs to be drastically increased and its focus needs to shift much more to demand side policies and job creation.

2. Youth unemployment

In the context of today's headlines, it would be easy to think that youth unemployment only just recently became a problem and is due solely to the economic crisis. However, youth unemployment rates have always exceeded those of the general population, not uncommonly being twice as high¹. Making the transition from education to the labour market, young workers have less experience, smaller professional networks and fewer ways of proving their quality as an employee. Many young people are excluded from internal promotions, quite simply a consequence of not yet having a job. The unusually big cohort of baby boomers currently still in employment, also makes it more difficult for youth to find jobs: fewer vacancies and more competition.

Even during the affluent years on the eve of the economic crisis only five EU member states reported youth unemployment rates below ten per cent: Austria (9%), Denmark (8%), Ireland (9%), Lithuania (8%) and the Netherlands (7%)². The EU average youth unemployment at its lowest point, in 2007, was 16 per cent as compared to an overall rate of 7%³. Already by then Greece, Italy and Spain had persistently high youth unemployment rates. In the crisis, youth unemployment rates grew faster than the general unemployment rate, from 16% in 2008 to 21% in 2011. In many countries, youth unemployment doubled; only a few kept the rates stable.

Youth unemployment is even higher when taking a broader definition⁴. Most importantly for our current concerns, the unemployment rate counts only those youth who are registered as unemployed. It ignores all other young people that do not work. Worryingly, data from Eurofound (2009) indicate that in 2009 only half of the youth who were outside of education, employment or training (NEETs) were registered as unemployed; the rest were simply inactive. As shown in figure one, 12% of the European youth was neither in education, employment nor in training. Contrary to the conventional unemployment statistics, by this measurement young women are slightly more likely to be out of employment, education or training than young men. Even in a smaller member state, like the Netherlands, this group comprises of

¹ Part of the explanation of the higher youth unemployment rates, admittedly, is that job seekers under 25 years of age are much more likely to be lowly educated than the population as a whole. Because lowly educated young tend to complete full time education years before their highly educated peers, they are overrepresented in the young labour force.

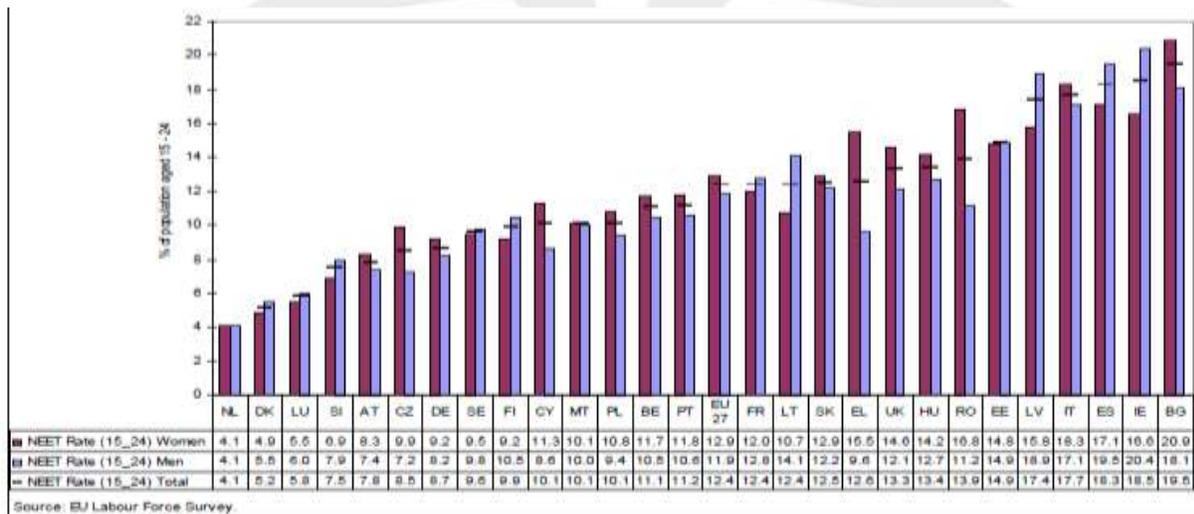
² This is despite the fact that the newly acceding member states in Central Eastern Europe had just shown impressive falls in youth unemployment since the beginning of the 2000s, when most registered rates were well above 20%, up to 42,5% in Poland. Lithuania's youth unemployment rate dropped from 22,4 per cent in 2002 to 8,2% in 2007, among the top five of Europe.

³ For a complete overview of unemployment rates, consult the full table in annex I of this paper.

⁴ Many data sources count people as employed who work as little as 1 or 12 hours per week. The unemployment rate therefore ignores underemployment, both in terms of hours worked and in terms of over qualification. Another element of contention is the cut-off point at 25 years of age, which is years before the average young person is firmly settled in the labour market.

around 97.000 young people who failed to make the transition from education to the labour market (almost twice as big as the group of 50.000 registered unemployed). The NEET rate also highlights the flawed measurement of the problem through the unemployment rate, as illustrated by Ireland (performing just worse than average in the unemployment figures) and Bulgaria (just better than average) being the two worst performing member states when incorporating all young people who are inactive.

Figure 1: NEET rate 15-24 year olds in %, 2009



Source: Eurostat Labour Force Survey, Comparative Paper 2011

During the crisis, youth unemployment has increased more than twice that of older cohorts in the OECD countries and has remained high. Differences between EU member states, however, are considerable. Most obviously, unemployment rates and youth unemployment rates reflect the depth of the crisis. Unsurprisingly, the southern member states, which have borne the brunt of the on-going Eurozone crisis, and those Central Eastern European states that were forced to accept IMF rescue packages, are grappling with high levels of youth unemployment.

However, it is important to note that the phenomenon is in no way restricted to Europe's south and east and has caused considerable concern in Northern European States, such as the United Kingdom and Sweden, where low economic growth and extensive austerity measures have led to high levels of unemployment across the board and especially among young people. Seeing how these countries have very different levels of labour market flexibility, the right-wing argument that labour market rigidity is preventing job creation, seems to have limited explanatory value here. The UK has a highly flexible labour market like Denmark and the Netherlands, which are outperforming it by far.

