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Research Report

Youth unemployment in Europe: Appraisal and policy options

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Youth Unemployment in Europe
Appraisal and Policy Options

Francesco Berlingieri, Holger Bonin,
Maresa Sprietsma
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Zentrum für Europäische
Wirtschaftsforschung GmbH (ZEW)

Robert Bosch Stiftung

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Zentrum für Europäische
Wirtschaftsforschung GmbH (ZEW)

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List of Abbreviations

ALMPs	Active Labour Market Policies
EPIS	Empresários pela Inclusao Social
EPL	Employment Protection Legislation
ESF	European Social Fund
ESO	Educación Secundaria Obligatoria
EU	European Union
EURES	EURopean Employment Services
Eurofound	European Foundation for the Improvement of Living and Working Conditions
GDP	Gross Domestic Product
IFP	Istruzione e Formazione Professionale
ILO	International Labour Organisation
ISFOL	Istituto per lo Sviluppo della Formazione Professionale dei Lavoratori
ISCED	International Standard Classification of Education
ISTAT	Italian National Statistical Institute
ITS	Istituti Tecnici Superiori
LLP	Lifelong Learning Programme
NEET	Not in Employment, Education or Training
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Services
VET	Vocational Education and Training
YEI	Youth Employment Initiative
ZAV	Zentrale Auslands- und Fachvermittlung

Foreword

For more than 5.5 million young people in the EU, finding a job is extremely difficult. In some southern European countries, more than half of all young adults able to work are unemployed. They are referred to as a "lost generation" for several reasons: if young people are unable to enter the job market, not only do their professional success and economic independence suffer, but they also lack an important key to social involvement, leading to devastating economic and social consequences for the countries in question. It is also a major strain on the development of unity in the European Union. As a foundation that has followed in the footsteps of its founder, Robert Bosch, for more than half a century by dedicating itself to promoting European understanding, education, and equal opportunity, we want to work with Robert Bosch GmbH to make a visible, concrete contribution to reducing unemployment among young people in the EU and, in particular, southern Europe.

By supporting the Center for European Trainees (CET) at Bildungswerk der Baden-Württembergischen Wirtschaft, we are establishing a central point of contact and service center in Baden-Württemberg that provides southern European young people, companies in Germany and southern Europe, associations, and educational institutions with advice and support when it comes to internationalizing career training. Another project, Accelerating Social Entrepreneurship Solutions for Southern Europe, was developed in partnership with Ashoka Deutschland and aims to take social entrepreneurial ideas for boosting employment that have been successfully implemented in other countries and introduce them in Greece, Spain, and Italy.

With the study – Youth Unemployment in Europe. Appraisal and Policy Options – we are presenting a scientifically sound analysis of the concrete problems in southern Europe with a particular focus on Italy, Spain, and Portugal. Using a selection of private, national, and EU initiatives, the Centre for European Economic Research (ZEW) analyzes promising solutions and develops concrete recommendations, including the creation of more jobs particularly for entry-level candidates, adaptation of training and qualifications based on the requirements of the job market, targeted use of labor policy instruments, promotion of international, job-related relocation, and integration of all relevant stakeholders into the process of developing national plans to combat unemployment among young people.

We would like to thank Prof. Holger Bonin and his team for conducting the study. We hope that it will generate interest among a greater range of specialists in the field and among decision makers in politics, associations, self-regulatory organizations, and companies, and thus encourage a fruitful discussion.

Dr. Ingrid Hamm

Chief Executive Officer of the Robert Bosch Stiftung

Zusammenfassung

Gegenstand der Studie

Der alarmierende Anstieg der Jugendarbeitslosigkeit infolge der jüngsten Wirtschaftskrise kann für die Arbeitsmarktpolitik auf nationaler und europäischer Ebene nicht ohne Folgen bleiben. Angesichts der Tatsache, dass in der EU über 5,5 Millionen junge Menschen Schwierigkeiten haben, einen Arbeitsplatz zu finden, müssen Strategien zur Bekämpfung von Jugendarbeitslosigkeit entwickelt werden. Nur so kann verhindert werden, dass eine verlorene Generation von europäischen Jugendlichen entsteht, die auf dem Arbeitsmarkt und in der Gesellschaft dauerhaft benachteiligt sind.

Vor diesem Hintergrund hat die Robert Bosch Stiftung die vorliegende Studie beim Zentrum für Europäische Wirtschaftsforschung (ZEW) in Mannheim in Auftrag gegeben. Ziel dieser Studie ist es, die Entwicklung der Jugendarbeitslosigkeit in Europa zu untersuchen, die maßgeblichen institutionellen und ökonomischen Ursachen für Jugendarbeitslosigkeit zu identifizieren und die Maßnahmen zu diskutieren, die ergriffen werden können, um eine bessere Arbeitsmarktintegration von jungen Erwachsenen zu erzielen.

Obgleich die Studie die Perspektive der EU-Mitgliedstaaten insgesamt abdeckt, legt sie den Schwerpunkt auf die südeuropäischen Länder, die in besonderem Maße von der aktuellen Jugendarbeitslosigkeitskrise betroffen sind. Den Hauptteil bilden drei Länderberichte, in denen die Lage in Italien, Spanien und Portugal im Detail dargestellt wird und aktuelle sowie mögliche zukünftige politische Initiativen untersucht werden, die zu einer Senkung der Jugendarbeitslosigkeit in diesen Ländern beitragen könnten.

Entwicklungen der Jugendarbeitslosigkeit in Europa

Im Zuge der Finanz- und Staatsschuldenkrise nahm die Jugendarbeitslosigkeit in allen EU-Mitgliedstaaten mit Ausnahme von Deutschland drastisch zu und erreichte in den südeuropäischen Ländern alarmierend hohe Quoten. Dennoch ist die Jugendarbeitslosigkeit kein junges Phänomen, das sich allein auf den letzten starken Wirtschaftseinbruch zurückführen lässt. Die meisten europäischen Länder haben seit vielen Jahren Schwierigkeiten, Jugendliche in den Arbeitsmarkt zu integrieren. Die Arbeitslosigkeit unter Jugendlichen ist in der Regel markant höher als unter Erwachsenen.

Besonders alarmierend ist die hohe Zahl an jungen Menschen, die abgehängt sind, da sie weder zur Schule gehen noch eine Arbeits- oder Lehrstelle haben. In Italien liegt der Anteil dieser Jugendlichen seit 2000 zwischen 15 und 20 %, Spanien und Griechenland haben dieses Niveau in den letzten Jahren ebenfalls erreicht. Alarmierend ist auch, dass sich in einigen Ländern ein beträchtlicher Anteil der beschäftig-

ten Jugendlichen lediglich in Zeitarbeitsverhältnissen befindet, die nicht mit einer Berufsausbildung verbunden sind und nur selten in einer Festanstellung münden. Das Risiko konjunkturbedingter Schwankungen am Arbeitsmarkt tragen hierdurch zu einem wesentlichen Anteil diejenigen, die am Anfang ihres Berufslebens stehen.

Das Verhältnis der Arbeitlosenraten bei Jugendlichen und Erwachsenen fällt innerhalb Europas sehr unterschiedlich aus. Daran zeigt sich, dass länderspezifische Strukturen und Institutionen eine wichtige Rolle beim Auftreten von Jugendarbeitslosigkeit spielen. Ein weiteres Indiz hierfür ist die unterschiedlich starke Reaktion der Jugendarbeitsmärkte auf die wirtschaftlichen Krisen der letzten Jahre. Die Jugendarbeitslosigkeit fällt in Spanien und Griechenland sehr hoch aus, während Frankreich, Großbritannien und Deutschland sehr viel besser durch die Krise gekommen sind.

EU-Politik zur Förderung der Jugendbeschäftigung

Die Europäische Kommission geht seit mehreren Jahren aktiv gegen Jugendarbeitslosigkeit vor, die Kompetenzen in diesem Bereich liegen jedoch hauptsächlich bei den einzelnen Mitgliedstaaten. Kernziele der »Europa 2020«-Strategie sind der Abbau der Jugendarbeitslosigkeit und die Senkung des Anteils an Schulabbrechern. Zu diesem Zweck wird der Schwerpunkt auf die Verbesserung der Bildungssysteme und die Förderung der Mobilität von Jugendlichen innerhalb der EU gelegt. Die Plattform EURES (EURopean Employment Services) stellt dazu Informationen zu freien Arbeits- und Lehrstellen in allen europäischen Ländern bereit. Zudem fiel 2013 der Startschuss für die Europäische Ausbildungsallianz, die dazu beitragen soll, die Ausbildungsqualität und das Angebot an Ausbildungsplätzen zu verbessern.

Als Antwort auf die jüngste Krise hat die EU eine Jugendgarantie ins Leben gerufen, die alle Mitgliedstaaten dazu auffordert, die notwendigen Maßnahmen zu ergreifen, damit jeder Jugendliche innerhalb von vier Monaten nach Abschluss der Schule oder Beginn einer Arbeitslosigkeit einen Ausbildungs- oder Arbeitsplatz angeboten bekommt. Die Jugendgarantie ist jedoch ein anspruchsvoller und potenziell kostspieliger Ansatz: Falsche oder mangelhaft konzipierte aktive arbeitsmarktpolitische Maßnahmen einzusetzen, kann für die Arbeitsmarktintegration der Jugendlichen auf Dauer schlechter sein, als nichts zu tun. Länder mit begrenztem finanziellen Spielraum, weniger gut entwickelten Arbeitsverwaltungen und geringer Erfahrung in der Gestaltung effizienter aktiver Arbeitsmarktmaßnahmen sollten sich eher auf zielgerichtete Instrumente konzentrieren, die speziell auf die bedürftigsten Gruppen ausgerichtet sind.

Strukturelle Ursachen der Jugendarbeitslosigkeit

Für die Schwierigkeiten bei der Arbeitsmarktintegration von Jugendlichen sind mehrere strukturelle Faktoren bedeutsam.

Eine erste wichtige Ursache für Jugendarbeitslosigkeit sind Defizite im Bildungs- und Ausbildungssystem. Das Risiko der Arbeitslosigkeit bleibt auch in der aktuellen Lage für Jugendliche mit höherer Bildung geringer. Schulabbrecher[1] und gering qualifizierte Jugendliche tragen dagegen ein besonders hohes Risiko der Arbeitslosigkeit. Für die nachhaltige Bekämpfung der Jugendarbeitslosigkeit ist es deshalb fundamental, dafür zu sorgen, dass das Bildungssystem Jugendlichen vor dem Berufseinstieg ein Mindestmaß an Qualifikation und Kompetenzen vermittelt. Darüber hinaus muss jedoch sichergestellt werden, dass die vermittelten Kompetenzen auch der Nachfrage auf dem Arbeitsmarkt entsprechen, um qualifikatorische Ungleichgewichte am Arbeitsmarkt zu vermeiden.

Ein zweiter bedeutsamer Faktor zur Erklärung von Unterschieden im Niveau der Jugendarbeitslosigkeit zwischen den EU-Ländern sind die länderspezifischen Arbeitsmarktregelungen. So können die Kosten des Kündigungsschutzes dazu führen, dass weniger Arbeitsplätze neu geschaffen werden. Sind betriebsbedingte Kündigungen bei den regulär Beschäftigten stark erschwert, haben die Unternehmen einen starken Anreiz, befristete Arbeitsverträge abzuschließen. Dies trägt zu einer Spaltung des Arbeitsmarkts bei, die Jugendliche vor besondere Probleme stellt, im Arbeitsmarkt Fuß zu fassen. In ähnlicher Weise wirken gesetzliche oder tarifliche Mindestlöhne, die altersbedingten Produktivitätsunterschieden nicht genügend Rechnung tragen.

Auch ineffektive aktive arbeitsmarktpolitische Instrumente können zur Jugendarbeitslosigkeit beitragen. Die empirische Evidenz spricht dafür, dass intensive Betreuung und Vermittlung eine besonders effektive Form der Unterstützung von Jugendlichen ist. Trainingsmaßnahmen werden zwar häufig eingesetzt, verbessern aber nur bei guter Qualität – und insbesondere in Kombination mit betrieblichen Praxisphasen – die Beschäftigungsraten der geförderten Jugendlichen nachhaltig. Die ebenfalls häufig eingesetzten Lohnsubventionen sind nach den vorhandenen Erfahrungen vielfach nicht über die Dauer der Förderung hinaus wirksam.

1 Auf eine durchgängige geschlechtsspezifische Unterteilung der Personenbenennung wird aus Gründen der Lesbarkeit verzichtet.

Spanien: Reformen in die richtige Richtung

Vor dem massiven Wirtschaftseinbruch in Folge der Finanzkrise wuchs die spanische Wirtschaft jährlich mit einer Rate von über 3 %. Die Jugendarbeitslosenquote in Spanien entsprach dem Durchschnitt der europäischen Länder. Der spanische Arbeitsmarkt wurde dann jedoch besonders stark von der Finanzkrise getroffen. 2012 erreichte die Jugendarbeitslosigkeit mit 53 % einen der Spitzenwerte in Europa.

Eine Erklärung für die besonders deutlich spürbare Reaktion des spanischen Jugendarbeitsmarkts auf die Krise liegt im hohen Anteil der Jugendlichen in befristeter Beschäftigung. Dies ist das Resultat eines sehr strikten Kündigungsschutzes für unbefristet Beschäftigte in Verbindung mit einer weitgehenden Liberalisierung von befristeten Verträgen seit den 1990er Jahren. Jugendliche mit Zeitverträgen waren für viele Unternehmen ein Puffer beim rezessionsbedingten Arbeitsplatzabbau. Gefördert wurde dies noch durch die schwache gewerkschaftliche Vertretung befristet Beschäftigter. Weiterhin waren in Spanien viele geringqualifizierte junge Menschen im Bausektor beschäftigt, in dem es nach dem Platzen der Immobilienblase zu massiven Arbeitsplatzverlusten kam.

2012 wurde in Spanien eine ehrgeizige Arbeitsmarktreform verabschiedet, die die Beschäftigungsaussichten für Jugendliche verbessern kann. Neben der Gewährung von finanziellen Anreizen für kleine und mittelständische Unternehmen, die junge Menschen einstellen, wurde mit der Reform die Lohnfindung von der Branchenebene auf die Firmenebene verlagert. Zudem wurden Unterschiede im Kündigungsschutz zwischen befristeter und unbefristeter Beschäftigung verkleinert: Betriebsbedingte Entlassungen wurden erleichtert, und die maximale Abfindungszahlung für ungerechtfertigte Kündigungen wurde gesenkt. Um die Arbeitsmarktposition von Jugendlichen noch weiter zu stärken, sollten jedoch auch die Regelungen für die befristete Beschäftigung, etwa durch Begrenzungen aufeinander folgender befristeter Beschäftigungen im selben Betrieb, überprüft werden.

Weitere Ursachen für die Probleme Spaniens, junge Menschen in den Arbeitsmarkt zu intergrieren, liegen im Bildungssystem. Das spanische Bildungssystem ist stark universitär ausgerichtet und die Zahl der Hochschulabsolventen liegt über dem EU-Durchschnitt. Im beruflichen Bereich erfolgt die Ausbildung hauptsächlich schulisch. Lediglich 25 % der Ausbildungszeit werden im Betrieb verbracht. Das Ergebnis dieser Strukturen ist ein relativ hoher Anteil an überqualifizierten Jugendlichen, während die Arbeitgeber zugleich einen Mangel an praktischen Kompetenzen beklagen. Deshalb wäre es sinnvoll, das Ausbildungssystem in einer Weise zu entwickeln, dass es eine attraktive Alternative zum akademischen Zweig darstellt.

Einen Beitrag dazu leistet die spanische Regierung durch den Aufbau von Zentren für die duale Ausbildung in Zusammenarbeit mit spanischen und internationalen Unternehmen. Vor allem im Baskenland wird die Einführung einer zertifizierten dualen Ausbildung sehr aktiv vorangetrieben. Ein darüber hinaus notwendiger Schritt wäre die Festlegung eines verbindlichen Rahmens, um die Qualität und die Inhalte der von Betrieben in den einzelnen Berufen angebotenen Ausbildungen festzulegen. Hierzu könnten die vorhandenen Subventionen für Betriebe zur Förderung der Beschäftigung von Jugendlichen an die Beteiligung an zertifizierten Ausbildungsprogrammen geknüpft werden.

Italien: Unentschlossene Arbeitsmarkt- und Bildungspolitik

Italien verzeichnete schon in den Jahren vor der Finanz- und Schuldenkrise nur ein geringes Wirtschaftswachstum. Die Relation der Arbeitslosenraten bei Jugendlichen und Erwachsenen ist im europäischen Vergleich am schlechtesten, und der Anteil an Jugendlichen, die weder zur Schule gehen noch eine Arbeits- oder Lehrstelle haben, am höchsten. Die Schwierigkeiten der italienischen Jugendlichen beim Berufseinstieg sind unabhängig von den großen regionalen Unterschieden bei der Wirtschaftskraft spürbar, was auf strukturelle Probleme hinweist.

Die konfliktanfälligen Beziehungen zwischen Gewerkschaften und Arbeitgebern sowie strukturelle Verkrustungen, die in Italien die generelle wirtschaftliche und Beschäftigungsdynamik lähmen, belasten auch die Beschäftigungschancen der Jugendlichen. Hinzu kommt eine eher niedrige Qualität des Bildungssystems.

Italien ist das einzige Land in Europa, das seine Ausgaben für das Grund- und Sekundarschulwesen je Schüler seit 1995 nicht erhöht hat. Zwar gibt es im italienischen Bildungssystem einen berufsbildenden Schulzweig, dieser ist dem allgemeinen Zweig jedoch sehr ähnlich. Die einzige berufspraktische Erfahrung sammeln italienische Schüler im Rahmen eines nicht einmal einmonatigen Betriebspraktikums. Zuletzt hat die Bedeutung spezieller berufsbildender Agenturen und Schulen zugenommen, die auf regionaler Ebene koordiniert werden und eine stärker praxisorientierte Berufsbildung mit enger Beziehung zu Betrieben anbieten. Diese Zentren richten sich jedoch hauptsächlich an Schulabbrecher, ihre Qualität ist in der Regel gering und regional sehr unterschiedlich. Vertraglich vereinbarte betriebliche Ausbildungmöglichkeiten existieren zwar, Qualität und Inhalte sind jedoch nicht geregelt, so dass diese von den Jugendlichen kaum nachgefragt werden.

