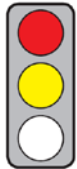


KEY ISSUES

Objective of the Recommendation: The Member States should provide all young people between the ages of 15 and 24 with a guarantee that they will receive employment or training within four months of leaving school or losing a job.

Parties affected: Employers and employees.



Pro: A reduction in non-wage labour costs may increase employment levels.

Contra: (1) A government Youth Guarantee will not increase youth employment because jobs are created not by government promises but by companies who cannot be forced into it by government.

(2) The Youth Guarantee restricts workforce mobility in the EU rather than increasing it.

CONTENT

Title

Proposal COM(2012) 729 of 5 December 2012 for a **Recommendation** by the Council on establishing a **Youth Guarantee**

Brief Summary

Note: The numbering system of the commission has been adopted here.

► Background and target

- The unemployment rate, particularly among young people (15 to 24 year-olds), has risen dramatically as a consequence of the economic and debt crisis in the EU. In the third quarter 2012 it was at 22.7% Europe-wide (P. 2)
- The Commission wants to solve the problem of high youth unemployment by way of a guarantee of employment, continued education and training for young people (“Youth Guarantee”).

► Introduction of a Youth Guarantee scheme

- Within four months of becoming unemployed or leaving school, the Member States should provide all young people between the ages of 15 and 24 with
 - a “good quality” offer of employment or continued education or
 - a “good quality” apprenticeship or traineeship (No. 1).
- There is no legal entitlement to claim performance of the guarantee.
- The Member States should identify the public authority responsible for establishing, implementing and coordinating the Youth Guarantee (No. 2).

► Building up partnerships

- The Commission is calling for “strong partnerships”
 - between employers, employment services and trade unions to create jobs, apprenticeships and traineeships (No. 4);
 - between employment services, private employment agencies, career guidance providers and youth support services, such as youth centres and associations, in order to improve the transition from unemployment and school to working life (No. 5).
- The social partners should be involved “at all levels” (P. 10) particularly in the development of apprenticeship and traineeship schemes (No. 6).
- Youth organisations and representatives of young people should be involved in designing and implementing the Youth Guarantee scheme (No. 7).

► Early intervention and activation

- Unemployed young people should be encouraged to register with the employment services by way of focussed “PR” measures in order to ensure a targeted labour market policy (No. 8).
- The employment services should support young unemployed people at an early stage by way of personalised guidance and individual action planning (No. 10).

► **Supportive measures for labour market integration**

- The Commission calls for an improvement in the qualifications of early school-leavers and low-skilled young people (No. 11).
- The Youth Guarantee should help to address existing skill shortages. For this purpose, apprenticeships and traineeships should be aimed primarily at the environmental, Information and Communication Technology (ICT) and health care sectors (No. 12).
- ICT courses and certificates should conform to certain “standards” (P.11) in order to facilitate international recognition (No. 13).
- Schools, vocational training centres and employment services should provide information about possibilities for becoming self-employed and offer courses in entrepreneurship (No. 14).
- Start-up companies should be supported through closer cooperation between employment services, chambers of commerce and trade associations as well as finance providers (No. 19).
- To boost recruitment, the Member States are recommended to
 - reduce non-wage labour costs (No. 16) and
 - pay wage subsidies for the employment of young people, in line with the applicable State aid rules [COM(2012) 209; s. [cepPolicyBrief](#)] (No. 17).
- Young people should be better informed about jobs and traineeships abroad in order to increase workforce mobility (No. 18).

► **Use of EU Structural Funds**

- The Commission wants to support the Youth Guarantee primarily by way of the European Regional Development Fund (ERDF) and the European Social Fund (ESF) (No. 21).
- In particular, the ESF should subsidise temporary employment for young people (No. 21).

► **Assessment and continuous improvement of schemes**

- The Member States should improve the financial resources and staffing levels of national employment services (No. 25).
- The Commission is calling for the monitoring and evaluation of Youth Guarantee schemes and all related measures (No. 23).
- It wants annual reporting on the development and implementation of the Youth Guarantee through the European Network of Public Employment Services (No. 31).
- It wants to use the Programme on Social Change and Innovation (PSCI) to identify examples of good practice in the implementation of the Youth Guarantee in the Member States (No. 29).
- The Member States should use the European Employment Strategy Mutual Learning Programme to share their experiences of the Youth Guarantee (No. 30).

► **Implementation of Youth Guarantee schemes**

The Youth Guarantee should be implemented as from the start of the 2014-2020 Multiannual Financial Framework [COM(2011) 398; s. [cepPolicyBrief](#)] so that it can be properly integrated into the financial planning of the EU programmes (No. 26).

Policy Context

The high level of youth unemployment in the EU has already led to repeated calls for a Youth Guarantee. Thus the Commission encouraged it, in its initiative “Youth on the Move”, [COM(2010) 447]. The European Parliament advocated the introduction of a Youth Guarantee in July 2010, in May 2012 and in January 2013 [Resolutions P7_TA(2010) 0262; P7_TA(2012) 0224 and P7_TA-PROV(2013) 0016]. The EP has called for the Youth Guarantee to be binding in the Member States [Resolution P7_TA(2012) 0224, Point 15] and for it to apply to university graduates under 30 [Resolution P7_TA-PROV(2013) 0016, Point 2].