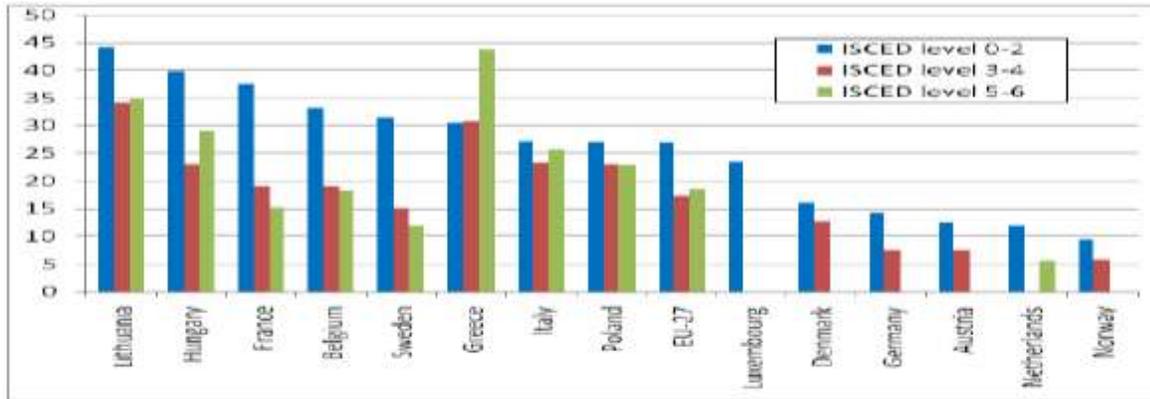
Other views suggest better results of more flexible labour markets are largely a statistical trick. Flexibility decreases long term unemployment but increases the number of unemployment spells (as youth are both hired and fired more readily). Thus, flexibility decreases the number of unemployed at any given moment but hardly increasing the total time in employment for those same people. Indeed, in the last couple of years, scholars have repeatedly warned against an approach that focuses only on getting youth *into* jobs at the cost of neglecting the importance of *keeping* them in jobs, arguing that integration into a transient labour market is more than acquiring a first job. More and more, research follows cohorts of youth for a number of years into their early careers into the transitional labour market, studying the conditions under which youth *remain* in employment.

Here, the general consensus is that the best way of staying in employment is to attain a high educational qualification. Lower levels of education are associated with a higher risk of unemployment (although different results are sometimes reported for Greece and Italy). Youth with low skill levels form the core group of the young unemployed and are the people that will likely continue to have difficulties integrating into the labour market even after the crisis has withered away. They are the most numerous group of unemployed youth, as well as the most difficult to place. Nowadays, being lowly educated is a bigger impediment to finding a job than lack of experience, young age, being a woman, having young children, previous spells of unemployment, being from an ethnic minority or from a low social class.

As the overview by Bell and Blanchflower (2011) in annex II shows, even *employment* rates of tertiary education students (a large group of whom will not even have finished their full time education before they reach the age of 25) are higher than those with primary and secondary education in all but five countries (Austria, Czech Republic, Denmark, Italy and Slovakia). Unemployment rates too, as shown in figure 2, are significantly higher in most countries for those who have only primary or secondary education.

One of the more successful strategies to integrate youth with less than tertiary education, seems to come from Austria, Germany and Netherlands, who have so-called occupational labour markets. In contrast to internal labour markets like the UK, occupational labour markets are characterised by a greater transferability of qualifications between employers. Occupational labour markets are often combined with education and training systems with strong vocational training components. The European Commission (2011), as well as the OECD (2010) have been recommending educational systems with strong vocational elements, as those countries possessing such systems have shown to be more successful in keeping pupils from the lowest educational track in education as well as integrating youth with low and middle levels of education into the labour market.

Figure 2: Unemployment rate 15-24yrs by ISCED levels, Q3/2010



Source: Comparative Paper on Youth Integration 2011

3. National Youth guarantees

Four EU member states have launched youth employment programmes that boil down to instating a youth guarantee: Austria, Finland, the Netherlands and Sweden. Contrary to other youth employment programmes, these present young people with the (often reciprocal) legal right to receive a job, training or internship placement. Yet, while the provision of that right is the most important element distinguishing the guarantees from all other policies, these four have a lot more in common than just that. They all zoom in on a relatively small group of lowly educated young people, not uncommonly being school drop outs. Many are re-routed into vocational education or into apprenticeships that provide on-the-job training. While the policies involve varying degrees of reciprocity, eligibility criteria, time periods, budgets, measures, target groups and partner organisations, it is possible to distinguish two different approaches that seem to correspond to the almost classical division between the Nordic Model and the Rheinland Model.

The Nordic version of the youth guarantee consists of the Swedish *jobgaranti* policy, applied since 2006, and the Finnish *yhteiskuntatakuu* policy, to be implemented as of 2013. The programmes are state-led, involving the social partners only in second instance. Much of the policies is arranged via taxation measures, aimed at increasing the attractiveness of young people for employers.

In Sweden, unemployed people under the age of 25 are given a guarantee that they will get a job within three months of the registration. The policy was implemented by the Reinfeldt cabinet which is a coalition of centre-conservative parties. However, Sweden has a long trajectory of active labour market policies, and the youth guarantee can perhaps be seen as continuing from a long Social Democratic

tradition. Swedish policies also include reduced employer taxes for those hiring young people, and a special subsidy targeted at young people with a minimum of six months on any social benefit. This latter is part of a “newstart job” policy, introduced in 2007, and aimed at easing the entry (or re-entry in case of sickness) into the labour market (Ministry of Employment, 2007). According to 2011 statistics, “newstart” policy has significantly reduced the need for various other employment. Under period 2012–2015 the Swedish government plans to use ca. 1100 million SEK or 130 million Euro for youth guarantee measures (Ministry of Employment, 2012).

In Finland the guarantee “will be implemented so that each young person under 25 and recent graduates under 30 will be offered a job, on-the-job training, a study place, or a period in a workshop or rehabilitation within three months of becoming unemployed” (Finnish Government, 2011, 78). The funds currently budgeted for the policy are 60 million euros per year. The policy emphasises training for young people without secondary education as well as active labour services in order to offer shorter paths to work for qualified young people. Katainen’s cabinet is a six-party coalition in which Kansallinen Kokoomus (National Coalition Party or conservative party) and SDP form the core. Special measures to target the youth unemployment was high on the Social Democratic platform in the 2011 general elections, and hence the “guarantee” in the government programme.