Der Anteil an Hochschulabsolventen unter den 25- bis 64-Jährigen ist in Italien halb so hoch wie der OECD-Durchschnitt, wobei die Quote der Studienabbrecher höher ist als in anderen europäischen Ländern. Darüber hinaus haben Hochschulabsolventen in Italien nicht wesentlich bessere Beschäftigungschancen als Abgänger der Sekundarschulen. Die Bildungserträge sind demnach eher gering, was die Anreize schwächt, eine höhere Qualifikation zu erlangen.

Vor diesem Hintergrund wären in Italien mehr Investitionen auf allen Ebenen des Bildungssystems erforderlich, um qualifikationsbedingte Arbeitsmarktschwieirigkeiten zu verringern. Zudem wären Ausbau und Normierung dualer Ausbildungwege mit klaren Vorgaben in Bezug auf Dauer und Qualität wichtige Schritte.

Italien wendet nur einen vergleichsweise geringen Teil seines Bruttoinlandsprodukts für aktive arbeitsmarktpolitische Maßnahmen auf. Zugleich vermittlen und beraten die Arbeitsverwaltungen vielfach nicht besonders gut. Deswegen könnten Arbeitslose von gezielt eingesetzten zusätzlichen Mitteln und besseren administrativen Routinen profitieren. Ein möglicher Ansatzpunkt für aktive Maßnahmen wäre die Förderung der – trotz großer Arbeitsmarktungleichgewichte innerhalb des Landes – nach wie vor niedrigen geografischen Mobilität von Jugendlichen.

Auch die italienischen Jugendlichen leiden unter einem gespaltenen Arbeitsmarkt durch strengen Kündigungsschutz. Anders als in Spanien oder Portugal hat Italien bislang jedoch keine klaren Schritte unternommen, um die Kluft zwischen befristeten und unbefristeten Beschäftigungsverhältnissen zu verringern. Effektive Strukturreformen am Arbeitsmarkt, um etwa eine Senkung der Entlassungskosten zu erreichen, sind bisher in politischen Aushandlungsprozessen weitgehend gescheitert.

Portugal: Suche nach Wegen aus der Rezession

Die portugiesische Wirtschaft hat seit vielen Jahre strukturelle Probleme. Das Bruttoinlandsprodukt pro Kopf ist im Vergleich der westeuropäischen Länder niedrig, und die Wachstumsraten sind in den letzten Jahren mehrfach ins Minus gerutscht. Die harten Sparmaßnahmen, die seit Beginn der aktuellen Wirtschaftskrise zum Abbau der Staatsverschuldung ergriffen werden mussten, belasten die wirtschaftliche Entwicklung zusätzlich. Um die Jugendarbeitslosigkeit erfolgreich zu bekämpfen, kommt der Steigerung der portugiesischen Wirtschafsleistung eine Schlüsselrolle zu, damit insgesamt mehr Arbeitsplätze entstehen.

Portugal konnte zwar den Anteil an Hochschulabsolventen seit 2000 mehr als verdoppeln. Dagegen ist die Abbrecherquote im sekundären Bildungsbereich weiterhin eine der höchsten in Europa, so dass der Anteil an Absolventen mit höherer sekundärer Bildung im internationalen Vergleich niedrig ist. Es fehlt ein berufsbildender Bildungsweg mit verpflichtendem betrieblichen Ausbildungsteil. Somit gibt es in Portugal praktisch keine alternativen Bildungswege für die Jugendlichen, die den allgemeinen Sekundarabschluss nicht schaffen. Die Entwicklung eines beruflichen Ausbildungssystems unter Einbeziehung der Betriebe ist darum ein zentraler Ansatzpunkt, um das Qualifikationsniveau portugiesischer Jugendlicher beschäftigungsorientiert zu heben.

Die portugiesische Politik hat bereits Initiativen gestartet, um den Anteil an Schulabbrechern zu reduzieren und die Qualität der Berufsbildung durch eine engere Verbindung zu den Betrieben zu verbessern. Da die Haushaltsspielräume eng sind, hängen diese Maßnahmen jedoch nahezu ausschließlich von der Finanzierung durch die EU ab. Die Unterstützung von der Arbeitgeberseite in Form von Investitionen in Ausbildung ist dagegen schwach. Eine vielversprechende, umfangreiche öffentliche Initiative (»Novas oportunidades«), die eine duale Ausbildung als Alternative zur allgemeinen Sekundarschulbildung anbot, musste 2013 eingestellt werden. Ein neues Programm im Rahmen der Jugendgarantie bietet eine duale Ausbildung mit verpflichtendem innerbetrieblichen Teil an. Hierbei fehlen jedoch Regelungen zur Sicherung der Qualität und Inhalte der in den Betrieben stattfindenden Ausbildungselemente. Zudem bekommen Jugendliche als Vergütung für die Dauer der Ausbildung lediglich einen symbolischen Betrag.

Die Lohnstruktur schafft in Portugal ein weiteres Beschäftigungshemmnis für Jugendliche. Der gesetzliche Mindestlohn, wenngleich an sich gering, liegt bei knapp 60 % des mittleren Einkommens und gilt für alle Arbeitnehmer unabhängig vom Alter. Darüber hinaus sind in Tarifverträgen teilweise Löhne oberhalb des Mindestlohns festgelegt, die beschäftigungshemmende Löhne für Berufseinsteiger entfalten, die wegen ihrer vielmals nur befristeten Beschäftigungsverhältnisse gewerkschaftlich schlecht repräsentiert sind. Tariföffnung und altersspezifische Mindestlöhne wären darum Möglichkeiten, die Beschäftigungschancen für junge Menschen zu verbessern.

Die Kombination von hohem Kündigungsschutz für unbefristet Beschäftigte und liberalen Regelungen für befristete Beschäftigung schafft in Portugal Hürden für Berufseinsteiger. Zwar hat eine Arbeitsmarktreform 2011 die Kosten des Kündigungsschutzes für die Unternehmen verringert, Unterschiede im Kündigungschutz zwischen befristeter und unbefristeter Beschäftigung sollten jedoch weiter verkleinert werden, um die Position der Jugendlichen am Arbeitsmarkt zu stärken.

Ein allgemeiner Handlungsplan für Europa

Strategien zur Bekämpfung von Jugendarbeitslosigkeit müssen auf nationaler Ebene ausgearbeitet und umgesetzt werden. Es lassen sich jedoch wesentliche Elemente festhalten, die für alle europäischen Länder relevant sind, wenn sie das Problem der Jugendarbeitslosigkeit in den Griff bekommen möchten.

Erstens leiden junge Erwachsene ganz besonders unter dem derzeitigen Versagen ihrer Länder, mehr und bessere Arbeitsplätze zu schaffen. Aus diesem Grund sind Strukturreformen unerlässlich, um die globale Wettbewerbsfähigkeit und die Dynamik der Entstehung zusätzlicher Jobs zu steigern. In den Ländern, in denen Berufseinsteiger nicht automatisch von mehr offenen Stellen in der Wirtschaft profitieren, müssen zusätzlich Strukturreformen angegangen werden, um die Kluft am Arbeitsmarkt zwischen Jüngeren und Älteren zu überwinden.

Zweitens sind die Schwierigkeiten, die sowohl ungelernte als auch qualifizierte Jugendliche bei der Arbeitsmarktintegration haben, ein Ausdruck von qualifikatorischem Mismatch: Für einen Teil des angebotenen Humankapitals innerhalb der jungen Generation haben die Arbeitgeber keinen Bedarf. Die Bekämpfung solcher Ungleichgewichte erfordert eine Modernisierung der Bildungs- und Ausbildungssysteme. Ein wesentliches Element hierbei ist, die Unternehmen stärker an Bildungs- und Qualifizierungsprozessen zu beteiligen.

Drittens können einzelne aktive arbeitsmarktpolitische Instrumente zwar wirksam dazu beitragen, junge Menschen in den Arbeitsmarkt zu integrieren. Die empirische Evidenz zur Wirksamkeit der vorhandenen Instrumente ist jedoch nicht ausreichend, um eine generelle Jugendgarantie zu rechtfertigen. Stattdessen sollte aktive Arbeitsmarktpolitik selektiv eingesetzt werden. Individualisierung und die Konzentration auf qualitativ hochwertige Instrumente, die innerhalb lokaler Strukturen umgesetzt werden, sind entscheidende Erfolgsfaktoren, die allzu leicht verloren gehen können, wenn aktive arbeitsmarktpolitische Maßnahmen zu schnell und zu umfassend ausgedehnt werden.

Viertens entfalten auf die Veränderung von Strukturen zielende wirtschafts-, arbeitsmarkt- und bildungspolitische Strategien zur Vermeidung von Jugendarbeitslosigkeit ihre Wirkung nur langsam, so dass als Ergänzung kurzfristige Entlastungsmaßnahmen erforderlich sind. Dabei wäre die Verbesserung der räumlichen Mobilität von Arbeitskräften ein besonders effektiver Ansatz. Da die Wanderungen innerhalb der EU trotz des gemeinsamen europäischen Arbeitsmarktes weiterhin auf geringem Niveau verharren, erfordert diese Möglichkeit jedoch zusätzliche Anstrengungen auf allen Ebenen.

Fünftens setzen erfolgreiche Strategien zur Jugendbeschäftigung die Beteiligung aller relevanten Stakeholder voraus – einschließlich der jungen Menschen selbst. Teil der Herausforderung ist die Strukturierung und Koordination der Aktivitäten von Arbeitgebern, Tarifpartnern, Fallmanagern, Bildungseinrichtungen usw. Regierungen müssen bei der Koordinierung und Finanzierung von partnerschaftlichen Handlungsmodellen die Führungsrolle übernehmen. Dennoch müssen sich auch die Stakeholder aktiv einbringen, damit ihre Interessen und Erfahrungen bei der Ausgestaltung einer umfassenden Agenda zur Bekämpfung von Jugendarbeitslosigkeit berücksichtigt werden. Dieser Prozess könnte durch Nichtregierungsorganisationen unterstützt werden, die als Vermittler und Moderatoren agieren.

Ein allgemeiner Handlungsplan gegen die Jugendarbeitslosigkeit in Europa

1. Mehr Arbeitsplätze für Berufseinsteiger schaffen
   – Wirtschaftswachstum fördern, das zu mehr und besseren Arbeitsplätzen führt
   – Spaltung des Arbeitsmarkts für ältere und jüngere Arbeitnehmer bekämpfen
   – Hohe Einstiegsgehälter senken und Einstellungsanreize durch Lohnsubventionen fördern
2. Qualifikatorischen Mismatch bekämpfen
   – Schulabbrecherquoten verringern
   – Qualität der Berufsbildung durch bessere (duale) Ausbildung im Betrieb steigern
   – Stärker praxisbezogene Lehrpläne an Universitäten
3. Aktive arbeitsmarktpolitische Instrumente zielgenau einsetzen
   – Berufsberatung und Arbeitsvermittlung verbessern
   – Ausbildung für junge Arbeitslose auf Arbeitsplätzen in Unternehmen bezuschussen
   – Keine Arbeitsbeschaffungsmaßnahmen
4. Grenzüberschreitende Mobilität fördern
   – Internationale Mobilität zur Ausbildung oder Beschäftigung in Mangelberufen unterstützen
   – Information über Beschäftigungschancen in Europa verbessern
   – Sprachliche und psychologische Mobilitätsbarrieren senken
5. Relevante Stakeholder involvieren
   – Kooperative Beziehungen zwischen Gewerkschaften und Arbeitgebern aufbauen
   – Betriebe zur Einführung dualer Ausbildungsstrukturen anregen
   – Nationale Agenda gegen Jugendarbeitslosigkeit formulieren und Fortschritte überwachen

Executive Summary

Subject of the Study

The alarming rise of youth unemployment rates following the recent economic turmoil has challenged national as well as European labour market policies. With more than 5.5 million young people in the EU struggling to find jobs, there is an urgent need to develop strategies for combatting youth unemployment, in order to avoid a lost generation of European youths threatened by lasting disadvantages in terms of labour market and social position.

Against this background, the Robert Bosch Stiftung has commissioned the present study from the Centre for European Economic Research (ZEW) in Mannheim. Its aims are to survey the development of youth unemployment in Europe, to identify the relevant institutional and economic drivers and to discuss the necessary courses of action to achieve a better integration of young adults into the labour market.

While the study covers the perspective of the EU member states as a whole, it strongly focusses on southern European countries, which are especially suffering from the current youth unemployment crisis. Its core part is comprised of three country reports which detail the situation in Italy, Spain and Portugal, and review current and potential future policy initiatives that could help in reducing youth unemployment.

Trends in European Youth Unemployment

Following the financial and debt crisis, youth unemployment sharply increased in all EU member states except Germany and reached alarmingly high levels in the southern European countries. Nevertheless, youth unemployment is not a recent phenomenon that can be ascribed only to the Great Recession. Most European countries have faced difficulties in integrating youths in the labour market for many years, and youth unemployment rates are generally higher than adult unemployment rates.

A particularly alarming feature of some youth labour markets are the high rates of young people that are disconnected, as they are neither in education, employment or training. In Italy, the proportion of such disconnected youths has ranged between 15–20 % since 2000, and Greece and Spain have reached this level in recent years, too. Another alarming feature is that in some countries, especially in Southern Europe, a huge proportion of young workers are employed on temporary contracts that are not related to apprenticeships and require very long periods to make the transition to permanent positions. Thus, youth are highly at risk to bear most of the adjustment to cyclical fluctuations and to be excluded from long-term investment into training.

Still, the ratio of youth and adult unemployment rates varies markedly across Europe, which indicates that national economic and policy structures play an important role in explaining the incidence of youth unemployment. Another indicator is the very different intensity of youth employment responses to the recession and subsequent economic recovery associated with the sovereign debt crisis. Spain and Greece were hit hardest by the Great Recession in terms of youth employment, whereas France, the United Kingdom and Germany were less affected.

EU Policies to Promote Youth Employment

The European Commission has been active in working against youth unemployment for several years, although responsibilities remain mainly at the member state level. In the Europe 2020 strategy, reducing youth unemployment and dropout rates from secondary education are featured as central goals. To achieve them, focus is put on developing dual vocational education and increasing the mobility of youths between member states. The EURES platform provides information on job and apprenticeship opportunities in all European countries. Moreover, a European Alliance for Apprenticeships was launched in 2013 to improve the quality and supply of apprenticeships.

In response to the recent crisis, the EU has launched a Youth Guarantee, which asks all member states to implement the necessary measures to ensure that all youths are in employment or in education within four months after leaving school or becoming unemployed. Although the Youth Guarantee is backed by financial means drawn from the EU, the resources assigned per capita of the young unemployed remain rather small. Youth guarantees may help connect young people to labour markets, but they are challenging and costly – hence, subjecting agents to wrong or poorly designed active measures can be worse than doing nothing. As a result, countries with limited financial means, less-developed public employment services and little experience with design of efficient active labour market measures should use more targeted approaches which focus on the most needy groups.

Structural Sources of Youth Unemployment

Several structural factors play an important role in ensuring the labour market integration of youths.

A first source of youth unemployment are deficits in the education and training system. At the individual level, higher and better education significantly reduces the probability of becoming unemployed. Secondary school dropouts and low-qualified youths are most at risk of becoming unemployed. Warranting that the educational system provides youths with a minimum level of qualification and skills before entering the labour market is therefore essential to tackle youth unemployment. In addition, it is important to ensure that the provided skills are in line with the demands of the labour market in order to avoid skills mismatch.

Besides the features of educational systems, labour market institutions also play a role in explaining the differences in youth unemployment across countries. The costs associated with the dismissal of permanent workers can be a constraint on job creation. If the legal setting makes dismissal for economic reasons too burdensome, firms will increase the use of either temporary contracts or service provision contracts. This contributes to the duality of labour markets, and makes it difficult for youths to obtain regular positions on the labour market. General or sector-specific minimum wages that do not take into account differences in productivity related to experience are a further constraint on the successful integration of youths into the labour market.

Ineffective active labour market policies are a further source of youth unemployment. Empirical evidence shows that individual job search assistance is the most effective form of support for unemployed youths. In practice, the most common form of support are training measures. However, only high-quality training, preferably within firms, can improve the employment probabilities in the medium run. Financial incentives to the private sector for hiring youths are also commonly used but prove effective only for the duration of the subsidies.

Spain: Continuing the Reform Agenda

Before the Great Recession, the Spanish economy grew at an annual rate of more than 3 % and youth unemployment rates were in line with the average in European countries. However, the Spanish labour market was heavily affected by the Great Recession. In 2012, the youth unemployment rate reached 53 %, a much higher rate than the ones reached in Portugal or Italy.

One important explanation behind the particularly strong employment losses among youths starting with the Great Recession in Spain is the high proportion of temporary contracts among youths. Of all countries considered, the incidence of temporary employment among 25- to 29-year-olds is the highest in Spain together with Portugal. Moreover, the transition rate into permanent jobs is very low. This is the result of high employment protection of permanent workers and the liberalisation

of the use of temporary contracts in the nineties. Working with temporary contracts makes youths very vulnerable to job loss in the case of a recession. This process is reinforced by the lack of representation of temporary and unemployed workers in trade unions. Moreover, the bust of a construction and real estate bubble during the financial crisis reinforced job loss in the construction sector.

An ambitious labour market reform was implemented in 2012. Besides providing generous financial incentives to small- and medium-sized firms to hire young workers, the reform has decentralised wage-setting from the sectoral to the firm level and reduced firing costs. Economic reasons for dismissal were redefined in favour of firms and maximum severance payments for unfair dismissal were reduced. The reform should contribute to increasing the hiring rate. However, further measures should be taken to reduce the employment protection gap between permanent and temporary contracts. For instance, a maximum cumulated duration of temporary contracts in the same firm should be imposed and severance payments in the case of dismissal for economic reasons could be further reduced.

