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Proposal for a

COUNCIL RECOMMENDATION

On Establishing a Youth Guarantee

{SWD(2012) 409 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

High and increasing youth unemployment has dramatic consequences for our economies, our societies and young people themselves.

The youth unemployment rate across the EU has reached a high level of 22.7% (third quarter 2012), twice as high as the adult rate¹, and prospects do not show any reversing trend. Around 5.5 million young people are unemployed and more than 7.5 million young people under 25 are currently not in employment, education or training (NEETs).

But beyond the immediate effects of the crisis, even at lower rates, youth unemployment and inactivity are expensive and damaging to society. They are expensive today in terms of benefits being paid out and in terms of foregone earnings and taxes, but they are also expensive in the future as they lead to a number of ‘scarring’ effects, with long-lasting negative impacts on future income levels, future risks of unemployment, health status, well-being and pension reserves. Europe cannot afford to waste its talent and its future.

The need to take action and support young people in their transition from school into employment had already been identified prior to the crisis. In 2005, the Council agreed, in the context of the Employment policy guidelines (2005-2008), that policies should ensure that ‘every unemployed person is offered a new start before reaching 6 months of unemployment in the case of young people’. In 2008, the Council reduced the time period to ‘no more than 4 months’ for young people having left school.

As by 2010, implementation of such a measure across the EU had not yet taken place, both the European Parliament (EP) and the European Youth Forum were strongly advocating for Youth Guarantees to be set up at EU level.

In the framework of the Europe 2020 Strategy and its ‘Youth on the Move’ flagship initiative the Commission called in particular upon Member States to ensure that all young people are in a job, further education or activation measures within four months of leaving school and to provide this as a ‘Youth Guarantee’.

The years 2011 and 2012 have seen repeated calls for this, in particular from the European Council, the European Parliament and the European Youth Forum, but without much success on the ground.

In the Employment Package of April 2012, the Commission announced that it would propose a Council recommendation on Youth Guarantees by the end of the year.

On 29 June 2012, the European Council urged Member States to step up efforts to increase youth employment, with ‘the objective that within a few months of leaving school, young people receive a good quality offer of employment, continued education, apprenticeship or a

¹ Eurostat Labour Force main indicators, seasonally adjusted quarterly data, youth is defined as less than 25 years of age, adults as over 25.

traineeship'. It further concluded that these measures can be supported by the European Social Fund (ESF) and that Member States should use the possibilities of financing temporary recruitment subsidies from the Fund.

In the 2013 Annual Growth Survey², the Commission stressed that Member States should secure school-to-work transitions for young people and develop and implement Youth Guarantee schemes whereby every young person under 25 receives an offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. Such schemes can be co-financed by the European Social Fund.

The Commission is proposing a proposal for a Council Recommendation to ensure that young people receive a quality offer of employment, further education or training within four months of becoming unemployed or leaving formal education. This proposal also sets out how a Youth Guarantee scheme should be set up. The proposal lists guidelines on the basis of six axes - establishing strong partnerships with all stakeholders, ensuring early intervention and activation to avoid young people becoming NEETs, taking supportive measures that will enable labour integration, making full use of EU funding to that end, assessing and continuously improving the Youth Guarantee schemes, and implementing the schemes rapidly. The proposal also outlines how the Commission will support Member States' action: the EU funding framework, the exchange of good practices among Member States, monitoring of Member States' actions within the European Semester exercise and supporting awareness raising activities.

The proposal is accompanied by a Staff Working Document (SWD), which goes into more details about what constitutes a Youth Guarantee, addresses questions about costs and benefits of such schemes, and describes one by one the ingredients necessary to make the Youth Guarantee a success. Furthermore, in an annex, the SWD presents policies supporting youth employment already in place in the 27 Member States and Croatia, reflecting the various starting points of these countries towards setting up fully-fledged Youth Guarantee schemes.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

The Danish Presidency organised a workshop on ways to fulfil a Youth Guarantee in the framework of the Informal Meeting of Employment and Social Affairs Ministers held in Horsens on 24-25 April 2012. At this meeting, it was underlined that education and training policies should join up with employment policies, that efforts should be concentrated on problematic groups, namely those lacking qualifications/educational degrees and that approaches should be tailored to the national context and to the specific individual concerns. Finally, it was stressed that public authorities need to support young people, in particular those most vulnerable, but also that young people should engage themselves in the process and accept duties and responsibilities. The European Social Fund was referred to as a

² COM(2012) 750 of 28 November 2012.

potential source of finance, especially in light of the need to implement austerity/fiscal consolidation measures.