Options for Influencing the Political Process

Directorate General:	DG Employment and Social Affairs (leading)
Committees of the European Parliament:	Employment (leading), rapporteur Pervenche Berès (S&D Group, F); Culture and Education
Federal Ministry:	Labour and Social Affairs (leading)
Committees of the German Bundestag:	EU (leading); Labour, Economy; Women and Young People; Culture

ASSESSMENT

Economic Impact Assessment

Ordoliberal Assessment

The level of (youth) unemployment in many of the Member States is, on the one hand, the consequence of adjustment responses to the current economic, financial and debt crisis and thus also cyclical in nature. On the other hand, however, and most notably, it is the result of severe structural problems in the labour market, particularly in southern European countries.

A government Youth Guarantee is, under these circumstances, the wrong route to take. It **will not result in higher levels of employment among young people because jobs are created not by government promises but by companies who cannot be forced into it by government**. Consequently, implementing the Youth Guarantee will, at best, give rise to nothing more than the creation of new jobs in government service or government apprenticeships and traineeships.

In the current budgetary situation, however, additional jobs in public service are not financially sustainable. Government apprenticeships and traineeships are not the ideal solution either since, in problem countries with particularly high youth unemployment – Greece: 57.6%, Spain: 55.8%, Portugal: 39.0% Italy: 36.5% (Eurostat; figures for October 2012) – there is not likely to be sufficient availability of “high-quality” government apprenticeships and traineeships, despite EU aid: the number of people affected is too great and the requirements for suitable aid too varied. Furthermore, the Commission fails to define what is meant by “high-quality”. Therefore the Youth Guarantee is no more than an attempt to bring back outdated socialist ideas. It is also misleading about the real problems facing national labour markets. Rigid regulation of the job market, such as inflexible employment protection legislation, the minimum wage and vocational training schemes with a lack of relevance to the job market, are retarding employment growth. These deficits must be redressed – by the Member States. The dual vocational training system has proven to be a particularly successful model and has contributed to the fact that Germany and Austria, with 8.1% and 9.3% respectively, now have the lowest youth unemployment levels in the EU (Eurostat; figures for October 2012).

The reduction in non-wage labour costs for employers may, provided it is effectively funded, **increase employment**, because it boosts companies’ demand for labour. A budget-neutral reduction, where legally possible, should, however, be funded by way of consumer taxes.

Pay subsidies to aid the integration of young people may help temporarily, but they require either precisely the corresponding financial muscle on the part of governments which is currently unavailable in the problem countries, or sufficient subsidies from EU Structural Funds. There is also the danger of distortion of competition here, both as between companies from countries with high and those with low youth unemployment and, on the job market, between young unemployed people and unemployed adults, so this scheme can only be given a qualified recommendation.

Improving the qualifications of those who leave school early, and of low-skilled young people, as called for by the Commission, may allow access to regular employment at a later stage.

Impact on Efficiency and Individual freedom of Choice

The introduction of an EU-wide Youth Guarantee restricts workforce mobility within the EU because government employment, traineeship and apprenticeship schemes tie the young unemployed to their own locality. The Youth Guarantee thus reduces the incentive for young unemployed people to take up work in another area or another Member State. The efficiency of the European job market is reduced. The effects of the Youth Guarantee are thus in conflict with the Commission’s aim of increasing the mobility of employees within Europe.

Workforce mobility is, however, encouraged by way of improved information about employment opportunities abroad and greater recognition of ICT courses and certificates, as called for by the Commission. However, it is still the case that the main obstacle to international mobility is the language barrier.

Impact on Europe as a Business Location

As long as the Member States do not implement the Youth Guarantee by placing an additional burden onto companies, such as by way of binding traineeship levels, the quality of Europe as a business location will remain unaffected.

Legal Assessment

Competency

The proposal is correctly based on Art. 292 TFEU. This allows the Council to address recommendations to the Member States on a proposal from the Commission. There is no limitation to specific areas of expertise. With respect to recommendations on professional training, it would be advisable to refer to Art. 166(4) TFEU, which is applicable in this regard.

Subsidiarity

Recommendations from the Council are not binding (Art. 288 TFEU). The Member States are free to decide whether and how they wish to comply with them. The question of subsidiarity does not therefore arise.

Proportionality

Does not apply.

Compatibility with EU Law

Unproblematic.

Compatibility with German Law

Does not apply.

Conclusion

A government Youth Guarantee will not result in a higher level of employment among young people because jobs are created not by government promises but by companies who cannot be forced into it by government. A Youth Guarantee also restricts workforce mobility since young unemployed people are tied to their own locality by government employment, apprenticeship and traineeship schemes. The reduction in non-wage labour costs for employers may increase employment.