The Spanish educational system is strongly academic-oriented and higher education graduation rates are above the EU average. In the vocational secondary school track, education is mostly school-based as only 25 % of the time is spent in the firm doing on-the-job training. Moreover, there is no legal framework for the content and quality of training provided in firms. As a result, there is a relatively high proportion of overqualification and employers complain about the lack of practical skills of youths. Of all countries considered, dropout rates from secondary school are the highest in Spain together with Portugal. It would make sense to expand the vocational educational system in a way that it provides an attractive alternative to the academic track. The Spanish government is effectively pushing the development of dual vocational training centres in cooperation with Spanish and international firms. The Basque Country in particular has been very active in promoting the implementation of certified dual vocational training.

A necessary further step would be the development of a legal framework for the content and quality of the training provided by firms for each occupation. Existing subsidies for youth employment could be made conditional on participation in such a certified apprenticeship scheme. This would give firms an incentive to contribute to increasing the quality of vocational training.

Italy: Coordinating Policy Measures

Italy faced weak annual growth rates during the last ten years before being hit strongly by the Great Recession. It has also had the worst youth-to-adult unemployment ratio as well as the highest proportion of youths not in employment, education or training since 2000. Moreover, it lags behind in terms of labour market policy as well as educational policies to fight youth unemployment. Italian youths face structural difficulties in entering the labour market across all regions, regardless of the large regional economic differences. These structural problems largely originate in the low quality of education and the absence of alternatives to the academic track. But the conflict-prone relations between insider unions and employers as well as the lack of adequate policy initiatives and structural reforms contribute to the burden of unemployment for youths.

Italy is the only country that has not increased its spending per student in primary and secondary education since 1995. The educational system has a vocational secondary school track, but the programme is very similar to the general track and the only on-the-job experience that pupils generally obtain is an internship of less than one month. Vocational training agencies and schools (Istruzione e Formazione Professionale – IFP) coordinated at a regional level, which provide more practice-oriented secondary vocational education with a stronger connection to firms, are recently gaining importance. However, these centres mostly address early school-leavers and their quality of education is generally low and very heterogeneous across regions. Apprenticeship contracts are also available but there is no legal framework for the quality and content of the training that firms must provide. As a result, the average quality of training is low and apprenticeship contracts are not attractive for youths.

The proportion of higher education graduates (15 %) among 25- to 64-year-olds is half the OECD average and dropout rates from tertiary education are higher than in other European countries as well. Moreover, higher education graduates do not have much higher employment probabilities than secondary education graduates in Italy. Returns to education in Italy are thus very low, so that there are often few incentives to obtain educational qualification. It is therefore necessary to invest in the educational system at all levels in Italy. In addition, a legal framework for dual vocational training should be developed with clear requirements concerning the duration and quality of on-the-job training.

Similar to Spain and Portugal, Italy has a dual labour market and a problem of insider unions. As a consequence, youths bore the largest proportion of job losses after the Great Recession and face the risk of remaining in precarious employment for a prolonged period of time. Labour market policies have until now not clearly focussed on reducing the duality of employment protection. A structural labour market reform that reduces and defines clear rules for dismissal costs would be in order.

Finally, interregional mobility of workers is very limited and Italy invests a relatively small proportion of its gross domestic product in active labour market policy. There is certainly scope for improving public employment services and promoting inter-regional mobility within Italy.

Portugal: Finding Ways Out of the Recession

The Portuguese economy has been facing structural problems for many years. Of all countries considered, Portugal's gross domestic product per capita has been the lowest since 1995, and the growth rate plummeted to negative values twice since the start of the Great Recession. The harsh austerity measures taken since then to reduce public deficits led to significant reductions of already tight public budgets and threaten to worsen the recession.

The first priority to tackle youth unemployment in Portugal should therefore be to increase overall job creation and relaunch the economy.

Portugal has made considerable progress in increasing the level of education and the proportion of tertiary education graduates has more than doubled since 2000. Nevertheless, dropout rates from secondary education (21% in 2012) remain among the highest in Europe and the proportion of upper secondary graduates is still low in international comparison. Moreover, there is no vocational secondary school track with compulsory on-the-job training. This means that there are virtually no educational alternatives for youths who do not manage to obtain the general secondary degree. Developing a high-quality vocational education with a sizeable proportion of certified on-the-job training could be an effective way to further increase the qualification level of Portuguese youths.

Several policies initiatives were taken to improve the quality of vocational training through a stronger link with firms, and to reduce dropout rates, but these policies rely almost exclusively on EU and private funding initiatives. There is not a strong support from the side of employers to invest in apprenticeship training beyond these EU measures. The harsh budget cuts following the financial and debt crisis are an additional constraint on public and private investment in dual vocational training. A promising large-scale public initiative (Novas Oportunidades) that provided dual

vocational training as an alternative to the general secondary education was stopped in 2013. A new programme in the framework of the Youth Guarantee provides dual vocational education with compulsory on-the-job training. However, there is no legal framework for the content or quality of the training to be provided by firms and youths are paid only a symbolic amount for the duration of the training.

The rigidity of labour costs is thought to be a further constraint on youth employment in Portugal. The minimum wage, though small in absolute terms, represents close to 60% of the median wage and applies to all workers regardless of their age. Moreover, collective agreements may set wages above the minimum wage level without taking into account possible detrimental effects on youth employment. Allowing firms to opt out from collective agreements would give them more flexibility in setting wages in line with their firm-specific constraints.

The lack of representation of youths' interests in collective agreements is related to the large proportion of youths on temporary contracts. The high dismissal costs of workers with high tenure combined with the liberalisation of temporary contracts is at the origin of the high proportion of temporary employment of youths. The labour market reform of 2011 can be expected to have a favourable effect on job creation, because it reduced the dismissal costs for permanent workers and set a maximum amount of severance payments. Nevertheless, further measures such as regulating the use of service provision contracts are necessary to limit the employment protection gap between permanent and temporary employment.

A General Course of Action for European Countries

While strategies for tackling youth unemployment need to be developed and implemented at the national level, some key elements are relevant for all European countries seeking to tackle the youth unemployment problem. In particular, it is essential to address five key issues.

First, young adults in particular are suffering from the current failure of countries to create new and better jobs in sufficient numbers. Structural reforms aimed at improving global competitiveness and the dynamics of job creation are therefore fundamental. Where labour market entrants will not benefit from more job openings becoming available in the economy, additional structural measures to overcome the labour market divide between younger and older workers are in order.

Second, the difficulties among both unskilled and skilled young people to integrate into the labour market are a reflection of skill mismatch: part of human capital embedded in the young generation is not in accord with the demand of employers. Working against skill mismatch requires modernising education and training systems. A key element in this is to bring human capital development closer to the private sector.

Third, while some active labour market policies seem to be effective in integrating young people into the labour market, the evidence is not satisfactorily strong to warrant youth guarantees on a large scale. Instead, active labour market policies need to be selective. Individual targeting and quality measures implemented within local structures are key success factors, which may easily get lost when active labour market policies are extended quickly and on a large scale.

Fourth, strategies of adapting general economic, labour market and education policies that aim at reducing youth unemployment will unfold their effects slowly. Therefore, complementary measures that could have a short-term alleviating effect, are in order. Among these, geographic mobility is probably the most effective short-term valve. It requires additional support at all levels, as geographical mobility remains low despite a unified European labour market.

Fifth, successful youth employment strategies require involving all relevant stakeholders, including the young people themselves. Part of the challenge is to structure and organise activities among employers, social partners, case managers, education providers, etc. Obstacles to cooperation call governments to take the lead in coordinating and financing partnership models. Still stakeholders must actively engage themselves to identify their interests and contribute their experience in respect to setting up a comprehensive policy agenda to fight youth unemployment. Non-governmental organisations may support the process by acting as mediators and moderators.

A General Course of Action for Tackling Youth Unemployment in Europe
1. Create More Jobs for Labour Market Entrants – Ensure economic growth that leads to more and better jobs – Fight segmentation between older and younger workers in the labour market – Lower high entry wages and strengthen hiring incentives through wage subsidies
2. Better Align Skills and Labour Market Needs – Fight early school-leaving – Foster the quality of vocational education by stronger (dual) training at the workplace – Make academic training more applied
3. Use a Careful Selection of Active Labour Market Policies – Improve upon counselling and job search assistance – Provide publicly sponsored training to unemployed youth, if possible at real workplaces – Avoid public job creation
4. Support Mobility Across Borders – Encourage international mobility for training and employment in scarce occupations – Improve upon information – Lower language and psychological barriers to mobility
5. Involve All Relevant Stakeholders – Establish cooperative industrial relations – Engage firms in setting up dual vocational training structures – Set up and monitor comprehensive youth employment strategies

1
Introduction

Youth unemployment is not a new phenomenon in many member states of the European Union. The southern European countries in particular have been marred by high youth unemployment rates well before the onset of the crisis, a reflection of structural rather than cyclical problems related to education and labour market institutions. Still, the alarming rise of youth unemployment rates following the recent economic turmoil has challenged national as well as European labour market policies. With more than 5.5 million young people in the EU struggling to find jobs, there is an urgent need to find policy responses to combat youth unemployment and to avoid a "lost generation" of European youths.
Successful investment in such policies could in fact generate substantial returns. At the individual level, periods of unemployment at a young age bear the potential of deep scarring effects. There is ample evidence that youth unemployment translates into significantly higher propensities of unemployment and significantly lowers earnings and financial stability later in life. This could lead to social exclusion not only in economic terms, but also in social and cultural terms. Further risks associated with youth unemployment include deskilling, degradation of physical and mental health, and a lasting reduction in life satisfaction.

At the macroeconomic level, failing to integrate the young generation implies a loss of production, productivity and probably also innovation potential. In addition to the associated loss of gross domestic product (GDP), there is a fiscal cost of youth unemployment due to increased welfare payments and loss of tax revenues. According to estimates by Eurofound (2012) for the EU-27, the direct macroeconomic cost of those young people aged 15 to 29 not in employment, education or training, i.e. the NEET population, amounted to more than 150 billion euros in 2011, or roughly 1.2 per cent of European GDP.

While these numbers derive from a rather simple calculus supposing that one could fully integrate each young European into the labour market, they still point to the quite substantial economic losses for societies faced with high youth unemployment. And from a societal perspective, the losses are probably even larger than the pure economic costs. The personal effects on health and social stability may translate into greater pressure on public services, such as health, welfare and integration services. Besides, survey results by Eurofound (2012) suggest that a growing NEET population can be associated with a decline in trust with regard to social institutions, and less political engagement and participation. Provided that the disconnected youth blames decision-makers for their situation, this is a serious threat to the acceptance of national and European institutions.

In response to these threats, fighting youth unemployment has been put at the top of the political agenda in many European countries and at the level of the European Union. The European Parliament stressed the importance of measures guaranteeing that young people are either employed, in education or training within four months after becoming unemployed or leaving formal education. The corresponding "Youth Guarantee" was adopted in the resolution on Youth Opportunities Initiative in 2012 and endorsed by the member states in April 2013. In this framework, the EU supports national initiatives that focus on reducing the number of secondary school dropouts and the development of vocational education and training.

The aim of the present study is to provide an overview of the mechanisms behind youth unemployment in Europe before and during the crisis, and to describe existing policies and their expected effectiveness in order to outline necessary further policy initiatives in Southern Europe. This includes further actions from the side of governments but also possible interventions by other stakeholders such as employers' organisations and unions.

To this purpose, we first present an overview of the state of youth employment for seven different EU countries in the last decade. We compare developments in Italy, Greece, Portugal and Spain that had the highest youth unemployment rates in 2012, with countries overall less affected by youth unemployment previous to the crisis such as France, Germany and the United Kingdom. In a second part, we then give an overview of the most important structural and institutional factors in the education systems and on the labour market that can contribute to youth unemployment. In a third part, we describe the combination of institutional and macroeconomic determinants that are specific to three countries particularly affected by youth unemployment: Italy, Portugal and Spain. For these countries, we also present the policies implemented to reduce youth unemployment since the Great Recession and we assess their expected effectiveness. Moreover, we provide country-specific recommendations on the need for further initiatives by governments and other stakeholders. We chose to focus on these three countries because they cover a broad spectrum of different institutional and labour market features. Similar combinations of structural determinants of youth unemployment and the following policy recommendations can therefore give insights for other countries not included in the analysis such as France or Greece.

2
Youth Unemployment in Europe

2.1 Overview

In this chapter, we describe the development of unemployment in Europe in the last decade and we present the initiatives that the EU has taken so far to tackle youth unemployment. In particular, we highlight the heterogeneous reactions of labour markets to the recession and outline the relevance of structural reasons behind youth unemployment rates. Beside the European Union as a whole, we focus on seven European countries that cover a large bandwidth of industrial structures, labour market institutions and educational systems: Germany, Greece, France, Italy, Portugal, Spain and the United Kingdom.

Youth unemployment sharply increased in all countries (except Germany) following the financial and debt crisis and reached alarmingly high levels in the southern European countries. Nevertheless, youth unemployment is not a recent phenomenon that can be ascribed only to the Great Recession.

Except Germany, Portugal and the United Kingdom, all countries have faced difficulties in integrating youths in the labour market for many years, and youth unemployment rates are typically much higher than adult ones. Italy has had one of the worst-performing youth labour markets among the EU-15 countries since 2000. Germany, Portugal and the United Kingdom have on average relatively low youth unemployment rates as compared to the other countries, but youth unemployment rates are higher than adult unemployment rates in these countries as well.

The intensity of the reaction of youth unemployment to the decrease in economic growth was very different between countries. Spain and Greece were hit hardest by the recession in terms of employment whereas France, the United Kingdom and Germany were less affected. This indicates that country-specific institutions and policies play an important role in explaining the occurrence of youth unemployment. The high rate of youths who are not in education, employment or training since 2000 in Italy also points to structural issues in integrating youths into the labour market.

As a further indicator of the labour market integration of youths, we focus on the frequency of temporary employment contracts. France, Italy, Spain and Portugal display proportions of 25- to 29-year-olds in temporary employment of over 50 %. Contrary to what we observe in Germany, these temporary contracts are not related to apprenticeships but to the lack of possibilities to obtain permanent contracts and make youths vulnerable to decreases in the demand for labour such as during the Great Recession.

Through the Youth Guarantee, which recommends that the member states take all necessary measures to ensure that youths are in employment or training within four months after leaving school, the EU provides financial support to national projects that tackle youth unemployment. The two main focuses of the Youth Guarantee in practice are projects supporting the mobility of youths and the development of dual vocational training. Moreover, the EURES network aims to provide a platform for job searchs at the European level and the European Commission supports the development of high-quality apprenticeships with the European Alliance for Apprenticeships.

2.2 The Development of Youth Unemployment

Table 2-1 shows the development of the unemployment rate of the under 25-Year-Olds between 2000 and 2012. The youth unemployment is defined as the number of youths (15- to 24-Year-Olds) who are unemployed divided by the number of youths who are either employed or unemployed (see Box 2-1 for a more detailed definition of unemployment and the unemployment rate).

Youth unemployment rates already diverged strongly between countries in 2000: Italy, Greece and Spain had youth unemployment rates over 25 %, whereas youth unemployment rates were below 10 % in Germany and in Portugal.

Table 2-1: Youth (15- to 24-Year-Olds) Unemployment Rate by Country, 2000 – 2012.

	EU-27	EU-15	Germany	Greece	Spain	France	Italy	Portugal	United Kingdom
2000	18.3	16.1	8.5	29.2	25.3	20.6	31.5	8.2	12.0
2001	17.3	14.1	7.8	28.0	20.7	18.0	27.8	8.9	10.3
2002	17.9	14.7	9.3	26.1	21.6	18.9	27.1	10.4	10.9
2003	18.1	15.3	11.0	25.7	22.3	17.5	26.8	13.4	11.4
2004	18.6	16.0	13.0	26.5	22.4	20.1	24.6	14.0	10.7
2005	18.6	16.6	15.5	26.0	19.7	20.6	24.0	16.1	12.8
2006	17.3	15.9	13.8	25.2	17.9	21.6	21.6	16.3	14.0
2007	15.5	14.9	11.9	22.9	18.2	19.1	20.3	16.6	14.3
2008	15.6	15.4	10.6	22.1	24.6	18.6	21.3	16.4	15.0
2009	19.9	19.6	11.2	25.8	37.8	23.2	25.4	20.0	19.1
2010	20.9	20.2	9.9	32.9	41.6	22.8	27.8	22.4	19.6
2011	21.3	20.6	8.6	44.4	46.4	22.0	29.1	30.1	21.1
2012	22.8	22.2	8.1	55.3	53.2	23.8	35.3	37.7	21.0

Note: The youth unemployment rate is the percentage proportion of youths who are unemployed compared to those who are in the labour force (employed + unemployed). Individuals are counted as unemployed if they have looked for work at some point during the past four weeks and are available to start working within the next two weeks. Source: EUROSTAT online database, unemployment rates by age (%).

Youth unemployment rates decreased in most countries considered in the years before the financial crisis only to increase sharply starting from 2009, especially in southern European countries. In 2012, youth unemployment rates soared to alarmingly high levels of over 30 % in Italy and Portugal and more than 50 % in Greece and in Spain. Not all countries reacted in a similar way to the Great Recession. Whereas youth unemployment doubled in Greece and Spain between 2006 and 2012, the Italian youth unemployment rate was not much higher in 2012 than in 2000. Portugal and the United Kingdom have faced a continuous increase in their youth unemployment rate since 2000. Finally, Germany has had the lowest youth unemployment of all considered countries since 2001 and the youth unemployment rate has even decreased since 2006.