The Dutch and Austrian programmes can more accurately be described as ‘state mediated’ youth guarantees. While the programmes and laws are designed by the central governments, the implementation takes place through a network of schools, vocational and higher education institutions, employer organisations, trade unions, unemployment offices, youth social workers and municipalities. Rather than tax breaks, the programmes come with project budgets that need to be reaffirmed each couple of years and might thus be more dependent of political whims.

In the Netherlands, the youth investment act (*Wet Investeren in Jongeren*) and an action plan against youth unemployment were passed by Parliament in 2009 at the initiative of the Christian-democratic and Labour Party coalition (and discontinued as of the 1st of January 2012 by the new right wing government). The Youth investment act charged municipalities with the obligation of guaranteeing youth until 26 a job or apprentice placement within three months. In return, it required young unemployed to accept those placements or face the discontinuation of benefits. The plan focused on low skilled or unskilled young people, which in 2011 boiled down to 50.000 registered unemployed and 97.000 youth out of a job or school but not registered as unemployed. Roughly half of this group had no ‘starting qualification’, i.e. at least a post-secondary vocational education diploma as the minimum requirement to get a job. Since both youth and general unemployment rates remained quite low in the Netherlands, the underlying assumption of the plan was that middle and highly educated youth would not require the assistance of public employment services to find a job.

Through the action plan, the law included a budget of 250 million euro over two years, with which 170.000 young people got a job, internship or traineeship and 20.000 got further full-time vocational training; the total number of traineeships in the country was increased to 220.000 and the unemployment office created 220 jobs for young people who were most difficult to place (Ministry of Social Affairs and Employment, 2009). Specific cooperation and early-alert systems with high schools and youth workers were developed to take immediate action in cases of school drop-outs and a system was developed for the identification of young people who were neither in employment, education or training.

In Austria, the *Ausbildungsgarantie*, or training guarantee, was introduced in 2008 by the social-democratically led grand coalition government. It gives a person of 15–24 years of age a right to enter an apprenticeship programme in which they acquire skills that are specific to a single company but broadly required in the respective sector and delivers publicly recognised competence (Federal Ministry for Work, Social and Consumer Affairs, 2012). The number of people in apprenticeships increased from just over 8000 in 2008 to more than 16.000 in 2011 and the programme was funded with 117 to 145 million euros annually. In addition, subsidies were introduced for private firms who introduced traineeships and programmes to improve the quality of vocational training were run, job coaches were made available in schools and vocational education and training institutions as well as personal assistance in the workplace.

Thus, in the state-mediated programmes, different actors are brought together to provide what are primarily traineeships, whereas the state-led guarantees may be said to have a larger focus on jobs. The absence of tax breaks also keeps the state-mediated programmes a little cheaper than their state-led counterparts. Still, many of the more tacit traits of all four guarantees are the same: they share a strong focus on lowly educated youth, substantial money investments are made per unemployed young person and vocational jobs and educations are seen as the pathway to labour market integration.

4. Youth employment policies in countries without a guarantee

In the previous section we have looked at EU Member states with a youth guarantee policy and relatively low unemployment rates. Twenty other member states, which are covered in this section, face higher rates of youth unemployment. Taking into account geography, unemployment levels, economic and social development, these countries could be grouped into 3 clusters: the Mediterranean (Italy, Spain, Portugal, Greece, Cyprus, and Malta), central and eastern Europe (Poland, Czech Republic, Hungary, Slovakia, Slovenia, Lithuania, Latvia, Estonia, Romania, and Bulgaria), and Western Europe (France, Belgium, Luxembourg, Ireland).

At the beginning of 2012 the employment situation continued to deteriorate, prompting the EU Commission President Manuel Barroso to write letters to the heads of government in the 8 (Spain, Greece, Slovakia, Lithuania, Italy, Portugal, Latvia and Ireland) out of the abovementioned 20 countries that have youth unemployment levels higher than the European average. The letter outlined a series of proposals with the overall objective of developing targeted plans which would be later included in the National Reform Programme of each member state. With youth unemployment becoming an European wide issue, this section looks into the Member States' policies that are developed in a European framework.

4.1 The policy response in a European framework

Employment policies have been regarded as issues belonging to the national rather than European level. The basic reason is that social policy at a European level seems “hollow”, since its core of social protection and income redistribution is at national level (Nelson, 2008). Before the crisis, the common line of thought was that there were four main social sub-models in Europe, the Nordic social democratic, Anglo-Saxon liberal, Continental corporatist and the Mediterranean (Sapir, 2006), to which some authors argued for the addition an Eastern European social model (Neesham and Tache, 2010).

Following the failure of the Lisbon strategy, the EU has tried to fortify the role of the rather weak open method of coordination as a method of governance for the social policy area by introducing national reform programmes (Daly, 2006). The Europe 2020 strategy features five target areas, three of which – employment, education and poverty / social exclusion – are very relevant for the issue of youth unemployment. The national reform programmes (NRP) are updated yearly and submitted to the Commission by Member States' Governments. In addition, one of the flagship initiatives of the Europe 2020 strategy is called Youth on the Move. Besides the official EU documents, perhaps the most striking comment on youth unemployment as an European issue was delivered by ECB president Mario Draghi (2012): “The European social model has already gone when we see the youth unemployment rates prevailing in some countries.”

Our analysis of the youth employment policies in a European framework focuses on the 2012 National Reform Programme documents submitted by the abovementioned 20 Member States in the first half of the year, covering the following topics: importance given to the issue by governments, the policy measures, degree of policy development, provision of financial resources, the relationship between policies and governing party political affiliation. Spain and Greece are two EU Member States worth a closer look due to the persistent high level of unemployment, continuing severe economic downturn, emphasis on austerity policies and on-going presence in the public debate.

The importance given the issue by member states' governments could be established if we look if youth unemployment is at least mentioned explicitly as a problem or whether the latest statistical data feature

in the NRP document. A subsection on youth unemployment in the employment chapter of the document would point to an even higher degree of importance.