As part of the yearly questionnaire sent to the Public Employment Services (PES) Network on their adjustment capacity to the crisis, the 2012 edition, launched in January, included a module on actions taken to address youth unemployment. Their replies were considered when drafting the SWD supporting the present proposal.

In June 2012, in the context of the meeting of the Heads of PES (HoPES) under the Danish Presidency, members of this network were asked to report on developments since January 2012 specifically targeting youth.

As a follow-up to the Employment Package, the prospect of an initiative on a Youth Guarantee was discussed with social partners on 19-20 June 2012.

At the 'Jobs for Europe' conference³, held on 6-7 September 2012 in Brussels and attended by all relevant stakeholders, including the social partners and youth organisations, a broad majority of speakers expressed their support for establishing a Youth Guarantee throughout the EU, recognising that young people need to be given the right start in life, particularly in times as difficult as these.

Representatives of the European Youth Forum and of cross-sectoral social partner organisations were met in September 2012.

The Youth Guarantee initiative was discussed once more with Social Partners at the Social Dialogue Committee on 23 October 2012.

3. LEGAL ELEMENTS OF THE PROPOSAL

Legal Basis: For a proposal on the Youth Guarantee with Employment policies (Title IX TFEU) as *centre de gravité*, Article 292 TFEU constitutes an appropriate legal basis for the adoption of a recommendation. The competence of the Union regarding employment policies is defined by Title IX TFEU, which does not provide for a specific legal basis for the adoption of a recommendation. In particular, Article 149 TFEU only envisages "incentive measures designed to encourage cooperation between Member States and to support their action in the field of employment through initiatives aimed at developing exchanges of information and best practices", which are not the subject matter of the present Recommendation.

Subsidiarity and proportionality: The Commission, along with all Member States, is very concerned about the current labour market situation for young people and its persistent deterioration. The dramatic levels of youth unemployment affect the whole of Europe: their costs are high now and in the future. The savings achieved through the Youth Guarantee go beyond the pure social protection expenditure savings achieved. Avoiding unemployment and the deterioration of skills would lead to longer-term benefits for young people and for the economy through lower unemployment over the course of the lifecycle, higher incomes (and

³ Further information at: <http://ec.europa.eu/social/main.jsp?langId=en&catId=88&eventsId=641>

therefore also higher tax incomes and social security contributions) and through fewer social and health problems⁴.

Following the lack of implementation of a number of political calls from both the Council and the European Parliament to set up Youth Guarantee schemes, it is now necessary to issue this recommendation to Member States. Indeed, so far only a limited number of Member States have taken measures towards implementing a comprehensive Youth Guarantee scheme.

Offering guidelines at EU level on tools that contribute towards an effective Youth Guarantee scheme will enable Member States to make best use of Cohesion Funds, and in particular of the European Social Fund, in order to address youth unemployment and inactivity.

The proposal recognises that different situations in individual Member States (or at regional or local level) could lead to differences in how the scheme will be set up and further implemented.

4. BUDGETARY IMPLICATION

Not relevant

5. OPTIONAL ELEMENTS

Not relevant

⁴ Further information on the cost-benefits of implementing Youth Guarantee schemes can be found in the accompanying Staff Working Document.