Box 2-1: Definitions of Unemployment Measures

Unemployment Rate

The unemployment definition utilised by Eurostat is based on the International Labour Organisation (ILO) definition and specifies an unemployed person as “someone aged 15 to 64 without work during the reference week who is available to start work within the next two weeks and who has actively sought employment at some time during the last four weeks” or “has found a job and will start work within the next three months”. All people “aged 15 and over” who have worked for at least one hour during the reference week “for pay, profit or family gain” are counted as employed. The labour force consists of the employed and unemployed and is the economically active population.

The unemployment rate is calculated by dividing the number of unemployed people in the population by the labour force. The size of the labour force is determined by the number of people unemployed and thus available for work and those employed. Hence, this definition fails to capture those who are discouraged and exit the labour force by not searching for work in a given reference week. For example, even if the unemployment rate may appear low, the number of inactive persons may be high. This can especially be the case when a high number of job-seekers rely on informal search mechanisms and do not register as unemployed at the public employment service.

Youth and Adult Unemployment Rate

The youth unemployment rate is calculated analogously to the overall unemployment rate. The youth unemployment rate is defined by the ratio of unemployed in the age group 15 – 24 to the sum of the employed and the unemployed in the 15 – 24 age group (Eurostat web youth unemployment). The adult unemployment rate is calculated in a similar way, but taking the age group 25 – 64 as the reference category.

Table 2-2 shows the total numbers of unemployed individuals by country and year, clearly depicting how many youngsters are suffering from unemployment in Europe. In 2012, the number of unemployed youth in the European Union (27 countries) reached the unprecedented value of 5.5 million. Changes in countries ranking by relative size reflect not only differences in population sizes, but also cross-country differences in the percentage of youth who are in the labour force (either employed or unemployed). The highest numbers of unemployed youth are found in the United Kingdom and Spain (more than 900,000), where the number of unemployed doubled from 2007 to 2012 similarly to unemployment rates. While the number of unemployed youth increased dramatically also in Italy, it remained lower than in France. In 2012, the number of unemployed youth in Greece and Portugal was lower than 200,000, reflecting the smaller population in these countries.

Table 2-2: Number of Unemployed Youths (18- to 24-Year-Olds) in Thousands by Country, 2000 – 2012

	EU-27	EU-15	Germany	Greece	Spain	France	Italy	Portugal	United Kingdom
2000	5048	3452	382	164	631	520	806	54	517
2001	4751	2995	349	146	498	468	658	60	440
2002	4875	3141	418	130	521	513	612	69	478
2003	4852	3273	495	120	537	484	595	82	501
2004	4940	3395	570	126	536	551	543	81	485
2005	5018	3637	745	108	490	592	490	91	596
2006	4649	3498	667	99	443	623	425	89	666
2007	4133	3272	586	84	443	552	380	86	682
2008	4140	3394	517	77	593	535	399	84	722
2009	5157	4197	537	89	842	686	450	93	892
2010	5253	4199	460	110	852	665	480	95	904
2011	5256	4231	407	141	889	627	482	134	963
2012	5524	4510	370	174	945	668	611	161	963

Source: EUROSTAT online database, unemployment by age (1,000).

A decrease in economic growth, especially if it is not anticipated, is likely to lead to a reduction in the demand for labour. Youth unemployment rates, in particular, have a strong responsiveness to aggregate demand and are more sensitive to business-cycle conditions than the adult unemployment rate (OECD 2008a). This is because youth under 25 are on average less experienced and therefore less attached to their workplace than adults, but also because they less often have permanent contracts (Clark and Summers 1982).

Table 2-3 presents gross domestic product (GDP) growth rates over time for the considered countries. Economic growth has plummeted in all EU countries in 2009 as a result of the financial crisis. However, whereas some countries recovered relatively fast, such as the UK, France and Germany, the other countries still face negative growth rates in 2012. The debt crisis in 2012 led to a second wave of negative growth in Italy, Spain and Portugal, while countries as Germany and the UK faced low but positive growth rates in the same year.

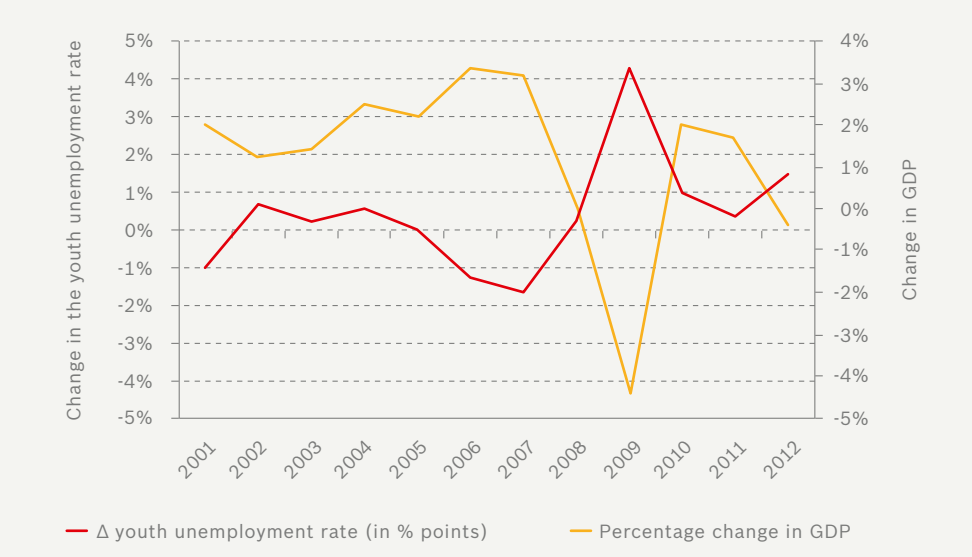
Table 2-3: GDP Growth by Country, 2000 – 2012

	EU-27	EU-15	Germany	Greece	Spain	France	Italy	Portugal	United Kingdom
2000	3.9	3.9	3.1	4.5	5.0	3.7	3.7	3.9	4.4
2001	2.0	2.0	1.5	4.2	3.7	1.8	1.9	2.0	2.2
2002	1.3	1.2	0.0	3.4	2.7	0.9	0.5	0.8	2.3
2003	1.5	1.3	- 0.4	5.9	3.1	0.9	0.0	- 0.9	3.9
2004	2.6	2.4	1.2	4.4	3.3	2.5	1.7	1.6	3.2
2005	2.2	2.0	0.7	2.3	3.6	1.8	0.9	0.8	3.2
2006	3.4	3.2	3.7	5.5	4.1	2.5	2.2	1.4	2.8
2007	3.2	3.0	3.3	3.5	3.5	2.3	1.7	2.4	3.4
2008	0.4	0.1	1.1	- 0.2	0.9	- 0.1	- 1.2	0.0	- 0.8
2009	- 4.5	- 4.6	- 5.1	- 3.1	- 3.8	- 3.1	- 5.5	- 2.9	- 5.2
2010	2.0	2.0	4.0	- 4.9	- 0.2	1.7	1.7	1.9	1.7
2011	1.7	1.5	3.3	- 7.1	0.1	2.0	0.4	- 1.3	1.1
2012	- 0.4	- 0.5	0.7	- 7.0	- 1.6	0.0	- 2.4	- 3.2	0.3

Note: The change in nominal GDP specifies the percentage change on the previous period for a given year. The impact of the economic crisis led to a plunge in the GDPs in 2009 across all countries. Source: EUROSTAT online database, GDP and main components – volumes.

Figure 2-1 shows the change in unemployment rate and economic growth rate of the EU-27 countries between 2000 and 2012. As expected, an inverse relation can be observed between the economic growth rate and the change in youth unemployment. However, the elasticity of youth unemployment to the growth rate varies between countries. Spain had the largest increase in youth unemployment, although the GDP decreased less than in Italy or Portugal. This indicates that country-specific institutions and economic structures are relevant to explain youth unemployment.

Figure 2-1: Change in Gross Domestic Product and Change in Youth Unemployment Rate 2000 – 2012, EU-27

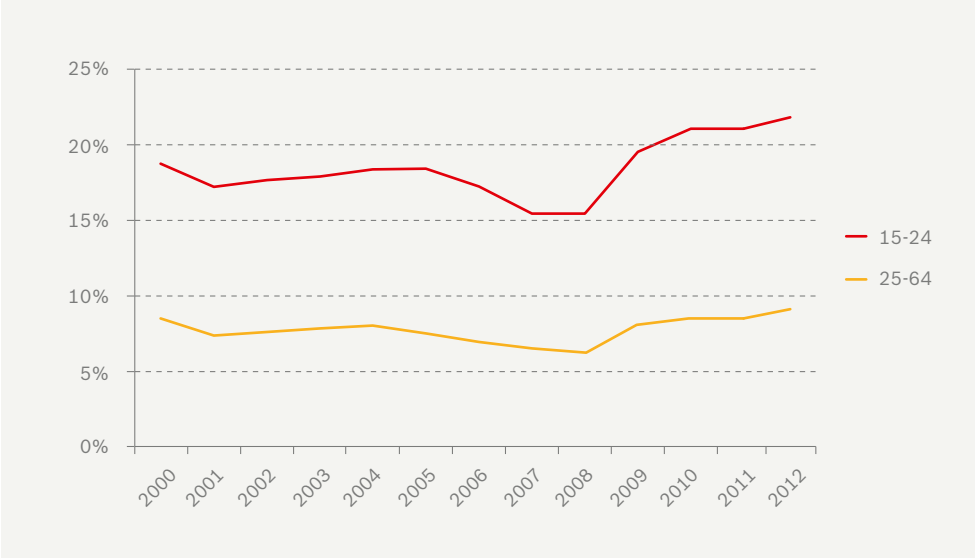


Note: The change in the youth unemployment rate is given by the difference in the unemployment rates in a given year minus the unemployment rate in the previous year. The percentage change in the GDP on the previous period gives the change in the GDP. Source: EUROSTAT online database, unemployment rates by age (%) and GDP and main components – volumes, own calculations.

2.3 The Situation of Youth Compared to Adults

Figure 2-2 shows the development of the youth and the adult unemployment rates for the EU (27 countries) since 2000. Even before the Great Recession, youth unemployment rates were already more than twice as high as adult unemployment rates. We also observe that both adult and youth unemployment rates increased starting in 2008, but there are important cross-country differences.

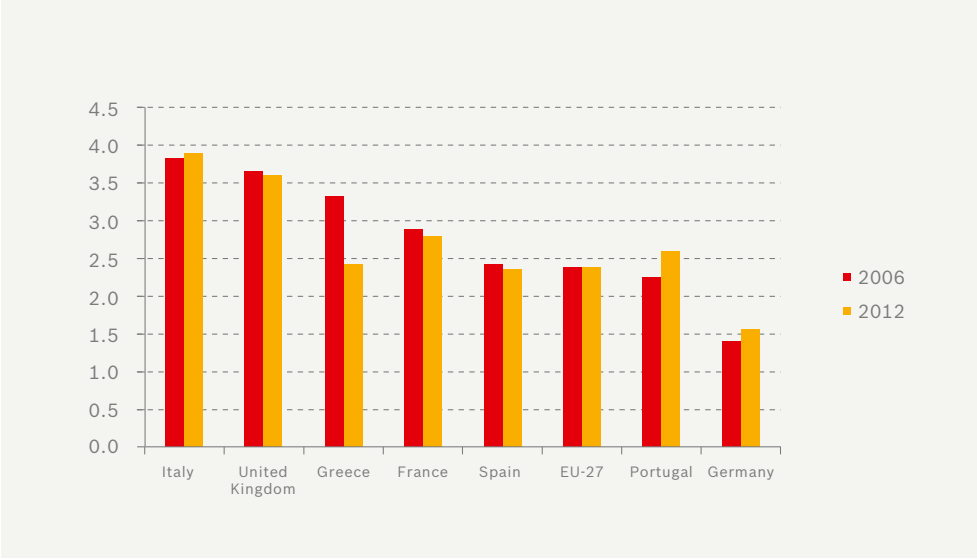
Figure 2-2: Unemployment Rates by Age 2000 – 2012, EU-27



Source: EUROSTAT online database, unemployment rates by age (%).

Figure 2-3 therefore presents the ratio of the youth (15- to 24-Year-Olds) to the adult (25- to 64-Year-Olds) unemployment rate before and after the start of the Great Recession by country. While youths were more than three times as likely to be unemployed as adults in Italy, the UK and Greece, the youth unemployment rate was only 1.4 times the adult unemployment rate in Germany. Germany is the country where the youth unemployment rate is closest to the adult unemployment rate. The ranking of the countries according to the youth-to-adult unemployment ratio barely changed during the Great Recession. These figures indicate that there are specific issues for 15- to 24-Year-Olds in some countries, which structurally and institutionally set the youth labour market apart from the adult labour market.

Figure 2-3: Ratio of Youth (15- to 24-Year-Olds) to Adult (25- to 64-Year-Olds) Unemployment Rates by Country, in 2006 and 2012



Note: The youth-to-adult unemployment ratio is obtained by dividing the youth (15- to 24-Year-Olds) unemployment rate by the adult (25- to 64-Year-Olds) unemployment rate. A higher ratio indicates that the employment prospects of youths are worse than those of adults who participate in the labour market.
Source: EUROSTAT online database, unemployment rates by sex, age and nationality (%), own calculations.

A considerable proportion of youths aged 15 to 24 still attends school or is in tertiary education, and is therefore not counted as unemployed. Moreover, some may have given up looking for a job and are therefore not counted as unemployed in the usual definition either. In addition, youths tend to work more often under temporary employment contracts which make them more vulnerable to decreases in the demand for labour. We therefore consider two more measures of youth occupational status: the proportion of youth who are not in employment, education or training and the proportion of temporary employment.

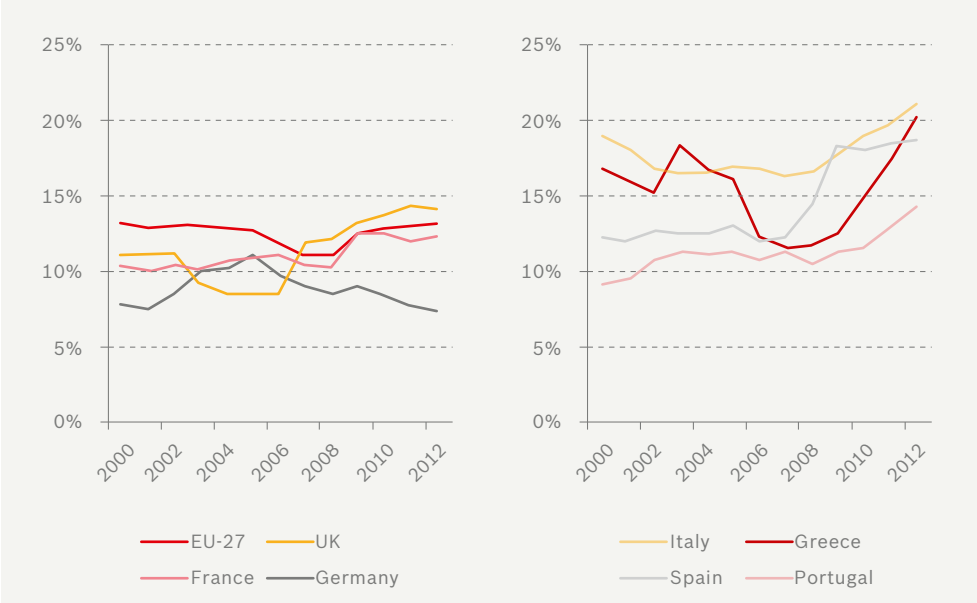
The NEET concept – youths "**N**ot in **E**mployment, **E**ducation or **T**raining" – includes unemployed youths but also inactive youths in the sense that they are neither in any kind of training or education nor in employment. The NEET rate is the proportion of youths not in employment, education or training in an age group (see Box 2-2 for a more detailed definition).

Box 2-2: Definition of NEET Rate

Youths who are "Not in Education, Employment or Training" are called NEET. The NEET concept is often considered to be more appropriate to assess the occupational status of youth than unemployment, because a considerable proportion of this age group is still attending school or university. The NEET rate includes the unemployed but also those individuals who are inactive and not involved in any education or training activity, thereby not investing in qualifications that are relevant for their future careers. The NEET rate is calculated by dividing the number of individuals in NEET status in a given age group by the total population in that age group. Note that individuals who are unemployed but participating in training programmes are not counted as NEET. Therefore, while typically the NEET rate is higher than the unemployment ratio, this need not always be the case. A precise description of the NEET concept can be found in Eurofound (2012), pp. 19–41.

Figure 2-4 presents the NEET rates among 15- to 24-Year-Olds by country since 2000. NEET rates are highest in Greece, Italy and Spain, where about 20 % of youth aged 15–24 were not in education, training or employment in 2012. However, whereas the Spanish and Greek NEET rate shows an especially stark increase since 2008, the Italian NEET rate has been over 15 % for ten years. In line with the time constant youth-to-adult unemployment ratio, this fact also points to the existence of structural problems in the labour market entry of young people in Italy. In contrast, NEET rates in the United Kingdom and France have been much less affected by the recession, and in Germany, the NEET rate has even decreased since 2005.

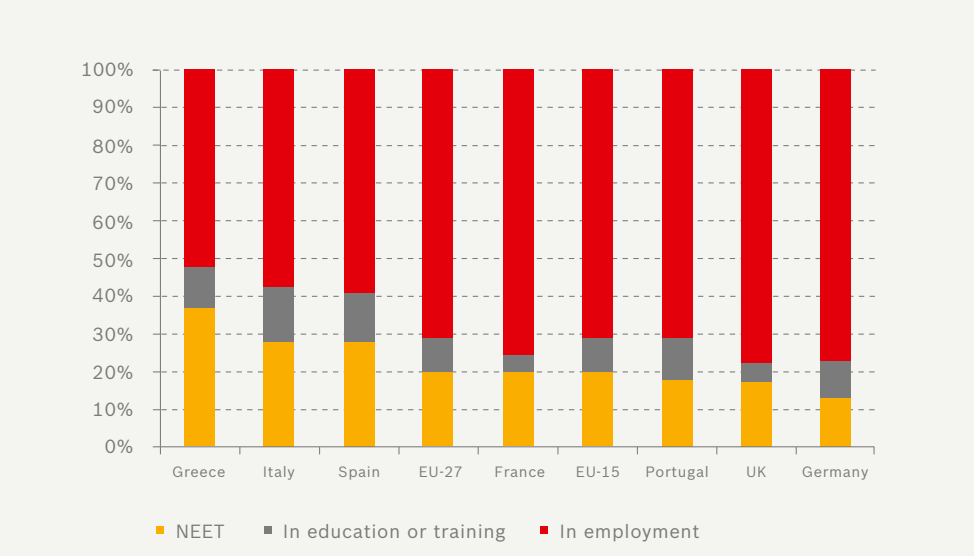
Figure 2-4: NEET Rates 15- to 24-Year-Olds by Country, 2000 – 2012



Note: The NEET rate is the percentage of the youths who are not in education, employment or training.
Source: EUROSTAT online database, young people neither in employment nor in education and training by sex and NUTS 2 regions (NEET rates).

