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POLICY BRIEF

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# One year after the Youth Guarantee: Policy *fatigue* or signs of action?

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## BACKGROUND

Is *'policy fatigue'* contaminating youth employment policies across the European Union (EU)? Have some timid signs of economic recovery allowed youth unemployment to fall into oblivion or are we witnessing the usual policy developments whereby grand EU statements are worn down by political realities and resistance on the ground? More than a year after the start of the Youth Guarantee (YG), this Policy Brief aims to answer these questions.

### The Youth Guarantee: an ambitious EU commitment

In response to the economic crisis and peaking levels of youth unemployment, but also in order to reinforce the EU's social dimension in a pre EP-election context, the EU took potentially brave and historical steps: a Council Recommendation, officially adopted in April 2013, called on EU countries to establish a YG, ensuring that "all young people under the age of 25 years receive a good-quality offer of employment, continued education, apprenticeship or traineeship within a period of four months of becoming unemployed or leaving formal education".[1] The Recommendation provides policy guidelines on how to implement such a scheme successfully. Three main elements form the fundamental principles of the YG: building-up a partnership-based approach between all relevant stakeholders (be they public and private employment services, governmental authorities, education and training institutions, social partners, or youth organisations); ensuring early intervention and activation; and orienting services towards labour market integration. These principles were meant both to reduce youth unemployment in the short term and to drive labour-market structural reforms in the long run, by fostering systemic improvements in the school-to-work transition, creating of comprehensive information systems; reducing segmentation on the labour market; and easing access to employment for young people. Following the Recommendation, all member states committed themselves to delivering an implementation plan setting out the main reforms needed to realise the YG, establishing the major actions envisaged and the time frame within which the measures would be adopted.

### An initiative backed by EU funding

The great political appetite for early intervention policies at the EU level was nothing new but the novelty of the YG lays, rather, in its funding aspect. The EU engaged itself for the first time in allocating a dedicated budget line to youth unemployment, in particular to the implementation of YG schemes. A total budget of €6.4 billion was approved for the period 2014-2020 (€3.2 billion through a new budget line – the Youth Employment Initiative (YEI) – and €3.2 billion through the European Social Fund (ESF)). Beneficiaries from the YEI are the NUTS2 regions with a youth unemployment rate of 25% or more. In parallel, a significant share of the ESF is foreseen to be invested into young people and, more specifically, into the modernisation of services and structures to ease the implementation of the YG.

Although welcomed with enthusiasm by member states, EU financial support for youth employment has also been a matter of frequent criticism. Firstly, it was considered to be largely insufficient relative to the magnitude of the problem.[2] Secondly, many EU countries complained that the potential EU financial support could not be fully utilised due to the lack of available co-funding at the national level, and their incapacity to pre-finance projects as is

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usually the case under the ESF rules. As a response, the EU recently decided to increase the YEI pre-financing rate from 1-1.5% to 30%, allowing therefore an increase in pre-financing of around €1 billion.

### Declining but still unsustainable level of youth unemployment

Economic recovery seems to be gaining ground in Europe and recent figures depict a slight reduction in youth unemployment. In March 2015, the youth unemployment rate was 20.9% in the EU28 and 22.7% in the euro area, compared with 22.8% and 24.2% respectively in March 2014. Clearly, these figures are encouraging signs, but they might be clouding reality. Indeed, despite the EU's unprecedented efforts to improve labour market prospects for young people, the situation remains very uneven across EU countries, with some member states having still an alarmingly high level of youth unemployment (e.g., 45.5% in Croatia, 50.1% in Greece, 43.1% in Italy and 50.1% in Spain, March 2015) and/or countries, like Belgium (17.7% in 2011 vs. 21.6% in 2014), Cyprus (24.3% in 2011 vs. 38.2% in 2014), Finland (19.9% in 2011 vs. 20.4% in 2014), France (21.5% in 2011 vs. 22.8% in 2014), Luxembourg (14.4% in 2011 vs. 20.4% in 2014), Portugal (30.3% in 2011 vs. 35% in 2014), Romania (23.9% in 2011 vs. 24% in 2014), and Slovenia (15.2% in 2011 vs. 19.4% in 2014), struggling to bring it down. Moreover, the NEETs rate (young people aged 15-24 not in employment, education or training) is still high and not declining in many EU countries (above 16 % in Bulgaria, Croatia, Cyprus, Greece, Hungary, Ireland, Italy, Romania, Slovakia and Spain).