Proposal for a

COUNCIL RECOMMENDATION

On Establishing a Youth Guarantee

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Investing now in the human capital of young Europeans will deliver long-term benefits and contribute to sustainable and inclusive economic growth. Europe will be able to reap the full benefits of an active, innovative and skilled workforce while avoiding the very high costs of having young people neither in employment, education or training ('NEETs'), currently put at 1.2% of GDP⁵.
- (2) Young people have been hit particularly hard during the crisis. They are vulnerable because of the transitional life periods they are going through, their lack of professional experience, their sometimes inadequate education or training, their often limited social protection coverage, restricted access to financial resources, and precarious work conditions. Young women are more likely to be affected by low pay and precarious employment, while young parents, primarily young mothers, lack adequate work-life balance measures. Furthermore, some young people are at a particular disadvantage or at risk of discrimination. Appropriate supportive measures are therefore required.
- (3) There are 7.5 million NEETs across Europe, representing 12.9% of young Europeans (15-24). Many have not more than a lower secondary education level, are early leavers from education and training, and are often migrants or from a disadvantaged background. The term 'NEETs' covers various sub-groups of young people with diverse needs.
- (4) 30.1 % of unemployed people under 25 have been unemployed for more than twelve months. Furthermore, an increasing number of young people do not actively seek employment, which may leave them without structural support in terms of getting back into the labour market. Research shows that youth unemployment can result in permanent scars, such as an increased risk of future unemployment, reduced levels of

⁵ Eurofound (2012) *NEETs – Young people not in employment, education or training: Characteristics, costs and policy responses in Europe*, Publications Office of the European Union, Luxembourg.

future earnings, loss of human capital, intergenerational transmission of poverty or less motivation to found a family, contributing to negative demographic trends.

- (5) The term ‘Youth Guarantee’ refers here to the fact that young people receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education.
- (6) A Youth Guarantee contributes to three of the Europe 2020 strategy targets, namely that 75% of the age range 20-64 should be employed, that early school-leaving rates should be below 10%, and that at least 20 million people should be lifted out of poverty and social exclusion.
- (7) The guidelines for the employment policies of the Member States⁶, in particular guidelines 7 and 8, call on Member States to promote the integration of young people in the labour market and to help them, and in particular NEETs, in cooperation with the social partners, to find initial employment, job experience, or further education and training opportunities, including apprenticeships, and to intervene rapidly when young people become unemployed.
- (8) As early as 2005, the Council agreed, in the context of the Employment policy guidelines⁷ (2005-2008), that ‘every unemployed person [be] offered a new start before reaching six months of unemployment in the case of young people’. In 2008⁸, the Council reduced the time period to ‘no more than four months’ for young school-leavers.
- (9) In its 2010 resolution ‘*Promoting youth access to the labour market, strengthening trainee, internship and apprenticeship status*’⁹, the European Parliament called on the European Commission, the Member States, the social partners and other stakeholders to back national labour market, education and training policies by a Youth Guarantee. This would secure the right of every young person in the EU to be offered a job, an apprenticeship, additional training or combined work and training after a maximum of four months’ unemployment.
- (10) In its 2010 Communication ‘Youth on the Move’, the Commission encouraged Member States to introduce Youth Guarantees, implementation of which has been so far very limited. This recommendation reinforces and reiterates the need for Member States to pursue this goal, whilst also helping with the design, implementation and assessment of these schemes.
- (11) The June 2011 Council conclusions on ‘*Promoting youth employment to achieve the Europe 2020 objectives*’ invited Member States to act quickly by offering further education, (re)training or activation measures for young people in neither employment, education nor training, also covering early school-leavers. This would serve the aim of getting these people back into education, training or the labour market within the shortest time possible and reducing the risk of poverty, discrimination and social exclusion.

⁶ Council Decision 2010/707/EU — OJ L 308/46 of 24 November 2010.

⁷ Council Decision 2005/600/EC — OJ L 205/21 of 6 August 2005.

⁸ Employment policy guidelines (2008-2010) — Council Decision 2008/618/EC — OJ L 198/51 of 26 July 2008.

⁹ P7-TA(2010) 0262 of 6 July 2010.