Focussing on 15- to 24-Year-Olds we cannot observe what happens to youths after finishing tertiary education. Therefore, in Figure 2-5 we present the employment and educational status of 25- to 29-Year-Olds by country. We find similar NEET rates among 25- to 29-Year-Olds as well as among 15- to 24-Year-Olds. NEET rates are highest in Greece, Italy and Spain; the same countries as those where NEET rates among 15- to 24-Year-Olds are highest. Spain and Italy also have the highest proportions of youths (25 – 29) still in education or training. The difficulties of labour market integration in these countries are therefore not restricted to the youngest school-leavers but also affect youths aged 25 – 29.

Figure 2-5: Labour Market Status of 25- to 29-Year-Olds in 2012, by Country

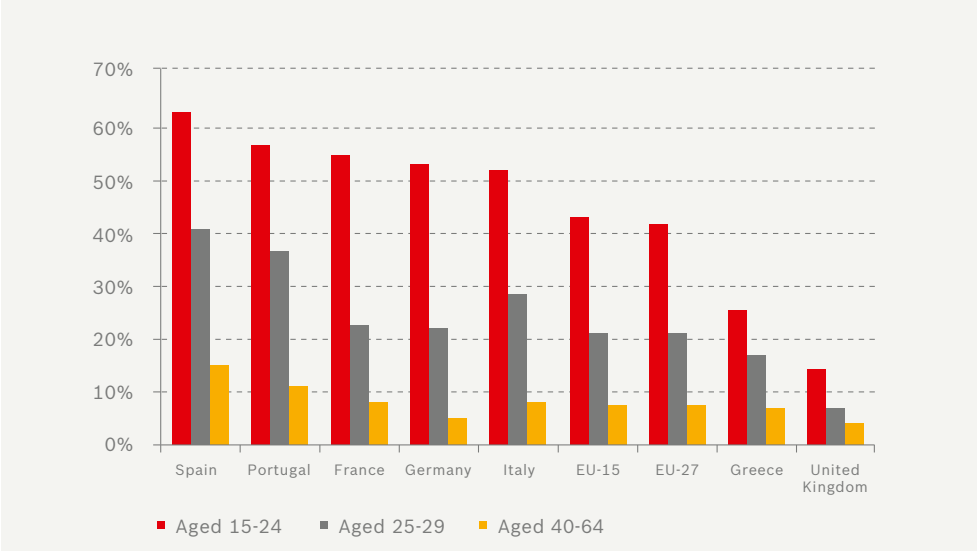


Note: The graph shows the proportions of youths aged 25–29 who are in employment, in education, or not in employment, education or training (NEET). Source: EUROSTAT online database, Young people neither in employment nor in education and training by sex, age and educational attainment level (in % points of NEET rates), youth employment rate by sex, age and country of birth, own calculations.

The type of employment contract constitutes a further measure of the labour market integration of youths. While young workers are more likely to hold a temporary contract than adults in all considered European countries, the proportion of workers with temporary contracts differs largely between countries.

Figure 2-6 shows the proportion of employees with a temporary contract by age group in 2012. As new entrants in the labour market, young workers are over-represented in temporary contracts. The proportion of temporary contracts is three to ten times higher for youth aged 15 to 24 and two to four times higher for youths aged 25 to 29 than among adults. A high proportion of temporary contracts for young workers aged 25 to 29 can point to possible structural difficulties of youths to obtain a permanent contract. Compared to the other countries, the UK has a relatively low proportion of temporary employment for all age groups. Conversely, Spain and Portugal exhibit the highest proportions of temporary workers for all age groups. The proportion of temporary employment of 15 to 24-Year-Olds is over 50 % in most considered countries. However, this proportion drops to around 20 % for youth aged 25 to 29 in all countries, except Spain, Portugal, France and Italy. The proportion of temporary employment among 15- to 24-Year-Olds is relatively stable over time and was already high in the years before the Great Recession.

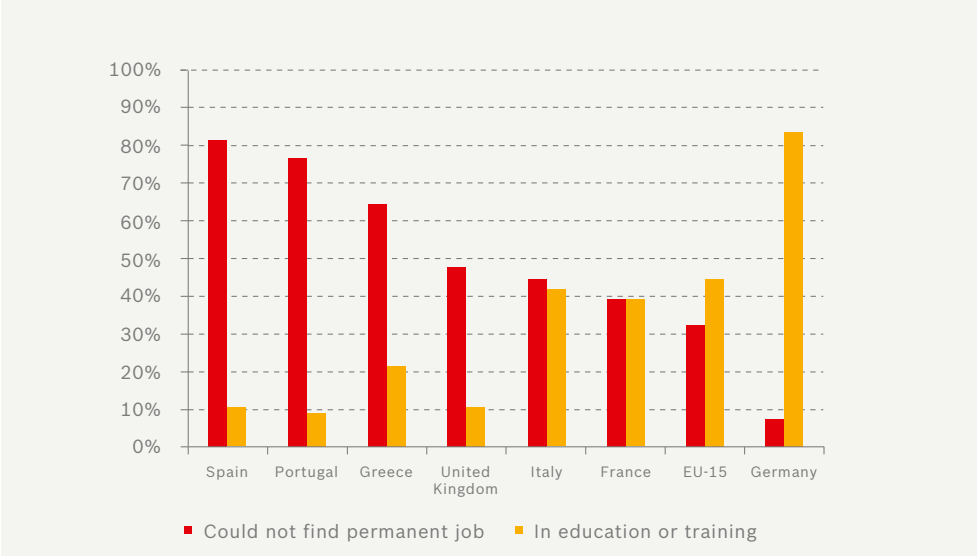
Figure 2-6: Proportion of Temporary Employment by Age Groups in 2012, by Country



Source: EUROSTAT online database, temporary employees as a percentage of the total number of employees, by sex and age (%).

The high proportions of temporary contracts for youth under 25 are not a similar reason of concern in all countries, because in some countries these contracts might be apprenticeships. As can be observed in Figure 2-7, there are different reasons why youths have temporary contracts in the various countries. Whereas the majority of 15- to 24-Year-Olds in Spain, Portugal and Greece indicate that they have a temporary contract because they could not obtain a permanent contract. In Germany 80% of youths have temporary contracts because they are in training. In France and in Italy, about half of youths indicate that they are in temporary employment due to training, whereas the other half could not obtain a permanent position.

Figure 2-7: Main Reason for Temporary Employment for the 15- to 24-Years-Olds by Country, 2012



Note: The proportions shown in the table do not sum up to 100 % since two other possible reasons are omitted, namely “did not want a permanent job” and “probationary period”. Source: EUROSTAT online database, main reason for the temporary employment – distributions by sex and age (%).

2.4 EU Policies to Tackle Youth Unemployment

Reducing youth unemployment is a key priority of EU policy. Increasing employment rates and improving educational attainment are two of the five targets that the EU aims to reach in the next decade as part of its Europe 2020 strategy of achieving smart, sustainable and inclusive growth. Whereas the objective of smart growth aims to invest in education and research to foster innovation, inclusive growth underlines the necessity to support economic and social inclusion and to reduce inequalities. Both of these goals are coherent with a reduction in youth unemployment. For instance, an explicit target is to reach a 75 % employment rate for the working-age population. This cannot be achieved without tackling youth unemployment and increasing the youth employment rate. Another target is to reduce dropout rates from secondary education to below 10 % and policy initiatives supporting education should also contribute to lower youth unemployment rates.

The Youth Guarantee, adopted in 2012, is a recommendation to the member states that they aim to offer all young people up to age 25 a quality job, education or apprenticeship within four months of leaving formal education or becoming unemployed. The initiative is based on similar programmes already existing is some EU member states, such as Austria and Finland. The implementation is to be done at the level of the member states and the EU gives financial support to reduce the fiscal burden of the required investments.

A budget of 6 billion euros has been approved for the Youth Guarantee. Half this financial support is provided by the Youth Employment Initiative (YEI) that has been created specifically for the Youth Guarantee and concentrates on regions with more than 25 % youth unemployment rates and NEET. The other half of the funding is provided through national allocations of the already existing European Social Fund (ESF). The intensity in which the funds of the Youth Guarantee are used varies between countries depending on the local projects that are being developed. The funding of the YEI has been allocated among member states with the requirement to match these with at least the same amount of funding from their European Social Fund allocations. Spain will receive the highest amount of YEI funding with 29 % of the total budget, followed by Italy 18 % and France 10 %. The UK will receive 6 % of the funding, Greece and Portugal about 5 % each, whilst Germany does not qualify for receiving funding from the programme.

The advantage of the decentralised implementation of the Youth Guarantee is that countries can develop projects specific to their needs. However, there is a risk that funds are dispersed between small projects of variable effectiveness. Aware that the Youth Guarantee cannot be successfully implemented with EU funding alone, the European Commission has recommended national investments in structural reforms

to modernise employment, social and education services for young persons. Each member state was requested to publish their implementation plans for the Youth Guarantee between December 2013 (for countries receiving YEI funds) and spring 2014. In practice, policy initiatives will mostly focus on giving more resources to employment services and on promoting dual vocational education.

The European Commission also supports the mobility of young people by providing information and advice on job opportunities in other EU countries with the EURES job search network. Set up in 1993, EURES is a cooperation network between the European Commission and the Public Employment Services of the EU member states. Through its portal in 25 languages, it provides access to more than 1.4 million job vacancies and 1.1 million CVs. According to the EU, the EURES network accounts for approximately 150,000 placements per year, but is in need of reforms to become more effective. In particular, the number of posted vacancies is to be increased, for instance, though a better cooperation with national job posting institutions. Moreover, the network is to provide mobility support to facilitate recruitment from other EU states for employers.

The EU Study Visits programme is coordinated by the Cedefop (European Centre for the Development of Vocational Training) and financed by the EU's Lifelong Learning Programme (LLP). It finances and organises three- to five-day visits of stakeholders from the educational or the private sector to discover aspects of lifelong learning and apprenticeship systems in other EU countries.

Finally, the European Commission launched a European Alliance for Apprenticeships to improve the quality and supply of apprenticeships in 2013. The Alliance supports the establishment of bilateral and national agreements between social partners, businesses, Chambers of Commerce and VET (Vocational Education and Training) providers in order to promote apprenticeship systems.

2.5 Concluding Remarks

The descriptive evidence presented in this chapter shows that high youth unemployment rates were an issue in many European countries already before the Great Recession and that in Southern Europe youth unemployed soared to unprecedented levels afterwards. In the next chapter, we investigate the structural and institutional factors that contributed either to the high youth unemployment before the crisis or to the strong reaction of youth unemployment to the crisis.

3
Structural Sources of Youth Unemployment

3.1 Overview

The Great Recession was not the only determinant of high youth unemployment; country-specific structural factors also seem to play an important role in ensuring the labour market integration of youths. This chapter therefore aims to provide an overview of the different educational and labour market institutions that jointly determine the risk of youth unemployment.

A first focus will be the role of education and training systems in ensuring that youths have a smooth transition into the labour market. Second, we highlight how differences in the employment protection legislation, wage-setting institutions and the negotiation culture between employers' organisations and unions are relevant for the prevalence of youth unemployment. Third, we assess the role of demographic changes, migration and the lack of geographic mobility for youth unemployment.

Lower educated youths are most strongly affected by unemployment. It is thus essential that the **educational system** provides youths with a minimum level of qualification and skills that match the needs of employers.

Dropout rates from secondary education have decreased in all considered countries in the last years. However, dropout rates in Spain and Portugal remain twice as high as in Germany (11% in 2012). Besides increasing the age of compulsory schooling, a diversified offer of secondary school tracks including a more practice-oriented vocational track has been shown to improve secondary graduation rates. Financial incentives for pupils to stay in school have also proved effective in the United Kingdom but are very costly.

In most European countries, secondary education is academic-oriented. When a vocational track exists, it is generally strongly school-based and dedicated to a minority of lower-performing pupils. However, it has been shown that youths with a dual vocational education that combines experience in a firm with school-based education have better perspectives on the labour market than youths with a general secondary education degree at most. Firms can also benefit from a dual vocational education track because they can train youths to have the practical skills that they need. A legal framework that defines the time spent in class and on the job as well as standards for the on-the-job training by occupation is important in order to warrant the quality of the training provided by firms.

An increasing proportion of youths in the European countries obtains a university degree. From an individual perspective, a higher education degree on average leads to a higher employment probability. But it is less clear what the optimal proportion of tertiary education graduates should be. Depending on the demand for skills by the economy, related to the sectoral specialisation, a lack of vocationally trained youths may also lead to youth unemployment.

Besides the features of educational systems, **labour market institutions** also play a role in explaining differences in youth unemployment across countries. The costs associated with the dismissal of permanent workers can be a constraint on job creation. If the legal setting makes dismissal for economic reasons too burdensome, firms will increase the use of either temporary contracts or service provision contracts and may be reluctant to hire new employees altogether.

However, employment protection of permanent contracts is very strict in Germany as well, and no empirical evidence has been provided as yet that employment protection in itself reduced job creation. It is clear, however, that youths with temporary contracts are more at risk of losing their jobs than older workers with permanent contracts when a recession occurs.

The fact that temporary workers and the unemployed are barely represented in unions and collective agreement negotiations certainly contributes to the strong negative employment effects of the recession in Southern Europe as well. Wage restrictions and reductions in working time in order to preserve employment creation are certainly much less likely to occur when insider unions negotiate with employers. In addition, the lack of a compromise-oriented negotiation culture between unions and employers' organisations can increase the threat of high administrative costs at dismissal and thereby reduce job creation.

The presence of a minimum wage that automatically applies to all workers and firms regardless of regional, sectoral and firm constraints can also contribute to increasing youth unemployment if set at too high a level. This is because youths have on average less experience and a lower productivity.

Active labour market policy refers to a set of policies to assist the unemployed in finding a job, such as public counselling and guidance services as well as training programmes for the unemployed. Large differences exist between countries in the amount that they spend on active labour market policies. France, Spain and Germany invest the largest amounts in active labour market policies, whereas Italy and Greece lag behind. Empirical evidence shows that together with private sector incentives, job search assistance appears to be most effective in supporting the unemployed in the short run. However, with the exception of the United Kingdom, all considered countries invest more financial means in training measures rather than job search assistance.

Finally, whereas changes in the relative proportion of youths in the workforce and immigration from outside the EU have only a small impact on youth unemployment according to existing evidence, the **lack of geographical mobility** of youths contributes to the large local differences in youth unemployment observed. Geographic mobility of youths between European countries and between regions within countries is much lower than in the US and mobility is lowest in the countries with the highest youth unemployment rates. Supporting the geographical mobility of youths, as the EU does in the framework of the EURES network, could thus help to reduce youth unemployment in regions that are strongly affected.

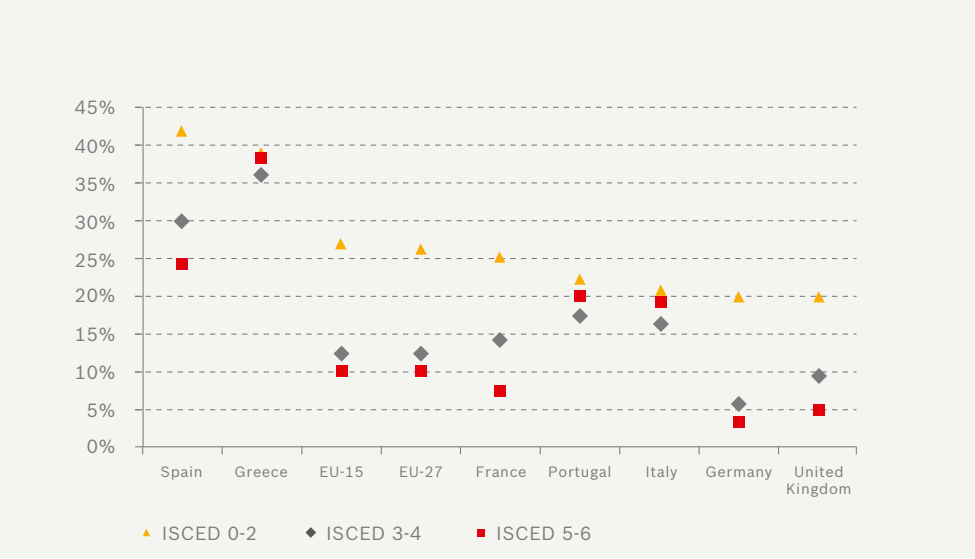
3.2 Education and Training Systems

Educational achievement is an important determinant of the probability to be employed, and youth unemployment rates are higher for lower educated youths in all countries.

Figure 3-1 presents the unemployment rates by level of education of 25- to 29-Year-Olds in the considered countries in 2012 (see Box 3-3 for a definition of the educational levels based on the International Standard Classification of Education – ISCED). In most considered countries and in the EU-27 on average, youths without an upper secondary education face unemployment rates of between 20 % and 40 % in all considered countries. This is at least twice more than the better educated youths.