Youth unemployment is explicitly mentioned in the national reform programmes by most of the 20 Member States covered in this section. For Spain and Italy, two large countries with very high rates of youth unemployment, the language of the documents stresses the importance of the issue. According to the Spanish Government (2012, 15), “the high youth unemployment is one of the most pressing problems of the Spanish economy and society and the centre of attention”, while for the Italian Government (2012, 101) “youth unemployment has reached alarming levels”. With few exceptions, these countries’ NRPs feature the latest statistical data on youth unemployment and a separate section focused on the issue.

With half of Spaniards under 25 that are looking for a job, but could not find employment, the section on labour market of the 2012 NPR features an entire sub-section called youth employment plan, which outlines several measures aimed at facilitating employment in the short term. These measures are grouped in three categories: (1) labour market and employment policy reform, (2) alternative paths to employment, and (3) support via the European Social Fund.

At the other end are the countries that have no mentioning of the issue in their NRPs, such as France, Slovenia and the Czech Republic, although the youth employment rates (see annex 1 and 2) are similar to the ones that do.

The specific *policy measures* against youth unemployment include a wide range of initiatives: *training, counselling, business start-ups and grants, apprenticeships, enterprise working experience and internships, public employment, labour market reforms* as part of a larger package of *structural reforms, and fiscal incentives*.

Virtually all Member States provide *training programs*, usually targeted for early school leavers, low-skilled individuals or youths with no qualification. In some countries, such as Luxembourg, the public employment service has a system put in place for monitoring those that have just reached the legal age to enter the labour market. A newer development is the addition of motivational training, like Bulgaria and Hungary, to skills training. The overall size, quality, and match with the structure of labour market demand of these programs are issues open to debate. As for the funding source, the ESF is the norm, while standalone programs financed through national budgets are rarely mentioned. *Counselling and career orientation services* are almost as wide spread as the training programs.

Business start-up grants and entrepreneurship courses represent a somewhat newer measure, which is found especially in the countries with the highest rate of youth unemployment, such as Spain, Greece and countries that joined the EU in 2004-2007. In Hungary, Bulgaria and Romania these programs are

funded through the European Agricultural Fund of Rural Development. However, the number of participants in these schemes is low compared to the overall size of the workforce. In the abovementioned countries the yearly total is in the low thousands, while for smaller countries like Cyprus it is below 100. In all these instances, funding is provided by the ESF.

Apprenticeships, enterprise working experience and internships are regarded as a way of developing mainly manual labour skills. For youths that are no longer in the education system, it is unclear in many cases if funds are provided for the wages of apprentices or interns. One such case is the Spanish so-called contract for training and learning. Presented as the main labour market reform, under its new form people between 16 and 30 that have no formal skill certification could sign up for company training activity. The reforms remove the limitation for the maximum admitted number of contracts per company. In addition, each worker could have more than just one such contract during his or hers working life. The contract duration extended to as much as three years, but not less than 6 months. Employers could receive public co-financing for the costs of the training provided to employees under such contracts by the Social Security. An expansion of this system with funding from the ESF is under review. A three year tax break in the employer's social contributions is given if the training and learning contract is transformed into a full-time working contract. The same tax breaks apply for the employment of people below 30 by SMEs or self-employed. Other measures provide for placements for young people with skills (university or vocational training or higher level, aged below 25) but no experience, an internship program between 3 to 9 months, and more mobility in vocational training under EURES network and other programs (DaVinci, Erasmus, etc.). In some cases, like Hungary, Cyprus and Belgium wages for apprenticeships or internships are provided with ESF co-financing. Greece is looking to introduce a program for a work experience stage in the private sector.

Public employment for a limited time duration or internship in public sector organizations is available in Hungary and Luxembourg.

Various measures have been introduced in several member states as part of *labour market reforms* and part of a larger package of *structural reforms*. *Tackling undeclared work* is one such measure pursued in Greece, Romania and Lithuania. *Cuts in unemployment benefits* were introduced in 2011 in Belgium, Romania and Greece. In the Czech Republic (2012, 44) a new provision states that "if a job applicant who has been kept in the job applicants register for more than two months refuses an offer to perform public service of 20 hours a week, such refusal will constitute grounds for his elimination from the job applicants register." *Reduced collective bargaining rights* are also associated with structural market reforms in Greece and Romania. In the latter (2012, 7), national collective bargaining rights were eliminated altogether because now "the wage setting reflects better the evolution of sectoral labour productivity, cutting back on the effects (...) of former collective agreements that could bring about some economic imbalances, because of financial commitments exceeding the budgetary resources of the companies."

An indication of what structural reforms of the labour market mean in terms of policies is to be found in Greece. With youth unemployment surging by 29 percentage points to 44.4% (as of the end of 2011) since the beginning of the economic crisis in late 2008, the Greek government admits in the 2012 NPR (26) that “the short-term employment prospects are rather weak”. Expectations for more favourable conditions for employment are set in the medium term and to be achieved through the structural reforms that were put into effect in 2011 that include the following:

- labour cost reduction, which is linked with facilitating employment through a 22% cut in the minimum wage for workers aged above 22; a 32% cut in the minimum wage for workers up to 25 “in order to tackle the severe problem of youth unemployment”; any kind of wage increase by law or collective bargaining or arbitration is frozen until unemployment drops below a national threshold of 10%;
- flexible form forms of employment, meaning more fixed term contracts by extending the reference period during which renewals could take place before automatic transformation into an indefinite contract;
- more flexible collective bargaining, by which an apparent contradictory rule is enforced, giving firm-level agreements precedence over any other more favourable collective agreement as long as the firm level agreement is at least as favourable as the national collective agreement. A threshold of 3/5 of the workforce is set for the firm-level collective agreement;
- increased role of private employment services;
- cuts in unemployment benefits by adjusting them to the new and lower minimum wage levels and enforcing stricter conditions for provision;
- a crackdown on undeclared work, including incentives for employers to introduce the use of an electronic card that would record each worker’s daily timetable.