## STATE OF PLAY

### An apparent Europeanisation of youth employment policies

Most EU countries welcomed the Council Recommendation and committed themselves to taking it on board. By May 2014, all 28 member states had submitted their Youth Guarantee Implementation Plans (YGIP) to the European Commission (EC) with a view to implementing it as soon as possible. In addition and given the role of EU funds in delivering the YG, member states also had to integrate their YGIP into their Operational Programmes (OP), which set investment and policy priorities and translate the allocation of the ESF and YEI into concrete actions. The growing mobilisation of the EU budget to support national efforts as well as the application of ESF rules in the delivery of the YG have altered the way youth employment policies are dealt with by the EU. In other words, these new provisions have offered increased potential for an Europeanisation of active labour market policies for young people.

But has this potential been realised? The move towards a stronger Europeanisation has become explicit in the light of two aspects: time frame and policy orientation. Regarding the former, all member states have submitted their YGIP within a time period pre-determined by the EC. With respect to the latter, EU countries have filled in pre-structured implementation plans asking them to explain how EU guidelines will be translated into concrete actions. In other words, member states had to justify that their envisaged measures follow the three fundamental principles of the YG, i.e., the partnership approach, early intervention and activation and the strong relevance of the offered services to the needs of the labour market. As a consequence, a range of new mechanisms have emerged in several member states. For instance, the reference to an intervention within four months has been introduced in most national frameworks, consultation tools empowering the voice of youth organisations (even if sometimes ad hoc) have been created and/or reinforced, and new monitoring mechanisms have been planned. In a nutshell, the EC has, through its agenda-setting powers and the policy deliberations triggered by both the YGIPs and the OPs, been the main agent driving the process of providing a structural response to the situation of young people in countries where similar measures did not exist in the past.

That being said, it should be recalled that commitment on paper might take another form in reality and that the Europeanisation process is likely to be stronger in some countries/regions than in others, depending on various factors. In addition, research shows that the concrete actions planned under the three basic principles contain significant elements of continuity, highlighting also the strong path-dependency with national and regional traditions. This is particularly true for the nature of the partnerships taking place at the regional/local level. For instance, while private employment agencies are strongly involved in the delivery of the YG in Lombardy (in line with already established practices in this region), this is not the case in other parts of Italy.

### Broad principles but significant variations on the ground

Despite the guidelines and basic principles provided in the Council Recommendation, the precise design and concrete implementation of the YG are meant to be adjusted to the regional and local characteristics of the labour

market and the nature of the target group. Given the heterogeneity of the NEETs group, the contrasting realities of the labour market and the different starting point of each member state/region, there are significant variations in how the YG is delivered on the ground. Not only does it differ from one country to another but variations are also to be seen at the regional level, in particular in countries where employment and education policies are a regional competence. In such a case, regions bear primary responsibility for identifying how the three principles of the YG will be put into action, for implementing an outreach strategy, for prioritising policy actions and deciding how to allocate the money to different priorities. Given the pivotal role that regions play in the delivery of the YG, taking a closer look at them is particularly relevant for assessing the different forms youth schemes might take.[3]

## Some common downsides across the board

Comparing the regional implementation of the YG across the EU allows the identification of some common downsides with regard to the conceptual design of the guarantee, the nature of the envisaged measures, and the sustainability of the schemes.

With respect to the conceptual design, most member states do not provide any definition of what a quality offer entails. As a corollary to this absence of definition, the quality of placements is rarely monitored, leading to situations where young people are offered very precarious jobs or placements, which do not fit their level of qualifications. More generally, the monitoring process, even if envisaged in the YGIPs, is generally absent on the ground, suggesting that the focus of public authorities is more on the 'point of entry' rather than on how the placement will provide better labour market prospects to the young person in the future. Furthermore, social partners, in particular youth organisations and trade unions, seem to be poorly involved in the monitoring process when one is in place. Most of the time, they report only being consulted in the design phase of the YG with a low level of consideration for their input.

The nature of the envisaged actions in the YG schemes also highlights some common trends. First, specific measures to reach out to the most vulnerable are generally absent of most national plans. Although the starting point for delivering the YG to a young person should be their registration with an employment service, the Council Recommendation also points out that a corresponding starting point should be defined for the NEETs who are not registered. Clearly, this crucial aspect is lacking in a lot of countries/regions, which tend to concentrate their efforts on those young people who are the easiest to reach out to, and therefore the most likely to be re-integrated into the labour market. Second, YGIPs lack references to the circumstances of the labour market in which actions operate. In other words, measures are rarely justified to tackle the state of the labour market and/or the types of jobs, which are to be found there. Third, the implementation plans reveal a great reliance on employment services (often overwhelmed by unreasonably high caseloads and therefore lacking the resources to provide adequate services and personal guidance) without taking into account the variety of stakeholders, which can contribute to the success of a YG. While many countries have embarked on reforms of the education system, which can certainly help deliver the YG in the long run, immediate actions to strengthen the cooperation between employment services and education and training institutions are lacking despite the significant benefits this might have on identifying early school-leavers and offering them second-chance education programmes.