- (12) The June 2011 Council Recommendation¹⁰ on ‘*Policies to reduce early school leaving*’ focused on the development of evidence-based, comprehensive and cross-sectoral policies that include measures to re-engage people who have dropped out of education and to strengthen the link between education and training systems and the employment sector.
- (13) In preparing the 2012 budget, the European Parliament backed this approach and asked the Commission to implement a preparatory action to support the setting-up of Youth Guarantees in Member States.
- (14) In its Employment Package ‘Towards a job-rich recovery’¹¹, the Commission called for the active mobilisation of Member States, social partners and other stakeholders to respond to the current EU employment challenges, and in particular to youth unemployment. The Commission emphasised the major job-creation potential of the green economy, health and social care, and ICT sectors, and to this end issued three accompanying action plans for follow-up. The Commission thereafter also highlighted six promising priority areas for industrial innovation that contribute to the transition to a low-carbon and resource-efficient economy¹². In the Employment Package the Commission also underlined that fostering entrepreneurial mind-sets, making start-up support services and microfinance more available, and establishing schemes for converting unemployment benefits into start-up grants would play an important role, also for young people. Furthermore, the Package proposed the use of wage subsidies to boost net new hiring and the targeted reduction of the tax wedge (mainly employers’ social security contribution) to help boost employment as well as balanced reforms in employment protection legislation that could enable young people to have access to quality employment.
- (15) In May 2012, the European Parliament¹³ urged Member States to take swift and concrete measures at national level to ensure that young people are in either a decent job, education or (re-)training within four months of leaving school. Parliament stressed that the Youth Guarantee scheme would need to be legally enforceable if it were to really improve the situation of young people neither in employment nor in education or training and to gradually overcome the problem of youth unemployment in the EU.
- (16) On 29 June 2012 the European Council urged renewed efforts to increase youth employment, with ‘the objective that within a few months of leaving school, young people receive a good quality offer of employment, continued education, apprenticeship or a traineeship’. It further concluded that these measures can be supported by the European Social Fund and that Member States should use the possibilities of financing temporary recruitment subsidies from the Fund.
- (17) The Commission Communication of 20 November 2012 on “Rethinking Education”¹⁴ provides the EU contribution to this work from the educational perspective. It elaborates on the key issues for reform and efficiency of education and training systems – to align delivered skills to the current and future needs of the labour market,

¹⁰ OJ C 191/01 of 1 July 2011.

¹¹ COM(2012) 173 of 18 April 2012.

¹² COM(2012) 582 of 10 October 2012.

¹³ European Parliament resolution on the Youth Opportunities Initiative (2012/2617(RSP)), 24.5.2012.

¹⁴ COM(2012) 669 of 20 November 2012.

to stimulate open and flexible ways of learning and to promote a collaborative effort amongst all stakeholders, including funding.

- (18) In the 2013 Annual Growth Survey (AGS)¹⁵, the Commission stressed that Member States should secure school-to-work transitions for young people and develop and implement Youth Guarantee schemes whereby every young person under 25 receives an offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed.
- (19) The Youth Guarantee should be implemented by a scheme consisting of supportive measures, and should be geared to national, regional and local circumstances. These measures are based on six axes: building up partnership-based approaches, early intervention and activation, supportive measures enabling labour market integration, use of EU Structural Funds, assessment and continuous improvement of the scheme, and its swift implementation. As such, they aim at preventing early-school leaving, fostering employability and removing practical barriers to employment. They can be supported by the EU Structural Funds and should be continuously monitored and improved.
- (20) Effective coordination and partnerships across policy fields (employment, education, youth, social affairs, etc.) is crucial in terms of boosting quality employment opportunities, apprenticeships and traineeships.
- (21) Youth Guarantee schemes need to take into account the diversity and different starting points of the Member States as regards the levels of youth unemployment, institutional set-up, and capacity of the various labour market players. They should also take into account different situations as regards public budgets and financial constraints in terms of allocation of resources¹⁶. In the 2013 AGS the Commission considers that investments in education should be prioritized and strengthened where possible, while ensuring the efficiency of such expenditure. Particular attention should also be paid to maintaining or reinforcing the coverage and effectiveness of employment services and active labour market policies, such as training for the unemployed and Youth Guarantee schemes. The establishment of such schemes is of long-term significance, but there is also a need for a short-term response to counter the dramatic effects of the economic crisis on the labour market.