The fiscal incentives include tax breaks and wage subsidies. *Employer tax breaks* are provided in Spain, Lithuania, Romania and Hungary by reducing the unemployment social insurance contribution. Since the contribution is a small fraction of the gross wage, the amount is rather low in relative and absolute figures. In Spain, the measures under the alternative paths to employment category include up to 50% social contributions tax breaks for self-employed and the capitalization of the unemployment benefit to men under 30 and women under 35 that choose to take up employment or self-employed through a corporation. The Greek government is looking for a scheme to subsidize enterprises for the recruitment of young graduates aged up to 35 using as funding source the unemployment benefit. *Subsidies for employers* are used in several countries, namely France, Greece, Luxembourg, Cyprus, and Romania as a share of the national minimum wage, whereas *subsidies for employees* are found only in Malta.

The degree of policy development refers to the presence in the NPR documents of items that provide specifics to youth employment policies, such as the use of targets in terms of percentage points of

unemployment reduction or the number of new employment contracts, a time frame for the targeted or mainstream measures mentioned, the use of age groups for targeted policies, and the explicit use of the NEET concept.

Overall targets for youth unemployment rates or new labour contracts are present in just a few cases of newer member states (Bulgaria, Estonia, Lithuania and Malta), which arguably could be a sign of an implicit admission of weak short to medium term prospects for reducing unemployment. Where targets are set, the time frame is in the range of a couple of years. The age group for the youth employment policies varies across the EU. While more than half of member states mention no age group, the ones that do start with a low of 15 years old in Romania, derived from the 15-24 age group used in official statistics, to 16-30 in Spain or even 16-35 in Hungary. The use of the NEET concept is rather an exception than a norm. Only Italy, Poland and Malta use it among the 20 member states reviewed in this section.

The provision of financial resources is of critical importance for obvious reasons. Besides the size of the funds, the sources are relevant as well. With national budgets under pressure, member states increasingly rely on the ESF. The explicit provision of resources in the policy documents is found in less than half of the member states. Usually the amounts are specified for each training, business start-up or apprenticeship program. As for the sources of funding, the European Social Fund features heavily, being the main source of financing for training, counselling and entrepreneurship programs, with the national side providing for the co-financing amount at a fraction of the cost. In Spain, for instance, the ESF funded projects are expected to benefit some 550,000 youths during 2012-2015, when EUR 350 million are available. The Spanish Government is considering the expansion of available funding by transferring money between different axes of the Operational programmes, pending a further assessment and approval by the Commission. Any explicit mentioning of national financed, standalone programmes is quite rare, such as the job subsidies for some 20,000 people in Romania.

The relationship between policies and governing party political affiliation is underscored by the fact that almost all of the 20 EU member states governments reviewed in this section that submitted NRP documents at the beginning of the year were, at that time, led by an EPP affiliated party. In Italy and Greece there were the technocratic cabinets of Mario Monti and Lucas Papademos. The only government not led by an EPP affiliated party was in Cyprus with a left wing incumbent under a presidential system and Belgium with a wide coalition government led by Belgian Social Democrat Elio Di Rupo. Since the spring of 2012, PES affiliated parties came into government in Slovakia, France and Romania. The new Slovak government was installed just before the NRP was submitted to Brussels, thus having no time to significantly alter the content.

With so many EPP-affiliated parties in government, supply-side youth unemployment policies are dominant. Under this approach, policies are aimed mainly at the supply component of the labour market. Unemployed youths lack employability and competitiveness that could be remedied through the

acquisition of skills by training, labour market counselling and promotion of the entrepreneurial spirit through business start-up grants. In addition, the mismatch between supply and demand on the labour market is to be addressed through structural reforms. In practice, these reforms aim to reduce labour costs by reducing rigidities and making the labour market more flexible through a series of complementary measures such as reducing collective bargaining rights, cuts in unemployment benefits, lowering the minimum wage, more part-time jobs, more fixed term contracts (with a duration from 6 months up to maximum 3 years), and making it easier to hire and fire.

4.2 Summing up the current policy response

Youth unemployment is acknowledged as a social issue by most of the newer member states. Some have even set targets for the future. However, the policy response lacks any mentioning of a “youth guarantee”. Notwithstanding the absence of the term, the basic approach of targeting youths who are not in employment, education or training (NEETs) is present in some cases. The main commonality is the framing of youth unemployment from a supply-side perspective. At national and European level, youth unemployment is not framed as a structural problem, but an individual one, affecting those youths that lack employability, persistence and competitiveness. Thus, unemployed youths are stigmatised as having personal and/or moral shortcomings. As a result, the area of intervention is a presumed to be a lack of or skills mismatch between such individuals and market needs. This supply-side narrative also features a tougher stance on unemployment benefits, informal work and collective bargaining rights. While the alternative of stimulating demand via subsidies for employed youths is present in some countries, the level of financing is modest, well below the scope of the problem.

The financial framework of the measures against youth unemployment is heavily dependent on the European Social Fund. One could point to two main reasons. Firstly, most of these member states face severe budgetary constraints due to the austerity policies in place. Secondly, the ESF framework is based on human resource development, i.e. workforce training programs. This is closer to the skills mismatch approach than to the job subsidy one, although there may be room for manoeuvre. Nevertheless, some of the member states’ NRPs lack the necessary specifics for the listed measures against youth unemployment: funding, targets and time frame.

5. Conclusion

The European youth guarantee is a union wide commitment to ending long term youth unemployment. The guarantee holds that any person under 25, who has been unemployed for three months, should have the right to receive a job, an apprenticeship or further training. Introducing a right to work is instinctively in concert with social-democratic goals of full employment. The youth guarantee, as such, brings back ideas of emancipation through work to a policy field of active labour market policies.

Four youth guarantees have been launched by EU member states, of which one was discontinued in 2012 and one will only come into effect next year. While they differ mainly in respect whether they are state led or state mediated, the youth guarantees have much more in common. They all sprang in countries where the group of young people with poor labour market prospects is relatively small, where solid vocational education and training systems are in place and governments have ample financial space to invest money into the youth employment programmes.

The achievements of these youth guarantees give the respective member states and social democrats across the European Union, ample reason to want to upload this concept to the EU policy arena. They have done with considerable success: the youth guarantee is firmly on the European agenda. The concept, however, has been hardly adapted from its original context, while several underlying assumptions do not hold in the broader context of the EU.