France, Germany, Spain and the United Kingdom present the largest differences in unemployment between upper secondary and tertiary education graduates. In these countries, the unemployment rates for higher education graduates is at least 10 percentage points lower than that for youths with an upper secondary education. Greece, Portugal and Italy have high unemployment rates for all levels of educational attainment.

Figure 3-1: Unemployment Rates by Educational Attainment of 25- to 29-Year-Olds in 2012, by Country



Note: ISCED 0–2: up to lower secondary education, ISCED 3–4: upper secondary education or post-secondary non-tertiary education, ISCED 5–6: tertiary education. See Box 3-1 for a definition of secondary and tertiary education. Source: EUROSTAT online database, unemployment rates by sex, age and highest level of education attained (%).

The educational system managing to provide youths with the necessary skills and qualifications thus seems essential for their successful integration into the labour market. In the following sections, we focus on secondary education dropouts, on the quantity and quality of vocational education as well as on skill mismatch of tertiary graduates.

Box 3-1: ISCED Classification of Educational Levels

ISCED (International Standard Classification of Education) is an international classification system which enables the comparison of educational systems across countries. Below we provide a definition of the ISCED educational levels that are relevant for the present study.

Lower secondary education (ISCED 2): second stage of basic education, typically ending at age 15–16.

Upper secondary education (ISCED 3): final stage of secondary education preparing for tertiary education and/or providing skills relevant to employment.

Tertiary education (ISCED 5–6): university education or other, more practice-oriented, types of higher education.

3.2.1 Early School-Leavers

Early school-leavers are youths aged 18- to 24-year-olds having attained at most lower secondary education and not being involved in further education or training. Early school-leavers face a significantly higher risk of unemployment in all European countries. Increasing upper secondary graduation rates is therefore an important goal of national educational policies and one of the two key targets of the EU 2020 strategy.

The European countries have made important progress in reducing secondary school dropout rates in the last decade but large differences across countries remain. Portugal and Spain had the highest proportion of early school-leavers in 2006 with respectively 40 % and 30 % of early school-leavers among 18- to 24-Year-Olds. The rate of early school-leavers in the European Union (27 countries) dropped from 17 % in 2002 to less than 13 % in 2012. The rate of early school-leavers in Portugal decreased from 45 % in 2002 to 21% by 2012. The Spanish rate of early school-leavers dropped to 25 % in the same time period. Nevertheless, this is still much higher than the early school-leavers' rate of around 11% in Germany or less than 10 % in Scandinavian countries.

The most straightforward measure to reduce the number of early school-leavers is to increase the compulsory schooling age. Increasing the number of years of compulsory schooling has been shown to significantly improve secondary school completion rates. Angrist and Krueger (1991), for instance, find that 25 % of potential dropouts in the US stayed longer in school because of compulsory schooling laws. Cabus and De Witte (2005) evaluate the impact of a one-year increase in the compulsory school-leaving age on dropout rates in the Netherlands in 2007. They find that dropout rates decreased significantly after the reform. In all countries considered, the compulsory school-leaving age is 16 years of age. The only exception is Portugal which in 2009 recently increased the school-leaving age from 15 to 18.

Existing evidence also indicates that a diversified offer of different tracks or specialisations can contribute to reducing dropout rates. Countries that offer a vocational secondary school track instead of only an academic track have on average lower school dropout rates (Lamb 2011). There is also a positive correlation between the age at which tracking into different secondary school types and specialisation courses takes place and the percentage of early school-leavers (Brunello 2010). The earlier pupils are separated into different tracks, the lower the dropout rate from secondary school.

Furthermore, several countries have tried to give pupils financial incentives to stay in school or to reduce dropout rates for schools or regional authorities. Financial incentives for schools, teachers or regions do not seem to yield a reduction in dropout rates so far. Elk et al. (2013) evaluate the effect of a financial incentive scheme for regional educational authorities on school dropout rates in the Netherlands. The programme had no effect on school dropout rates. In addition, they find suggestive evidence for manipulation of outcomes in response to the programme. Empirical evidence on the effectiveness of financial incentives for students to stay in school is more positive. Dearden et al. (2009) evaluate a United Kingdom programme of conditional cash transfers paid to 16- to 18-Year-Olds for staying in full-time education. The Education Maintenance Allowance gave weekly payments of around 40 euros to young people whose parents' annual incomes were 15,000 euros. At the end of a term of regular attendance, the child would receive a non-means-tested retention bonus of between 60 and 95 euros. The study concludes that these incentives had a positive effect on participation in education. However, no evidence is available as yet on the benefits from longer school attendance or graduation for the pupils in these programmes. Financial incentive schemes are also costly.

Finally, recent initiatives fostering non-cognitive skills and parental involvement targeted specifically at youth at risk of dropping out of secondary school have yielded promising results. One intervention in Chicago aimed to provide disadvantaged youths in a difficult neighbourhood with better non-cognitive skills based on cognitive behavioural therapy. The programme was found to be cost-effective and reduced dropout whilst increasing math test scores (Cook et al. 2014). Experimental evidence from France by Avvisati et al. (2014) has shown that information sessions for parents in deprived neighbourhoods in Paris on the relevance of parental involvement for pupil effort succeeded in improving pupil's behaviour in class as well as long-term parental involvement.

3.2.2 Vocational Education

In all European countries except Austria, Denmark, Germany and Switzerland, the vast majority of secondary school pupils attend a general track that aims to prepare them for tertiary education. Only a minority of pupils attends the vocational track, and this track is mostly school-based. If on-the-job training is compulsory, it is generally very limited in time.

In contrast, in the dual vocational training system prevailing in Austria, Denmark, Germany and Switzerland, the on-the-job training typically represents more than half of the overall time in vocational education.

Moreover, the educational authorities take responsibility for providing and certifying the school-based part of vocational education whilst firms provide on-the-job training. Such a vocational education system is called "dual" because of the equivalent proportion of teaching in school and in the firm. In these countries, the dual vocational track is attended by a considerable proportion of secondary school pupils. One of the advantages of having a more developed vocational secondary school track is that it offers a more practical alternative to young people who may find it difficult to complete the academic track. It may thereby contribute to reducing dropout rates.

Countries with a high proportion of early school-leavers should thus consider offering curricula that are differentiated enough to accommodate youth with different skills and aspirations. Moreover, giving the possibility of extended on-the-job training periods within vocational education could significantly improve the school-to-work transition. Empirical evidence has shown that dual vocational training facilitates the integration of youths into the labour market as compared with school-based vocational training (see Scarpetta et al. 2010, Biavaschi et al. 2012 for an overview of this literature). There is also some evidence that dual apprenticeship training compared to school-based vocational training leads to faster and more structured labour market integration during the early career (Parey 2009).

In Germany, 70 % of apprentices initially stay in the same firm at the end of their apprenticeship (Euwals and Winkelmann 2001). On average, across OECD countries, employment rates are higher for individuals with at most a vocational upper secondary education than among those with only a general upper secondary qualification (OECD 2013a).

Apprenticeship training in firms combined with school-based vocational education presents the advantage for firms that they provide young workers with practical skills that they cannot easily obtain in a school-based secondary education. Moreover, apprenticeships provide youths with first working experience and give firms the opportunity to select the best apprentices for staying in the firm at a relatively low wage.

It remains unclear as yet what conditions exactly are to be fulfilled for the successful implementation of a dual vocational education system. But the legal definition of what an apprenticeship training should cover for a given occupation is certainly one relevant attribute of such a system. In Germany, the Vocational Training Act provides the legal framework for the regulation of training quality. In countries that have such a legal framework, it defines the time allocated to training on the job and in school. Moreover, a Ministry is typically given the formal responsibility of overseeing apprenticeships (Ryan 2000). In countries without a legal framework for

apprenticeships, such as the United Kingdom, any training programme may be called an apprenticeship. In such a system, there are no incentives for firms to provide high-quality training and the obtained degree has little value on the labour market for youths.

In addition, from the point of view of firms, it is important that apprenticeship contracts are not too short. In effect, empirical evidence for Germany shows that apprentices in the manufacturing sector lead to net training costs during the apprenticeship period but firms gain by the long-term employment of their graduate apprentices (Mohrenweiser and Zwick 2009).

3.2.3 Tertiary Education

Tertiary graduates are the least at risk of becoming unemployed. This may be related to the relatively high demand for skilled labour due to skill-biased technological change (Autor et al. 2003). More educated workers should, for instance, have more facility in exerting tasks that are complementary to those performed by computers. Such skills are called "non-routine" skills and include communication skills, advanced
literacy as well as analytical skills. Moreover, higher educated workers can be expected to adapt more easily to new tasks. Employers use educational attainment as a signal for skills that cannot be observed directly in the hiring process.

In the European Union (27 countries), tertiary education attainment for individuals aged 30 to 35 increased from 22 % in 2000 to 30 % in 2007 and to 36 % in 2012. Preparing for tertiary education is the main objective of secondary education in Spain and Portugal and the proportion of tertiary education graduates has increased fast in recent years. In Portugal, the proportion of graduates increased from around 11% in 2000 to 20 % in 2007 and 27 % in 2012, in Spain from 29 % in 2000 to 40 % in 2007 (and remained almost constant afterwards). The recession may have contributed to this phenomenon as youths are driven into higher education by the lack of employment perspectives on the labour market. Nevertheless, differences between countries exist. In Ireland, the majority of the 2012 cohort of 30- to 35-Year-Olds had a university degree, whilst this proportion was only 22 % in Italy.

Increasing the proportion of higher education graduates in a cohort to 40% is also one of the EU's Horizon 2020 objectives. It remains unclear, however, what the optimal proportion of higher education graduates is.

A high proportion of higher education graduates may be beneficial if the demand for highly skilled workers is high. But it may also be inefficient and result in a high level of overqualification if the economy demands other skills. Overqualification, that is higher education graduates working in positions for which they actually would not need a tertiary degree, can be problematic for several reasons. First, the educational investment made by the state does not pay off because the acquired skills are not employed in later occupation. Moreover, overqualification may make it more difficult for lower-qualified workers to obtain the positions for which they have been trained. Last but not least, firms may need workers with practical skills that are not acquired in higher academic education.

There seems to be a positive correlation between the proportion of tertiary graduates and overqualification of graduates, but there are exceptions. In 2005, about 27 % of graduates in Spain reported being overqualified for their job five years after graduation (Verhaest and van der Velden 2012). The overqualification rate was 19 % in Italy and 14 % in Germany. Whilst there are no comparable statistics for individuals graduating in more recent years, it is very likely that the incidence of skill mismatch and overqualification increased from the onset of the crisis. There is in fact empirical evidence of a negative correlation between the business cycle and skills mismatch, and that graduating in a recession has a persistent effect on the likelihood to be mismatched along the career path (Liu et al. 2012). According to Eurostat (Labour Force Survey) statistics based on individuals aged 20 to 64, the overqualification incidence between 2009 and 2011 increased in Greece from 31% to 33 %, in Italy from 16 % to 20 % and in Spain from 33 % to 36 %, whilst it did not change much for Portugal (12 % in 2011), France (20 % in 2011), Germany (21% in 2010) and the UK (24 % in 2011).

3.3 Institutions of the Labour Market

The legal framework and the institutions of the labour market constitute the environment in which job search and job matches take place. This framework may be more or less favourable to youth employment as it provides incentives to firms to use specific types of contracts and workers. In the following, we focus on the different aspects of the institutional framework that may affect youth employment. This includes the degree of employment protection legislation for different types of contracts and the wage-setting flexibility, but also the nature of the relations between employers and worker representatives and active labour market policies.

3.3.1 Employment Protection Legislation (EPL)

The rules governing the hiring and firing of workers have typically been developed to increase job stability and protect workers from unfair dismissal. Because these rules impose firing costs on firms, they may also reduce the hiring rate and in particular push firms to use types of working contracts that are less restrictive. Empirical evidence on the impact of total employment protection legislation (EPL) on aggregate employment is inconclusive (see OECD 2013d for a survey). It therefore remains unclear whether stronger employment protection contributes to overall lower job creation.

Nevertheless, many European countries implemented or deregulated the use of temporary contracts with the aim of increasing employment in the nineties. The expected result was that thanks to the use of temporary contracts firms would hire more workers because they can more easily adapt the size of their workforce (Boeri and Garibaldi 2007).

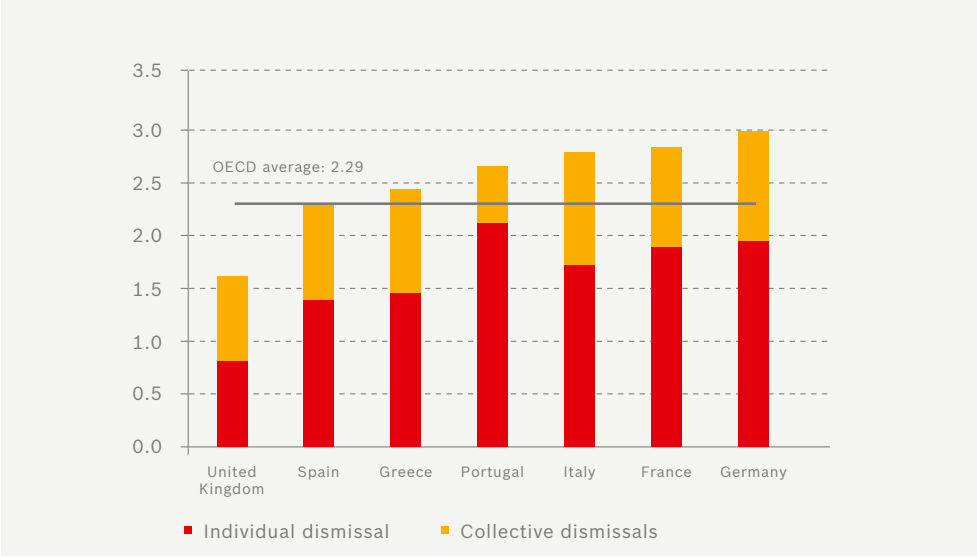
However, the high level of employment protection of permanent contracts in southern European countries was left unchanged. This led to the creation of so-called dual labour markets. These are characterised by the coexistence of two types of employment contracts: different types of temporary contracts with little employment protection on the one hand, and permanent contracts that are often impossible to undo at reasonable cost for firms on the other. Because of the high dismissal costs of permanent workers, the transition rate of temporary workers into permanent contracts is low.

As a consequence, countries differ in the transition rate from temporary to permanent contracts. Whilst finding a first permanent job takes youths less than two years in Denmark, it takes them nearly six years in Spain (Dolado et al. 2013). This is not only problematic for the concerned youths. An overly high turnover of employees in firms can be detrimental to productivity. Employers have little incentive to provide training to temporary workers and the latter have limited incentive to invest in firm-specific human capital. Moreover, the motivation and engagement of workers declines with the lack of career perspectives (Dolado 2008).

Figure 3-2 shows the indicator of employment protection of permanent contracts developed by the OECD in 2013. It measures the degree of regulation of individual and collective dismissals based on procedural inconveniences that employers face in cases of dismissal, notice periods and severance payments as well as the circumstances that allow dismissal and compensation and reinstatement rules if dismissal is found to be unfair. According to this indicator, Germany and France are the countries with the strictest employment protection of permanent contracts. In

France, it has become increasingly difficult since the nineties to fire someone for economic motives. The law prescribes very strict conditions defining the situations in which firms can fire employees due to economic reasons. Additionally, layoffs of more than ten employees must always be approved by the state administration. It is important to note that employment protection legislation was decreased in Spain and Portugal with the recent reforms. Between 2009 and 2013, the employment protection indicator decreased respectively from 2.66 to 2.28 in Spain and from 3.51 to 2.69 in Portugal.

Figure 3-2: Protection of Permanent Workers against Individual and Collective Dismissals, 2013



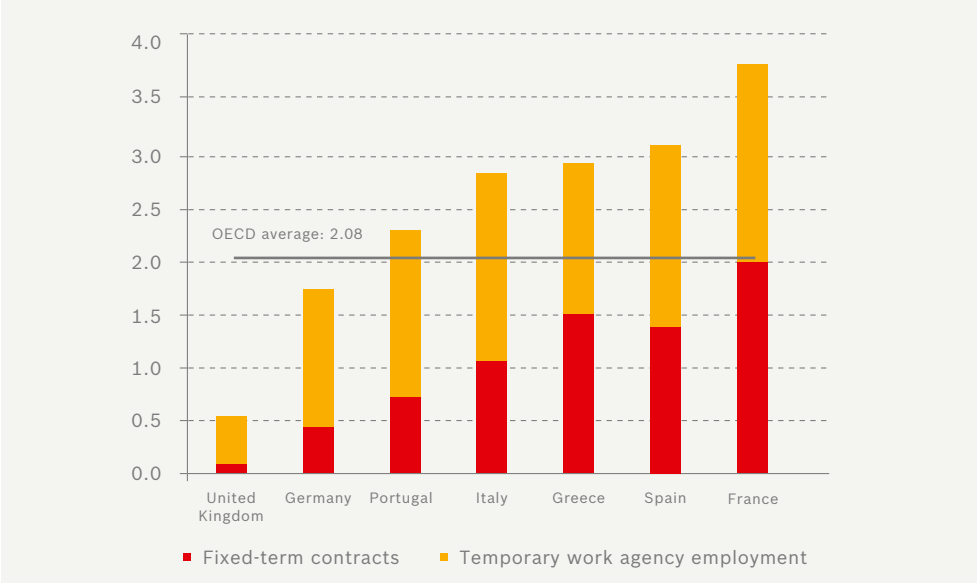
Note: The employment protection indicator measures the degree of regulation of individual and collective dismissals based on procedural inconveniences that employers face in case of dismissal of permanent workers, notice periods and severance payments. The scale of the index is 0–6. Source: OECD Employment Outlook 2013.

However, these indicators do not take into account opening clauses to these rules in case of economic hardship. For instance in Germany, the concept of “Kurzarbeit” or “reduced working hours” allows firms to impose a reduction in the number of working hours of employees with corresponding reductions in wage, instead of reducing the number of employees in case of an economic downturn. This measure limits the negative impact of decreases in economic growth on employment for all workers.