RECOMMENDS THAT MEMBER STATES:

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

When designing such a Youth Guarantee scheme, Member States shall consider overarching issues such as the fact that young people are not a homogeneous group facing similar social environments, as well as principles of mutual obligation and the need to address the risk of cycles of inactivity.

¹⁵ COM(2012) 750 of 28 November 2012.

¹⁶ The expenditure on Youth Guarantee does not fall within the category of gross fixed capital formation in national accounts.

Youth Guarantee schemes shall be based on the following guidelines, according to national, regional and local circumstances and paying attention to the gender and diversity of the young people who are being targeted:

Building up partnership-based approaches

- (2) Identify the public authority in charge of establishing and managing the Youth Guarantee scheme and coordinating partnerships across all levels and sectors.
- (3) Ensure that young people have full information about services and support available by strengthening cooperation between employment services, career guidance providers, education and training institutions and youth support services, and by making full use of all relevant information channels.
- (4) Strengthen partnerships between employers and relevant labour market players (employment services, various levels of government, trade unions and youth services) in order to boost employment, apprenticeship and traineeship opportunities for young people.
- (5) Develop partnerships between public and private employment services, career guidance services, and with other specialised youth services (NGOs, youth centres and associations) that help smooth the transition from unemployment, inactivity or education into work.
- (6) Ensure the active involvement of social partners at all levels in designing and implementing policies targeted at young people; promote synergies under their initiatives to develop apprenticeship and traineeship schemes.
- (7) Ensure the involvement of representatives of young people and/or youth organisations in designing and implementing the Youth Guarantee scheme to tailor services to the needs of beneficiaries and to have them act as multipliers in awareness-raising activities.

Early intervention and activation

- (8) Develop effective outreach strategies towards young people with a view to catchment and registration with employment services, focusing on young vulnerable people facing multiple barriers (such as social exclusion, poverty or discrimination) and NEETs, and taking into consideration their diverse backgrounds (due in particular to poverty, disability, low educational attainment or ethnic minority/migrant background).
- (9) To support young people better and to address the potential lack of awareness of existing offers, consider establishing 'focal points', i.e. an organisation that would ensure coordination between all institutions and organisations concerned, in particular with the public authority responsible for managing the Youth Guarantee scheme, so that information could be shared about young people leaving school, in particular about those at risk of not securing a job or further education.
- (10) Enable employment services, together with other partners supporting young people, to provide personalised guidance and individual action planning, including tailor-

made individual support schemes, based on the principle of mutual obligation at an early stage.

Supportive measures for labour market integration

Enhancing skills

- (11) Offer early school-leavers and low-skilled young people routes to re-enter education and training or second-chance education programmes which provide learning environments responding to their specific needs and enabling them to gain the qualification they missed.
- (12) Ensure that any action delivered in the context of a Youth Guarantee scheme aimed at boosting skills and competences helps to address existing mismatches and service labour-demand needs, particularly in relation to the green economy, ICT and health care sectors.
- (13) Ensure that efforts to boost skills and competences include ICT/digital skills. Promote the status of professional knowledge and competences by ensuring that ICT curricula and certifications conform to standards and are internationally comparable.
- (14) Encourage schools (primary and secondary), including vocational training centres, and employment services to promote and provide continued guidance on entrepreneurship and self-employment for young people, including through entrepreneurship courses.
- (15) Ensure the validation of the skills, knowledge and competences acquired through non-formal and informal learning experiences, by acknowledging the skills, knowledge and competences acquired in these activities and recognising that they boost jobseekers' chances on the labour market.