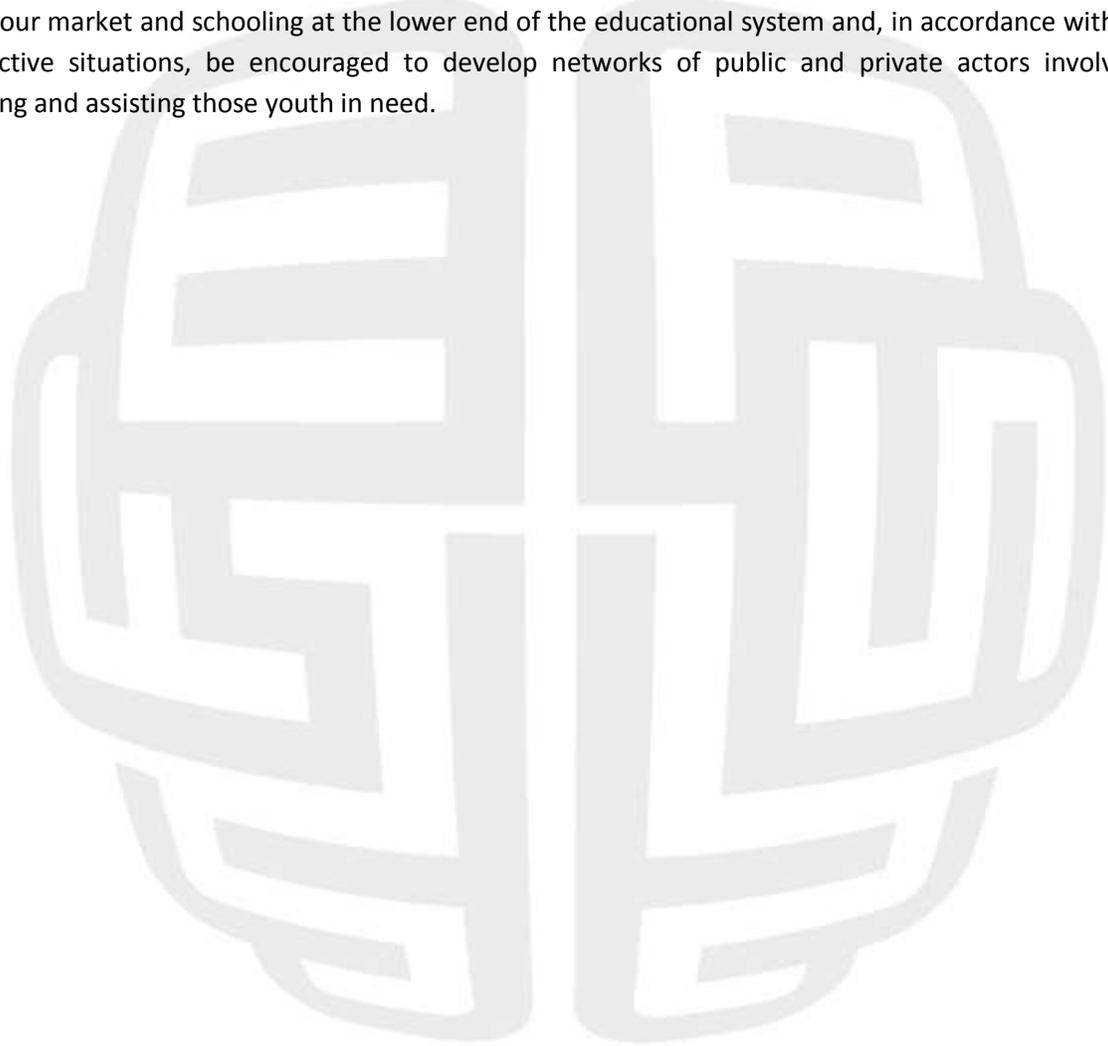
The countries that are most sorely in need of policy action against youth unemployment, do not have the luxury of being able to target the guarantee to a small group of lowly educated youth, their unemployed youth is much more diverse and is a much bigger group. This implies the need for both more investment and for different measures that accommodate the more highly educated youth. Sending these people back to school, a popular policy action in the present youth guarantees is not an option for university graduates. For the youth guarantee to become a concept that is truly applicable throughout Europe, its demand side measures need to be strengthened. While the state-led youth guarantees already provide a small number of examples for large scale job creation (notably via tax incentives), this implies a relaxation of the fiscal restraint requirements currently imposed on the EU's member states. Proposals to establish a European fund for the youth guarantee, such as most recently mentioned by Austrian chancellor Faymann as a destination for the country's rebate, would seem a good start.

Secondly, the largest measure in the existing youth guarantees is the integration into the labour market via vocational education and apprenticeship placements. These systems might be well established in countries in northern and Western Europe, their southern and central eastern European counterparts lag far behind. The infrastructure for such solutions, which is self-understood in those countries that started promoting the youth guarantee, will need to be strengthened and sometimes even build in many other member states. The solution for this point needs to be sought in the longer term rather than overnight. One of the most viable proposals, however, might be to open up the European structural funds to projects strengthening a member state's educational infrastructure.

A European youth guarantee, thus, would need additional measures and much more funding in order to succeed. The opposite is happening on the ground: austerity measures are further impeding the possibility of job creation and investment in education. In the context of chaotic budget cutting procedures, no attention is being paid to lasting reform that might improve the quality of the employment services and the establishment of trusted institutions for vocational education and training.

If the European youth guarantee is to be credible, these policies need to be halted. Without investment, there can be no youth guarantee.

A truly European youth guarantee should take into account the vastly different conditions in the member states. A number of countries, like Germany or Denmark, might be able to just copy one or the other example of the present youth guarantees. Most member states in the south and east of the EU, however, should be given the opportunity to invest in job creation schemes, strengthen the coordination of labour market and schooling at the lower end of the educational system and, in accordance with their respective situations, be encouraged to develop networks of public and private actors involved in tracking and assisting those youth in need.