Finally, the long-term sustainability of YG schemes is largely questioned, not least in crisis countries facing severe budget constraints. Many stakeholders involved in the implementation of such schemes are sceptical about the structural reforms they can trigger. Not only do many countries/regions not have the resources to pre-finance funding but many measures are also likely to halt once EU financial support will be over.

## National institutional settings: a key factor of success

The institutional setting, the division of competencies at the national level and the degree of cooperation already established among relevant institutions determine to some extent the success of youth activation schemes. Some countries (like Spain) do not have a centrally computerised public employment service, causing major problems of coordination among regions. Others, like Belgium, have multiple administrative and political layers, with a large number of administrations involved in different aspects of youth policies. Indeed, while the federal level pays unemployment benefits, regions are in charge of employment policies and municipalities deliver social services through their social centres. Such institutional settings underline the need for efficient and trustful relationships between the different administrative authorities, which would allow a smooth exchange of information about the profile of young people. As already mentioned, reaching out to the most vulnerable NEETs who are not registered with employment services requires a strong cooperation between employment and social services.

# PROSPECTS

Preliminary signs of economic recovery together with a slight reduction in youth unemployment might create grounds for complacency and induce EU leaders to turn attention away. Regrettably, several elements both at the EU and national level already suggest a move in that direction. Indeed, not only has the YG clearly lost prominence in the political agenda of the new EC (both the public discourse and the absence of any reference to the advancement of the YG implementation in the 2015 country-specific recommendations are illustrative), its slow start and the many attacks it received in the last months have also discouraged national leaders to be too vocal about its potential benefits.

Care needs to be taken that the baby is not thrown out with the bath water. YG schemes are clearly not a silver bullet enabling a sharp reduction of youth unemployment overnight. Many other factors, including more favourable macro-economic conditions and increased labour demand, are also of crucial importance and determine the chance of a YG to succeed.

That being said, the YG bears significant potential in many respects. First, it can offer a unique occasion for fostering institutional reforms and for bringing about systemic improvements in the cooperation of relevant stakeholders. Second, it raises awareness about the need for early intervention and rapid activation by setting out a timeframe within which employment and social services should intervene. Third, it creates a framework of comparison for national programmes, sets a benchmark and creates a structure through which various stakeholders, such as youth organisations or social partners, can voice their concerns directly to the EU.

On this basis, the EU should live up to the level of its initial ambition and maintain the implementation of the YG high on the policy agenda, while being realistic about its short-term benefits and communicating accordingly. To this end, three major actions need to be further operationalised. First, the monitoring and evaluation process needs to become more consistent and centralised and opportunities for mutual learning should be maintained. Through such a process, the EU should continue to empower the voice of stakeholders such as youth organisations or social partners, which might be neglected at the national/regional level. Second, the EU must clarify certain aspects of its Council Recommendation, in particular what a quality offer entails, and promote quality jobs. A series of qualitative criteria should be introduced in the monitoring process as soon as possible so that member states stop to merely focus on the 'point of entry'. Third, more coherence between the EU's political objectives and its economic governance framework has to be ensured. Implementing a YG, developing more personal guidance and reaching out to the most vulnerable clearly cost money but are necessary investments for the future. They should therefore be recognised as social investment and stronger accommodation mechanisms should be developed to exclude some of these expenditures from the deficit criteria of the Stability and Growth Pact. By pursuing these three lines of actions, while leaving the concrete implementation in the hands of countries/regions, the EU will be able to renew a sense of enthusiasm for a YG across Europe.

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1 EU Council Recommendation on establishing a Youth Guarantee, 22 April 2013 (2013/C 120/01).
2 See C.Dhéret (2013), Youth unemployment - Does the EU care about its future?, EPC Policy Brief.
3 The research conducted by the EPC has given a particular emphasis to the implementation of the YG at the regional level, by comparing the plans and measures put in place in six NUTS2 regions (Brussels-Capital, Catalonia, Lombardy, North Brabant (Netherlands), Eastern Slovakia and South Western Scotland). This Policy Brief builds its arguments on the preliminary findings of the EPC research and provides some examples based on the six regional case studies.

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