Moreover, to understand the detrimental effects of differences in EPL between types of contracts on the employment of youths, it is necessary to take into account the judicial enforcement of the rules (Bertola et al. 2000). In France, Germany and Spain, more than 0.5 % of employees brought a dismissal case before court in 1995, as compared with less than 0.1% in Austria or Denmark.

Figure 3-3 presents the OECD indicator for employment protection of temporary contracts. It takes into account the regulations for hiring under temporary contracts, constraints on the number of allowed renewals and cumulative durations. Looking at employment protection for temporary contracts, it appears that Germany has one of the lowest employment protection levels together with the United Kingdom.

Figure 3-3: Regulation on Temporary Contracts, by Country, 2013



Note: The index of EPL for temporary contracts is based on the regulations for hiring under temporary contracts, constraints on the number of allowed renewals and cumulative duration. The scale of the index is 0–6. Source: OECD Employment Outlook 2013.

These figures make clear that the level of employment protection per se is not the explanation for high youth unemployment rates. The duality of employment protection can, however, become problematic in combination with other factors, such as insider unions and the lack of opening clauses in collective agreements, that we will focus on in the next sections.

3.3.2 Wage-Setting Institutions

In all countries – except Germany until January 2015 and Italy – we consider a minimum wage applies to all firms and workers, but large differences in the level of minimum wages can be observed. France has the highest relative minimum wages as it amounts to 60 % of median wages. While in France and the UK a lower minimum wage applies for workers under 18 and 20 respectively, in Portugal and Spain there are no such minimums for young workers. In Italy, wages are bargained at the national level and apply to all firms and workers. This means that firms have little flexibility in setting wages, although there is no minimum wage (Dustmann et al. 2014).

Economic theory predicts that if a worker's productivity lies below his wage, he will not be hired or lose his job. Having less experience and being less productive, youths earn on average lower wages and are more likely to be negatively affected by minimum wage legislation than adults (Gorry 2013).

In line with theory, empirical evidence as to the overall employment effects of minimum wages depends on a workers' productivity, and significant negative effects are often found for the least skilled (Neumark and Wascher 2007). The negative employment effect of minimum wages for lowskilled workers should be more pronounced the higher the level of the minimum wage is.

But the level of the minimum wage is only a crude measure of the constraints that labour costs represent for firms. A further relevant feature of the wage-setting process for its employment effects is the level at which wages are negotiated and to whom they apply. A key element is whether the legally set minimum wage applies to all firms and workers automatically and whether opening clauses are allowed.

In Germany and Italy, which until now do not have a national minimum wage, wages are negotiated at sectoral level. However, in Italy, wage floors resulting from sectoral collective bargaining automatically apply to all firms and workers in the respective sector, which is not necessarily the case in Germany. The fact that firms can take into account sectoral and firm-specific characteristics in determining wages is deemed to be one of the key explanations of the recent German "jobs miracle" (Dustmann et al. 2014). In Germany, a national minimum wage is to be implemented starting as of January 2015. Deviations at the sectoral level will be allowed until the end of 2016.

The negotiation culture between worker representatives and employers' organisations is a further essential element in the way collective agreements and employment protection legislation affect hiring rates and wages. A consensus-based negotiation culture between employers' organisations, government and unions allows greater flexibility in reaching common goals. For instance, it may reduce the threat of facing a court decision in the case of dismissal for economic reasons or allow the preserving of jobs through wage limitations or an adaptation of working hours.

As pointed out by Dustmann et al. (2014), in Germany, negotiations between employers' organisations, unions and works councils are usually consensus-based and less confrontational than in other countries. Unions and employers' organisations in France, Italy, Portugal or Spain do not share such a culture of common interest but compete and oppose each other's interests (Vranceanu 2013, Baglioni and Mota 2013). This is reflected in the number of work days lost per 1,000 employees because of strikes and lockouts. Whereas Germany lost only five days of work each year on average between 2000 and 2007, Italy lost 93, France lost 103 and Spain 173 (Lesch 2009).

In a dual labour market, unions tend to primarily defend the interests of workers with permanent contracts, the so-called "insiders". As a result, unions do not pursue the goal of creating jobs for the unemployed and merely focus on insiders' wages and employment interests (see Vranceanu 2013 for the case of France).

3.3.3 Labour Market Policies

Labour market policies are the set of public policies in favour of unemployed persons which are aimed at assisting these persons in their job search and improving the match between jobseekers and firms. A distinction is often made between passive labour market policies, such as unemployment benefits that give financial support to the unemployed, and active labour market policies (ALMPs) which are aimed at increasing the employability of individuals and at facilitating the transition from unemployment to work.

Unemployment benefits provide replacement income to unemployed individuals. Economic theory predicts an ambiguous effect of the generosity of unemployment benefits on the duration of unemployment. On the one hand, unemployment benefits allow workers to focus on the job search without having to worry about their economic conditions. On the other hand, they increase the reservation wage of individuals, i. e. the lowest wage at which they are willing to accept a job. If too generous, some individuals could prefer to remain unemployed than to accept a low-paid job and the individual job effort could decrease (Boeri and van Ours 2013).

In two-thirds of OECD countries school-leavers are not eligible for unemployment benefits unless they have worked a certain period of time (Scarpetta et al., 2010). Moreover, typically the duration of the benefits depends on previous work experience. For these reasons, the negative effects of unemployment benefits on the job search are usually lower for youths. By the same token, youth might suffer more than adults from unemployment, since they are less likely to receive any unemployment benefits.

There are considerable differences among European countries regarding the generosity of unemployment benefits and whether youths are eligible for receiving those benefits. Comparing the generosity of different systems is not straightforward since net replacement rates, i.e. unemployment benefits expressed as the proportion of past net wage earned, depend on individuals' previous wage as well as on whether they are married and have children. Comparing a single individual without children earning the average wage directly after losing his / her job, net replacement rates in 2012 were of 75 % in Portugal, 66 % in France, 59 % in Germany, 58 % in Spain, 56 % in Italy, 26 % in Greece and 14 % in the UK (OECD statistics). However, whilst benefits are relatively generous in Portugal, they are comparable to those in Germany, Spain and Italy. Moreover, in Southern Europe, only a small fraction of the unemployed (Boeri and van Ours 2013) are covered by unemployment benefits. In particular, many of the youth who were employed with atypical contracts (e. g. temporary, service provision, seasonal, short part-time jobs) do not qualify for unemployment benefits (Scarpetta et al 2010).

Overall, there are thus theoretical arguments predicting that unemployment benefits can have a negative impact on the unemployment duration and job search. However, these negative effects should be limited for youth, who are often not covered by the benefits, especially in southern European countries.

The most commonly used set of active labour market policies (ALMPs) are training schemes, private-sector incentive schemes, direct job creation and public employment services (PES) providing job search assistance. Private-sector incentive schemes mainly consist of wage subsidies or tax credits to encourage firms to hire unemployed individuals and start-up or self-employment grants to encourage unemployed individuals to start their own business. Direct job creation typically consists of the creation of public works targeting frequently long-term unemployed and more disadvantaged individuals. Public employment schemes include job search courses, vocational guidance counselling and monitoring and aim to assist unemployed individuals in their job search and to improve the match between job-seekers and firms.

Government expenditure for active labour market policies has been relatively stable over time as compared with passive labour market policies. This is because passive labour market policies include unemployment benefits that react directly to the number of unemployed. The expenditure on ALMP decreased somewhat in the years before the Great Recession and then slightly increased. Large differences in the expenditure on ALMP exist between European countries, however. In 2011, the expenditure on ALMP as a proportion of the GDP was of 0.93 % in France, 0.81% in Spain, 0.8 % in Germany, 0.57 % in Portugal and 0.35 % in Italy.

Moreover, countries differ in the type of ALMPs they invest in most. Eurostat distinguishes between services and measures. Services include public employment services providing job search assistance, job search courses, vocational guidance counselling and monitoring, whereas measures include all types of training and internship programmes. In all countries except the UK, the largest amount of expenditure on ALMP is dedicated to measures rather than to counselling services. France and Spain spend the most on training measures for the unemployed (0.7 % of their gross domestic product). In contrast, Greece and Italy respectively only spend 0.2 % and 0.3 % of their GDP on measures for the unemployed.

Despite a huge body of economic literature on evaluating these programmes, no clear-cut answer emerges about what measures are the most effective (Kluve 2010; Card et al. 2010). Overall the less effective programme seems to be the direct creation of public jobs. The effectiveness of training programmes depends very much on the quality of the training offered and on the skills of unemployed individuals. They are typically more effective in the medium and long term (after two years) than in the short term. Meta-analysis of active labour market programme evaluation studies in Europe, such as Kluve (2010) and Card et al. (2010), suggest that in the short run private-sector incentive schemes can be effective for improving the labour market integration of the unemployed. However, the increase in the employment rate fades away at the end of the subsidy period.

While active labour market policies are important tools in fighting youth unemployment, especially in economic downturns, most of them do not address the structural sources of youth unemployment. A more comprehensive strategy focussing also on strengthening educational institutions and reforming other labour market institutions is needed in the medium and long term.

3.4 Demographic Change, Migration and Mobility

Changes in the size of the younger cohorts, migration and geographic mobility are all factors that can have an impact on youth unemployment.

All countries in the European Union are experiencing an ageing process and a shrinking proportion of young workers in the population. Forecasts for the period 2000 to 2050 predict that the numbers of people aged 65 or more compared with the 15- to 64-Year-Olds are to more than double across the OECD (OECD 2008a).

Economic theory predicts that the relative scarcity of young cohorts in the labour market should positively affect the employment perspectives of the young new entrants in the labour force (Freeman and Wise 1982). The ageing of the population should thus help in creating jobs for youths as older cohorts retire. However, the sharp decline in the proportion of youth in the European population did not seem to reduce youth unemployment in a strong way in the last 30 years. In fact, the relative labour market performance of youth deteriorated in the 1980s and 1990s notwithstanding the decline in the size of young cohorts (Bell and Blanchflower 2011). Empirical studies find that youth cohort size has a positive but small effect on the youth unemployment rate (Korenman and Neumark 2000; Jimeno and Rodriguez-Palenzuela 2002). Therefore, even if relative cohort sizes are not the most important determinant of unemployment, youth unemployment rates could be even higher in some countries without population ageing.

The low mobility of youths reinforces structurally high youth unemployment in southern European countries. The degree of geographic mobility between European countries is very low. For instance, in 2010, only 0.35 % of the working-age population moved from one EU country to another (OECD 2012a). Language and cultural barriers as well as lack of information on employment opportunities in other member states are an important constraint on intercountry mobility of youths.

However, regional mobility within EU member states remains fairly low as well when compared for instance to the US. In 2010, mobility within EU member states (15 countries) amounted to only one per cent each year, whilst in the same year the mobility between US states was about 2.4 % (OECD 2012a). There are large cross-country differences in the European Union in the degree of regional mobility within countries and local mobility (e. g. commuting). Countries with a low internal mobility rate face larger regional imbalances in unemployment rates (Bonin et al. 2008). Moreover, southern European countries with a high structural youth unemployment rate are among the European countries with the lowest degree of internal mobility (Bonin et al. 2008).

A higher degree of geographic mobility of youth could help reduce imbalances across regions and even decrease overall unemployment through better job-worker matches. Programmes such as the EU's "Youth on the Move" initiative provide information on grants to study in other EU countries, as well as training and job vacancies abroad (for instance through the EURES platform). Policies aimed at enhancing mobility within countries might be more effective than those focussing on international mobility because of the lower language and information barriers.
The southern European countries are most affected by inflows of low-qualified non-EU immigrants (Eurostat 2011). Migration could be expected to have a negative effect on youth unemployment if immigrants take up low-skilled jobs at a lower wages than natives. Nevertheless, empirical evidence shows that immigration has a very small or insignificant effect on natives' labour market outcomes (see Martins et al 2012 or Blanchflower and Shadforth 2009 for an overview of this literature).

3.5 Concluding Remarks

A country's educational and labour market institutions contribute to the creation of a context more or less favourable to youth employment. In the following chapter, we highlight the macroeconomic and structural factors that explain the increase in youth unemployment rates in Spain, Italy and Portugal, which have reached alarmingly high levels. For each country, we describe and assess the major policy measures that were recently implemented and we provide recommendations on further interventions to reduce youth unemployment in the future.

4
Country Briefs

4.1 Spain

4.1.1 Overview and Policy Recommendations

Although they were close to the EU average in 2006, both youth and adult unemployment rapidly increased during the Great Recession in Spain. Youths in particular were strongly affected by employment loss after the financial and debt crisis and the bust of the real estate bubble. As a result, unemployment rates of 15- to 24-Year-Olds soared from 18 % in 2006 to 56 % in 2013.

We argue that the strong reaction of employment to the recession is related to the institutions of the Spanish labour market and the educational system. The combination of the collective bargaining system with the differences in employment protection legislation by type of contract as well as the limited scope and quality of vocational education are the main institutional factors causing youth unemployment in Spain.

Spain and Portugal have the highest proportion of temporary employment among 25- to 29-Year-Olds. Tough employment protection of permanent contracts combined with a lack of regulations on the use and number of renewals of temporary contracts is an important reason behind the high proportion of temporary employment of youths. During the Great Recession, temporary workers, which were mostly young, were hit hardest by job losses. The negative employment effects of the recession were reinforced by the presence of insider unions that mostly represent the interests of permanent workers in all negotiations with employers. As a result, collective agreements tend to favour wage increases at the expense of job creation.

In addition, centralised wage-setting can reduce job creation because it gives firms little flexibility to set wages in accordance with their firm- and region-specific constraints. In Spain, collective bargaining determines wages at the sectoral level that are above the minimum wage and that often apply to all workers within the level of agreement.

Policy Recommendations

:: Further reduce the employment protection gap between permanent and temporary contracts. In particular, a maximum cumulated duration of temporary contracts in the same firm should be set.

:: Continue the development of dual vocational education centres initiated in 2013.

:: Work towards a central standard of vocational education degrees to ensure that the degrees are recognised in the whole country.

:: Transfer ALMP resources from subsidies for hiring specific workers (such as youths and women) towards subsidies conditional on hiring youths under centrally certified apprenticeships.

An ambitious labour market reform was implemented in 2012 that made real progress in decentralising collective bargaining and decreasing employment protection of permanent contracts. For instance, economic reasons for dismissals were redefined in favour of firms and maximum severance payments were reduced. According to a first evaluation of the modifications to collective bargaining rules and the changes in employment protection legislation in the 2012 reform, the decentralisation of wage setting from the sectoral to the firm level reduced the duration of unemployment spells and provided some evidence of a reduction in separations, particularly for temporary workers.

Another important aspect of the reform consists of employment subsidies to hire young workers for firms with fewer than 250 workers. Although the effect of these specific subsidies has not been evaluated yet, existing empirical evidence from other countries shows that employment subsidies seem to have only moderate short-run effects on employment creation. Using the subsidies to create incentives for firms to support certified apprenticeship contracts could be one way to increase the long-term effectiveness of the subsidies. For instance, only firms that cooperate with dual vocational training centres and that comply with minimum quality standards should receive the subsidy. This would create an incentive for firms to increase their training quality while reducing costs for hiring youths.

In light of the high dropout rates from secondary education and the lack of practical skills of tertiary education graduates, improving the practical relevance and recognition of vocational education on the labour market is another priority of the Spanish government. The willingness of the federal government to improve the quality of vocational education in Spain is much more pronounced than in Italy or in Portugal and corresponding policy initiatives are being implemented. Promising pilot programmes of dual vocational education have been started in several regions and the number of centres of dual vocational education and cooperating firms has plummeted in the last year. In particular the “Hezibi” apprenticeship scheme in the Basque Country which offers dual vocational education in cooperation with participating firms and education centres seems promising.

There is certainly scope for supporting these favourable developments from the side of firms and vocational training centres in other Spanish regions. More firms need to be involved in cooperations with the vocational training centres and planning the curricula of these vocational trainings (Biavaschi et al. 2012). Moreover, a central quality control of dual vocational education and apprenticeships should be implemented to increase the quality of the on-the-job training.

Finally, the Spanish Ministry of Labour and Social Affairs actively supports the MobiPro-EU programme with Germany to facilitate the mobility of apprentices. Increasing the mobility of Spanish apprentices can be a way to integrate young Spanish unemployed into the labour market but it faces important limits. The current number of participants in the programme is too low to have an effect on youth unemployment and the budget for the MobiPro-EU programme has already been exhausted. In order to raise the number of Spanish apprentices in Germany significantly, the budget for the MobiPro-EU programme should be increased.

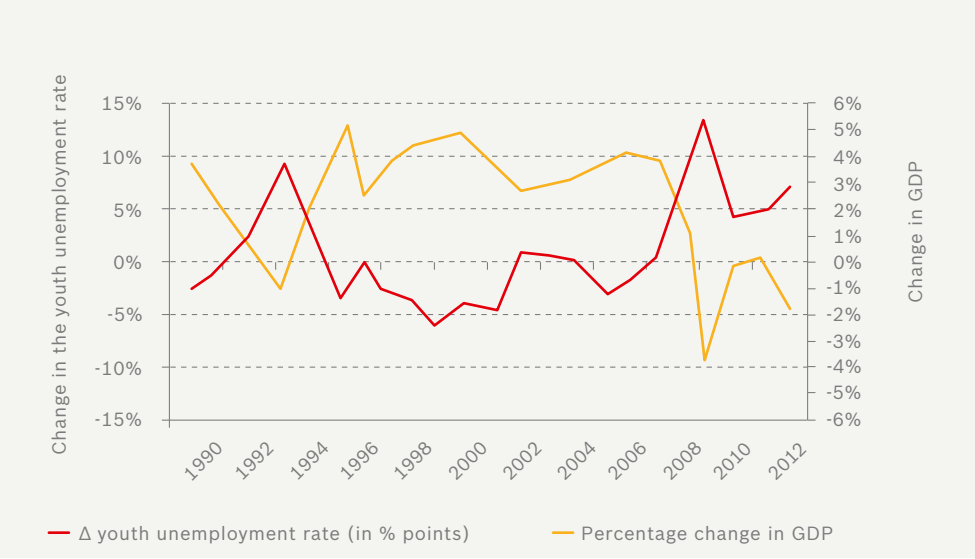
4.1.2 The Macroeconomic Context and the Effects of the Crisis

The Spanish economy was strongly affected by the consequences of the financial and debt crisis. Spanish firms relied heavily on bank credit before the crisis and were badly hit by the reduction in bank lending following the recession. Bentolila et al. (2013) show that firms with a relatively large exposure to weak banks at the start of the crisis had to make a greater proportion of job cuts than other firms between the years 2006 and 2010.