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Annex I

Unempl. Eurostat.	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011		
	Ove rall	<25 yrs																			
GEO/TIM E																					
EU27	8,9	17,9	9,1	18,6	9,2	19,0	9,0	18,8	8,3	17,5	7,2	15,7	7,1	15,8	9,0	20,1	9,7	21,1	9,6	21,4	
Eurozone	8,5	15,9	9,0	17,3	9,3	18,2	9,2	18,3	8,5	17,0	7,6	15,5	7,6	16,0	9,6	20,2	10, 1	20,9	10, 1	20,8	
Belgium	7,5	17,7	8,2	21,8	8,4	21,2	8,5	21,5	8,3	20,5	7,5	18,8	7,0	18,0	7,9	21,9	8,3	22,4	7,2	19,9	
Bulgaria	18, 2	37,0	13, 7	28,2	12, 1	25,8	10, 1	22,3	9,0	19,5	6,9	15,1	5,6	12,7	6,8	16,2	10, 2	23,2	11, 1	26,0	
Czech Republic	7,3	16,9	7,8	18,6	8,3	21,0	7,9	19,2	7,2	17,5	5,3	10,7	4,4	9,9	6,7	16,6	7,3	18,3	6,8	18,2	
Denmark	4,6	7,4	5,4	9,2	5,5	8,2	4,8	8,6	3,9	7,7	3,8	7,9	3,3	7,6	6,0	11,2	7,4	13,8	7,6	14,4	
Germany	8,7	9,9	9,8	11,6	10, 5	13,8	11, 3	15,6	10, 3	13,8	8,7	11,9	7,5	10,6	7,8	11,2	7,1	9,9	5,9	8,5	
Estonia	10, 3	17,6	10, 0	20,6	9,7	21,7	7,9	15,9	5,9	12,0	4,7	10,0	5,5	12,0	13, 8	27,5	16, 9	32,9	:	:	
Ireland	4,5	8,4	4,6	8,7	4,5	8,7	4,4	8,6	4,5	8,6	4,6	8,9	6,3	13,3	11, 9	24,4	13, 7	27,8	14, 3	28,9	
Greece	10, 3	26,8	9,7	26,8	10, 5	26,9	9,9	25,9	8,9	25,1	8,3	22,9	7,7	22,0	9,5	25,7	12, 6	32,8	:	:	
Spain	11, 4	22,2	11, 4	22,6	10, 9	22,0	9,2	19,7	8,5	17,9	8,3	18,2	11, 3	24,6	18, 0	37,8	20, 1	41,6	21, 6	46,4	

France	8,3	17,2	8,9	19,2	9,3	20,8	9,3	21,3	9,2	22,4	8,4	19,8	7,8	19,3	9,5	23,9	9,8	23,7	9,7	23,2
Italy	8,5	22,0	8,4	23,6	8,0	23,5	7,7	24,0	6,8	21,6	6,1	20,3	6,7	21,3	7,8	25,4	8,4	27,8	:	:
Cyprus	3,5	8,0	4,1	8,8	4,6	10,2	5,3	13,9	4,6	10,0	3,9	10,2	3,7	9,0	5,3	13,8	6,2	16,7	7,7	22,0
Latvia	12,2	22,0	10,5	18,0	10,4	18,1	8,9	13,6	6,8	12,2	6,0	10,7	7,5	13,1	17,1	33,6	18,7	34,5	:	:
Lithuania	13,5	22,4	12,5	25,1	11,4	22,7	8,3	15,7	5,6	9,8	4,3	8,2	5,8	13,4	13,7	29,2	17,8	35,1	:	:
Luxembourg	2,6	7,0	3,8	11,2	5,0	16,4	4,6	14,3	4,6	15,8	4,2	15,6	4,9	17,3	5,1	16,5	4,6	15,8	4,8	14,8
Hungary	5,8	12,7	5,9	13,4	6,1	15,5	7,2	19,4	7,5	19,1	7,4	18,0	7,8	19,9	10,0	26,5	11,2	26,6	10,9	25,9
Malta	7,4	17,1	7,7	17,4	7,2	16,6	7,3	16,8	6,9	15,9	6,5	13,9	6,0	12,2	6,9	14,4	6,9	13,0	6,4	13,6
Netherlands	3,1	5,4	4,2	7,3	5,1	9,0	5,3	9,4	4,4	7,5	3,6	7,0	3,1	6,3	3,7	7,7	4,5	8,7	4,4	7,6
Austria	4,2	6,7	4,3	8,1	4,9	9,7	5,2	10,3	4,8	9,1	4,4	8,7	3,8	8,0	4,8	10,0	4,4	8,8	4,1	8,3
Poland	20,0	42,5	19,7	41,9	19,0	39,6	17,8	36,9	13,9	29,8	9,6	21,7	7,1	17,3	8,2	20,6	9,6	23,7	9,6	25,9
Portugal	5,7	14,3	7,1	17,8	7,5	18,9	8,6	19,8	8,6	20,1	8,9	20,4	8,5	20,2	10,6	24,8	12,0	27,7	12,7	29,2
Romania	7,5	21,0	6,8	19,5	8,0	21,0	7,2	19,7	7,3	21,0	6,4	20,1	5,8	18,6	6,9	20,8	7,3	22,1	7,3	23,5
Slovenia	6,3	16,5	6,7	17,3	6,3	16,1	6,5	15,9	6,0	13,9	4,9	10,1	4,4	10,4	5,9	13,6	7,3	14,7	8,1	15,3
Slovakia	18,7	37,7	17,6	33,4	18,2	33,1	16,3	30,1	13,4	26,6	11,1	20,3	9,5	19,0	12,0	27,3	14,4	33,6	13,4	33,6
Finland	9,1	21,0	9,0	21,8	8,8	20,7	8,4	20,1	7,7	18,7	6,9	16,5	6,4	16,5	8,2	21,5	8,4	21,4	7,8	20,1
Sweden	6,0	16,4	6,6	17,4	7,4	20,4	7,7	22,6	7,1	21,5	6,1	19,2	6,2	20,2	8,3	25,0	8,4	25,2	7,5	22,9
United Kingdom	5,1	12,0	5,0	12,2	4,7	12,1	4,8	12,8	5,4	14,0	5,3	14,3	5,6	15,0	7,6	19,1	7,8	19,6	:	:
Croatia	14,8	10,8	14,2	11,2	13,7	11,2	12,7	11,4	11,2	11,4	2	8,6	9,0	7,3	8,4	7,2	9,1	8,9	11,8	13,2
Turkey	:	35,4	:	35,8	:	33,2	9,2	32,3	8,7	28,9	8,8	24,0	9,7	21,9	12,	25,1	10,	32,6	:	35,8