Labour market related measures

- (16) Reduce non-wage labour costs in order to boost recruitment prospects amongst young people.
- (17) Use targeted and well-designed wage and recruitment subsidies to encourage employers to create new opportunities for young people, such as an apprenticeship, traineeship or job placement, particularly for those furthest from the labour market, in line with the applicable State aid rules.
- (18) Promote labour mobility by making young people aware of job offers, traineeships and apprenticeships and available support in different areas, regions and countries, e.g. through services and schemes, such as EURES, which encourage people to move and work within the EU. Ensure that adequate support is available to help young people who find work in another area or Member State adapt to their new environment.
- (19) Make more start-up support services available, including through closer cooperation between employment services, business support and (micro)finance providers.

- (20) Enhance mechanisms for supporting young people who drop out from activation schemes and no longer access benefits.

Use of EU Structural Funds

- (21) Make full and optimal use of the Cohesion Policy funding instruments, in the next period 2014 – 2020 for supporting the establishment of Youth Guarantee schemes. For this, ensure that the necessary priority is given and corresponding resources are allocated for supporting the conception and the implementation of the above measures, including the possibilities for financing targeted recruitment subsidies from the European Social Fund. Make also maximum use of funding still available from the 2007-2013 programming period,.
- (22) In the context of the preparation for the period 2014-2020, pay the necessary attention in the Partnership Contract to the specific objectives related to the implementation of Youth Guarantee schemes and describe in the operational programmes the actions to be supported under the relevant investment priorities of the European Social Fund, in particular those concerning the sustainable integration of young people "NEETs" into the labour market and support for young entrepreneurs and social enterprises and their respective contribution to the specific objectives.

Assessment and continuous improvement of schemes

- (23) Monitor and evaluate all Youth Guarantee actions and programmes, so that more evidence-based policies and interventions can be developed on the basis of what works, where and why, thus ensuring efficient use of resources and positive returns on investment. Maintain an up-to-date overview of how much funding has been allocated for the set-up and implementation of the Youth Guarantee, in particular under Cohesion Policy operational programmes.
- (24) Promote mutual learning activities at national, regional and local level between all parties involved in combating youth unemployment, in order to improve the design and delivery of future Youth Guarantee schemes. Make full use of the results of projects supported in the course of the preparatory action on Youth Guarantee schemes.
- (25) Strengthen the capacities of all stakeholders, including the relevant employment services, involved in designing, implementing and evaluating Youth Guarantee schemes, in order to eliminate any internal and external obstacles related to policy and to the way these schemes are developed.

Implementation of Youth Guarantee schemes

- (26) Implement Youth Guarantee schemes as soon as possible and ensure that they are properly integrated into the future EU co-financed programmes, preferably as from the start of the 2014-2020 Multiannual Financial Framework.

NOTES THAT THE COMMISSION WILL:

Funding

- (27) In accordance with the relevant investment priorities of the European Social Fund for the 2014-2020 programming period, encourage Member States to make best use of the European Social Fund to support the set-up and implementation of Youth Guarantee schemes as a policy instrument for combating and preventing youth unemployment and social exclusion.
- (28) Support programming work under the EU Common Strategic Framework Funds (European Social Fund, European Regional Development Fund, Cohesion Fund, European Agricultural Fund for Rural Development, European Maritime and Fisheries Fund), including through peer learning, networking activities and technical assistance.

Good Practices

- (29) Make full use of the new Programme on Social Change and Innovation to gather examples of good practice on Youth Guarantee schemes at national, regional and local level.
- (30) Use the European Employment Strategy Mutual Learning Programme to encourage Member States to share their experiences and exchange good practices.

Monitoring

- (31) Continue to monitor and report regularly on developments concerning the design, implementation and results of Youth Guarantee schemes as part of the annual programme of work of the European Network of Public Employment Services.
- (32) Monitor the implementation of this recommendation, and establish through the Employment Committee a multilateral surveillance of the implementation of Youth Guarantee schemes within the framework of the European Semester, analysing the impact of the policies in place and addressing, where appropriate, country-specific recommendations to the Member States.

Awareness-raising

- (33) Support awareness-raising activities on the setting-up of the Youth Guarantee across the Member States, using the European Youth Portal and liaising in particular with its information campaigns.

Done at Brussels,

*For the Council
The President*