← NEXT LEFT →

															5		7			
Norway	3,7	:	4,2	:	4,3	:	4,5	17,4	3,4	16,4	2,5	17,2	2,5	18,4	3,1	22,7	3,5	19,7	:	:
United States	5,8	12,0	6,0	12,4	5,5	11,8	5,1	11,3	4,6	10,5	4,6	10,5	5,8	12,8	9,3	17,6	9,6	18,4	8,9	17,3
Japan	5,4	10,0	5,3	10,1	4,7	9,5	4,4	8,7	4,1	8,0	3,9	7,7	4,0	7,3	5,1	9,1	5,1	9,3	4,6	8,2



Annex II Youth unemployment by educational levels (Bell and Blanchflower 2011)

Table 4. Employment rates (%) by educational status ages 15-24 (ISCED, 1997)

	All (ISCED 0-6)		Pre-primary		Upper/post-secondary		Tertiary	
	2010Q3	2008Q1	2010Q3	2008Q1	2010Q3	2008Q1	2010Q3	2008Q1
Austria	55.8	54.6	42.0	38.9	69.4	70.8	58.0	73.9
Belgium	24.3	27.5	9.9	11.4	32.5	36.9	56.1	67.3
Bulgaria	23.1	24.9	5.2	5.4	40.4	46.6	59.6	65.1
Czech Republic	24.4	27.2	3.4	4.1	43.0	48.3	33.4	44.1
Denmark	57.6	62.9	50.1	57.3	70.4	73.7	65.7	79.1
Estonia	23.5	35.5	8.4	16.8	34.2	55.1	57.2	75.3
Finland	43.0	39.3	26.9	20.1	63.5	59.5	87.4	79.9
France	30.8	31.3	13.9	16.3	41.7	42.1	54.1	51.6
Germany	45.2	47.5	32.1	34.8	63.4	65.7	71.7	83.8
Greece	20.7	22.8	12.3	16.5	26.2	25.0	47.4	59.3
Hungary	17.9	19.6	5.3	6.4	29.1	30.2	58.4	72.6
Ireland	30.8	47.0	9.3	19.6	43.9	62.0	62.8	80.5
Italy	20.5	24.2	12.3	15.0	30.9	36.1	29.3	30.7
Latvia	26.1	40.1	9.9	17.7	37.9	60.4	76.9	87.9
Lithuania	19.8	26.0	4.8	6.0	28.0	38.9	54.1	78.3
Luxembourg	19.4	21.9	11.0	14.5	33.9	30.5	41.1	54.2
Netherlands	66.0	68.0	56.8	59.2	75.0	77.3	79.6	81.5
Norway	52.3	56.9	47.9	49.4	64.1	70.2	75.1	81.2
Poland	26.3	26.6	6.6	6.5	41.8	42.3	52.8	66.9
Portugal	27.9	34.9	26.0	34.2	29.4	32.3	39.2	61.3
Romania	25.8	23.3	19.6	14.6	30.4	31.6	55.6	64.6
Slovakia	20.6	27.3	1.8	2.2	37.2	47.4	36.0	66.7
Slovenia	32.9	34.4	17.3	14.9	44.8	47.3	53.1	57.2
Spain	26.2	36.5	24.4	38.4	28.3	36.3	47.2	57.0
Sweden	43.7	39.0	26.6	22.4	63.7	64.6	68.1	53.1
United Kingdom	47.1	52.4	34.2	43.2	55.2	60.5	72.8	81.0

Notes: ISCED 0-2=Pre-primary, primary and lower secondary education - levels 0-2. ISCED3-4 =Upper secondary and post-secondary non-tertiary education - levels 3-4 (ISCED 1997). ISCED levels 5-6 Tertiary education - levels 5-6 (ISCED 1997)

Annex III Overview of youth employment policies in the 20 EU member states reviewed in section 4

Country	Youth unemployment	Targets	Time frame	Financing amount	ESF	National funding	Target age group	Use of NEET concept	Tax break for employer	Subsidy for employer	Subsidy for employee
Bulgaria	17.6 (2010)	Yes	Yes	Yes	Yes	Yes	<29	No	No	No	No
Cyprus	22.4	No	Yes	Yes	Yes	Yes	No	No	No	Yes, no details	No
Czech Rep.	n/a	No	No	No	No	No	No	No	No	No	No
Estonia	22.3	Yes	Yes	No	No	No	No	No	No	No	No
France	n/a	No	No	No	No	No	No	No	No	Yes	No
Greece	44.4	No	No	No	No	No	No	No	No	Yes	No
Hungary	n/a	no	Yes	Yes	Yes	No	18-35	no	Yes	No	No
Italy	Data on employment	No	No	Yes	Yes	Yes	<35	Yes	Yes	No	No
Latvia	n/a	Yes	Yes	Yes	Yes	Yes	16-25	No	No	No	No
Lithuania	32.9 (2011)	No	No	No	Yes	No	No	No	Yes, no details	No	No
Malta	44.8	Yes	Yes	Yes	Yes	Yes	16-24	yes	No	No	Yes
Poland	n/a	No	No	Yes	No	Yes	<30	No	No	No	No
Portugal	Portuguese only										
Romania	25.4 * (Q4 2011)	No	No	No	Yes	No	15-24	No	Yes	No	No
Slovakia	33%	No	No	No	Yes	No	<29	No	No	No	No
Slovenia	n/a	No	No	No	No	No	No	No	No	No	No
Spain	50	No	No	No	Yes	Yes	16-30	No	Yes	No	business start-ups only

Youth employment – is [the latest] statistical data presented in the NPR document, as a recognition of the importance of the youth unemployment issue?

Targets - are targets featured in the document in terms of percentage points of unemployment reduction, employment contracts etc.?

Time frame – is there a time frame set for the broad or specific measures mentioned in the NPR?

Financing amount – is the amount of funding mentioned [for programs or initiatives on youth unemployment] or not?

ESF – is ESF funding used or to be made available for youth unemployment?

National funding – is national funding mentioned as a standalone source of financing [not just co-financing ESF programs]?

Target group – the age of the target group of youths mentioned in document

Use of NEET concept – is the NEET concept explicitly used in the NPR document or not?