Moreover, during the construction boom at the beginning of the 2000s, many low-qualified temporary jobs were created in the construction sector. These jobs were relatively well-paid and reduced incentives for youths to pursue further education. When housing prices dropped after the financial crisis, this led to enormous employment losses for youths on temporary contracts. Employment of 15- to 24-Year-Olds in the construction sector decreased by 83 % between 2008 and 2012 as compared to a decrease of 50 % among adults (25- to 64-Year-Olds) in the same time period. The construction boom and bust was thus a second important reason why so many youths on temporary contracts lost their jobs in recent years.

The fluctuation in unemployment in Spain is strongly correlated with the fluctuation in the GDP growth as can be observed in Figure 4-1. This result is in line with findings by Boulhol and Sicari (2013), who report that Spain and France have the highest sensitivity of youth unemployment to business cycles. Youth unemployment is therefore not a recent phenomenon in Spain. The Spanish youth unemployment rate has been subject to important variation over the last decades. It reached a peak of 42 % in 1994 and dropped to 18 % in 2007. We argue that the strong sensitivity of youth unemployment to business cycles is related to the institutional context.

Figure 4-1: Change in Youth (15- to 24-Year-Olds) Unemployment Rate and Change in GDP 1990 – 2012, Spain



Note: The change in the youth unemployment rate is given by the difference in the unemployment rates in a given year minus the unemployment rate in the previous year. The percentage change in the GDP on the previous period gives the change in the GDP. Source: EUROSTAT online database, unemployment rates by age (%) and GDP and main components – volumes, own calculations.

The macroeconomic figures also show considerable differences between regions in regards to the regional domestic product, the educational level and youth unemployment. The North and Eastern regions such as the Basque Country, Navarre, Catalonia or Aragon and Madrid have higher regional domestic products per capita, lower youth unemployment rates and higher average educational attainment levels. This means that they have a larger proportion of higher education graduates, lower dropout rates in secondary education and higher proportions of pupils attending the vocational educational track. In particular, the Basque Country stands out with the lowest youth unemployment rate, the best educational performance and graduation rates between 20 % and 40 % above the Spanish average at all levels of education. Table 4-1 shows the regional youth unemployment rates in 2013. Youth unemployment is 49 % or more in all Spanish macro-regions. However, the Canary Islands and Southern Spain have much higher youth unemployment rates than the northern regions.

Table 4-1: Regional Youth Unemployment Rates (15- to 24-Year-Olds) in Spain, 2013

Region	Youth Unemployment Rate
Canary Island	65 %
South: Andalusia, Murcía, Ceuta, Melilla	64 %
Centre: Castilla y León, Castilla-la Mancha, Extremadura	57 %
Spain	**56 %**
East: Catalunia, Valencia, Balearic Islands	52 %
Northwest: Galicia, Cantabria, Asturias	51 %
Madrid	49 %
Northeast: Basque Country, Navarra, La Rioja, Aragon	49 %

Source: EUROSTAT online database, unemployment rates by sex, age and NUTS 2 regions (%)

4.1.3 Duality of the Labour Market

The Spanish labour market is characterised by the coexistence of two types of employment contracts. Until the transition to democracy in the late 1970s, 90 % of all contracts were permanent contracts with strict employment protection. Temporary contracts could only be used in seasonal jobs. The use of temporary contracts was allowed on a broader scale starting in 1983 with the aim of achieving higher labour market flexibility and thereby increasing employment (Boeri and Garibaldi 2007). As a result, in the 1990s, the proportion of employees with a temporary contract soared to more than 70 % for youth aged 15 to 25 and more than 30 % for all employees aged 25 to 64. However, the strict employment protection legislation of permanent contracts remained mostly unchanged.

Table 4-2 presents the severance payments in the event of dismissal by type of contract in Spain. Even after the latest labour market reform in 2012, which reduced employment protection, permanent contracts are subject to severance payment of up to one year's wage in cases of fair dismissal, and also in cases of dismissal for economic reasons. In contrast, temporary contracts can be terminated at no cost upon expiration. Moreover, no constraints have been imposed on the number of renewals of a temporary contract in the same firm. As a result of the costly dismissal procedure of permanent workers, firms have a clear incentive to repeatedly hire under short-term temporary contracts. In fact, in 2007, 95 % of fixed-term contracts signed yearly lasted less than six months and 52 % lasted less than one month (Eurofound 2010).

Table 4-2: Severance Payments by Type of Contract in Spain

	Permanent contract	Temporary contract
Fair dismissal	20 days per year of seniority. Maximum of 12 monthly wages.	None.
Unfair dismissal	**Before 2012:** 45 days per year of seniority. Maximum of 42 monthly wages. **After 2012:** 33 days per year of seniority. Maximum of 24 months.	12 days per year of seniority. None at the expiration of the contract.

A significant part of the younger generation (40 % of 25- to 29-Year-Olds) in effect works under repeated temporary contracts, whereas the older generation mostly holds permanent jobs (15 % of 40- to 64-Year-Olds have temporary contracts). The conversion rate of temporary into permanent jobs was only 18 % in 1987 and dropped to 4 % in 2000 (Bentolila et al. 2012). Finding a first permanent job after entering the labour market takes youths on average about two years in Denmark, whereas Spanish youths need close to six years (Dolado et al. 2013) .

The high proportion of repeated temporary contracts is not only an issue because of the higher frequency of unemployment spells for the concerned youths. Recent evidence shows that the high worker turnover decreases the productivity of Spanish firms because of a reduction in worker effort (Dolado 2008). Moreover, employers are reluctant to provide training for their temporary employees and the employees themselves are less likely to invest in firm-specific human capital (OECD 2012b).

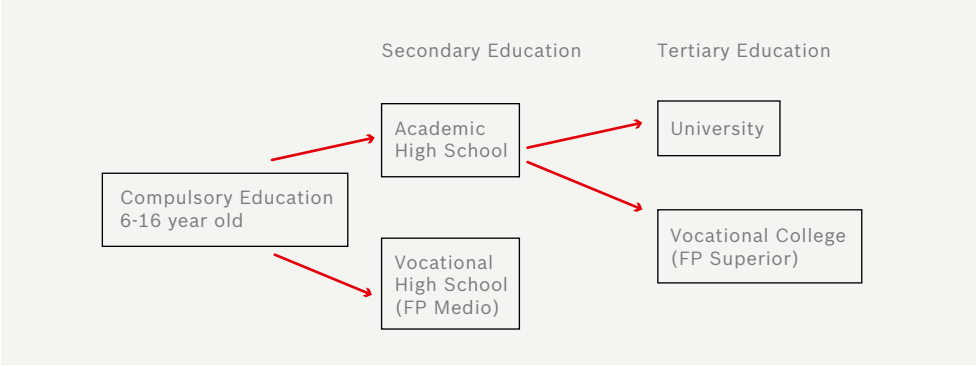
4.1.4 The Educational System

In Spain, compulsory basic education lasts until age 16 and leads to the ESO (Educación Secundaria Obligatoria) school-leaving certificate. In 2010, 74 % of the population had obtained at least the ESO level of education. After the ESO, pupils may attend an academic high school (Bachillerato) to prepare for university or a vocational high school (Formacion Profesional de Grado Medio). Higher education consists of university and so-called vocational colleges.

The Spanish educational system is strongly academic-oriented. The proportion of tertiary education graduates is among the highest in Europe. About 70 % of pupils opt for the academic high school that gives access to vocational college and/or university. The vocational college (Ciclos formativos de grado superior) is attended by about 14 % of all tertiary education students.

As a result, in 2012, only 8 % of adults had a vocational secondary school degree as their highest qualification. This compares with 30 % in France, 32 % in Italy and 56 % in Germany (OECD 2013a).

Figure 4-2: The Spanish Educational System



In the vocational track, training is school-based with only up to 25 % of the time spent in the firm doing on-the-job training. The on-the-job part can be waived with previous work experience related to the content of the programme (Lopez-Mayan and Nicodemo 2012). According to Eurostat figures, only 4 % of pupils in vocational upper secondary education in Spain combine school and work-based training as compared with 74 % in Germany.

Nevertheless, even such short apprenticeships significantly increase the probability of employment (Lopez-Mayan and Nicodemo 2012). This indicates that increasing the proportion of on-the-job training in vocational degrees should be a promising strategy to reduce youth unemployment in Spain.

In Spain, having a tertiary education yields lower unemployment rates and 40 % higher earnings than an upper secondary education. However, the returns to tertiary education have dropped since the nineties and the proportion of overqualified workers with a tertiary education degree has increased (Biavaschi et al. 2012). Moreover, employer surveys indicate that firms consider university graduates to lack required practical skills (Freire et al. 2013, Teijeiro et al. 2013). These are indications that there may be an excess supply of college-educated workers in Spain and that developing a vocational education track suited to the needs of employers would yield important benefits.

4.1.5 Wage-Setting Institutions and Demographic Changes

Wage-setting institutions such as the national minimum wage and immigration inflows are also likely to have a negative effect on unemployment of the least skilled youth. Nevertheless, their contribution to the structural youth unemployment rate appears to be less important than the education system and employment protection legislation.

Spain has a minimum wage but it is only 45 % of the average wage, a low number in comparison to other countries. However, collective bargaining of wages at the sectoral level often applies to all workers within the level of agreement (province or industry). The wages set in these agreements are generally set well above the statutory minimum wage and may therefore result in high entry wages that limit the employment of youths (Dolado et al. 1997). The negative effects of these collective agreements on youth employment may be reinforced by the fact that unions mostly represent the permanent workers in all negotiations with employers and tend to favour wage increases at the expense of job creation.

In Spain, young cohorts are substantially smaller than older cohorts. The current youth population (15- to 24-Year-Olds) is namely more than one-quarter smaller than in the early nineties (Dolado et al. 2013). This could positively affect the labour market outcomes of youth, because of their relative scarcity. However, there is little evidence of such a positive effect in Spain in the last decade (Dolado et al. 2013). Despite the ageing of the national population, the total working-age population increased by 14.3 % in Spain between 2000 and 2010 due to massive immigration inflows. This has caused an increase in the population of individuals aged 25 to 34, but has not countervailed the decrease in the population of the under-25-Year-Olds. There is evidence that the recent crisis has affected the less educated immigrant workers in a stronger way (Dolado et al. 2013). However, the youth unemployment rate among natives turns out to be only slightly lower than the overall youth unemployment (less than 1% in 2012).

4.1.6 Survey of Policies and Initiatives

Labour Market Reform

In 2012, the Spanish government approved a large labour market reform. It includes a consistent set of measures that considerably changed the labour market institutions. Its main aim being to restore the competitiveness of the Spanish economy through wage flexibility, the 2012 reform first made progress towards decentralising wage-setting. It gave priority to collective bargaining agreements at the firm level over those at the sector or regional level, so that collective agreements could adjust more closely to the specific needs of a firm (OECD 2013b). Moreover, firms can now opt out more easily from a collective agreement and these can be prolonged only for one year after their end date.

In addition, the reform of 2012 made dismissal for economic reasons somewhat easier for firms. It clarifies the conditions under which a dismissal can be considered as fair for economic reasons and eliminates the need for administrative authorisation of collective dismissal. A first evaluation of the reform by the OECD (2013b) suggests that the decentralisation of wage-setting from the sectoral to the firm level appears to have reduced the duration of unemployment spells.
The labour market reform has achieved a significant improvement of the labour market institutions and given more possibilities to firms to adapt to economic downturns. This is testified, for instance, by the decrease in the OECD employment protection indicators for permanent contracts as well as for collective dismissals that decreased respectively from 2.56 to 2.28 and 3.75 to 3.13 between 2012 and 2013. However, fair dismissal remains associated with considerable severance payments, limiting the incentives for firms to offer permanent contracts. Moreover, a limit on the cumulated duration of temporary contracts in the same firm should be imposed.

Besides affecting labour market institutions, the reform also provides financial incentives to support youth employment. Financial incentives are provided for firms that hire workers under 30 years of age and are particularly strong for small firms. The focus on small and medium enterprises (SME) is relevant because SMEs make up over 99 % of Spanish firms and constitute the vast majority of the productive sector in Spain. In 2009, they covered 87 % of all Spanish employees (Sanz de Miguel, 2013).

Reductions in social security contributions are given to firms that hire apprentices, women and workers younger than 30 or above 45. Firms with fewer than 250 workers that hire an individual with a training (apprenticeship) type of contract receive a full deduction of the social security contributions. The deduction is 75 % for firms with 250 employees and more.

If the firm converts an apprenticeship contract into a permanent contract, it can benefit from a reduction in the social security contribution of 1,500 euros per year during the following three years. The corresponding reduction for hiring female apprentices is 1,800 euros per year.

Furthermore, a new type of permanent contract for firms with fewer than 50 employees was created with additional fiscal advantages. If the newly hired employee is less than 30 years of age, firms with fewer than 50 employees benefit from a fiscal deduction of 3,000 euros. In addition, the firm will be granted a three-year deduction in the social security contributions, starting with 83.33 euros per month (1,000 euros per year) in the first year, 91.67 euros in the second year and 100 euros in the third year (1,200 euros per year). Additional reductions apply for hiring women and workers older than 45. The impact of the employment subsidies implemented by

the 2012 reform has not yet been evaluated but existing empirical evidence for other countries points to deadweight losses and substitution effects of employment sub-sidies of around 90 %. This implies that out of 100 jobs created with the subsidy, only ten would not have been created without the subsidy (Martin and Grubb 2001).

Similar results are found for former employment subsidies in Spain. Garcia et al. (2013), for instance, conclude that subsidies provided since 1997 for new permanent contracts in certain Spanish regions barely affected the probability of a transition to a permanent job and that the labour demand by contract type in Spain hardly varies with wage subsidies on new permanent contracts.

Besides the 2012 labour market reform, Spain also increased expenditures in other active labour market policies, focussing mostly on higher incentives in the private sector, such as financial support for start-ups and self-employment (OECD 2013b). Evidence from the United States suggests that such schemes result in employment gains for men with relatively high levels of education (Martin and Grubb 2001).

Initiatives to Support the Development of Dual Vocational Education

Spain has recently pushed the development of dual vocational training. Since 2013, the number of centres for vocational training has doubled and the number of cooperating firms has tripled. According to figures from the Ministry of Education, Culture and Sports, the number of pupils in dual vocational training increased from 4,292 to 9,555 between 2013 and 2014. In particular, the Basque Country, Catalonia, Castilla-La Mancha and Valencia opened many new centres for vocational training (Formación Profesional Dual).

Firms can make a cooperation contract with the professional training centres (Centros de Formacion Professional) through the Regional Ministries of Education to provide dual vocational education. Many Spanish and international firms have recently started such cooperations to propose dual vocational training. Examples are ALDI, Buderus BOSCH, LIDL, SIEMENS, Repsol or BASF.

Moreover, a royal decree extended training contracts from two years to three years, and training will amount to at least one-third instead of 15 % of the overall duration of the training period. (OECD 2012b).

The Basque government has been particularly dynamic in promoting dual vocational education. Based on the German apprenticeship model, employers' organisations pushed the development of dual vocational training previous to the crisis. This resulted in the HEZIBI programme of apprenticeship scheme which was approved in 2013 by the Basque government.

The programme is a framework agreement between the Basque government, the Basque Employers' Confederation CONFEBASK, the Associations of Directors of Publicly Run Vocational Training Centres IKASLAN ARABA, IKASLAN BIZKAIA, IKASLAN GIPUZKOA and the Association of Grant-Aided, Social-Initiative Private Vocational Training Centres HETEL for setting up high-level vocational training.

The programme is intended to help young people aged 16 to 30 in obtaining vocational training qualification, in which their time is split between education in the training centre and in-company work experience. Similar to the apprenticeship system in Germany, a pilot programme started in 2013 combining school-based education with on-the-job training to 600 unemployed vocational training qualification holders.

Lanbide, the Basque employment service, is to fund the training costs associated with the relevant certificate of professional standards. Lanbide is also to finance work carried out by companies in relation to the training and work experience contracts in which they partake under this programme.
In addition, in March 2014, the Basque government entered into a pilot dual vocational training programme with Mercedes-Benz Spain (El Mundo 2014). This programme will provide 3,000 hours of apprenticeship training in the firm as compared with the usual 1,000 hours in regular Basque vocational training programmes. This training will be combined with centrally certified vocational training in vocational schools. It thus fulfils the elements that are considered relevant for the successful implementation of dual vocational training (a large proportion of on-the-job training and centrally certified school-based training).

Several promising regional and national public initiatives thus support the development of dual vocational education in Spain. Local and private initiatives rather focus on reducing dropout rates from secondary school, supporting the geographical mobility of graduates or the creation of startups. Table 4-3 provides some examples of such smaller scale initiatives.

Table 4-3: Local and Private Initiatives to Tackle Youth Unemployment in Spain

Initiative/Programme	Who is offered?	Organiser
Acción Tutorial	Individual coaching of potential dropouts in secondary school, promoting parental involvement.	Municipality of Salamanca
Aula 15	Workshops on vocational occupations, individual coaching, private teaching. About 30 pupils participate in the programm per year.	Municipality of Villa Seca, Tarragona
Becas Erasmus Kutxabank 2014/2015	500 Scholarships to study abroad for higher education and vocational training graduates.	Kuxtabank (100 scholarships) and Basque Government
Le Mejora del éxito escolar	Workshops for secondary school pupils: communication skills, social skills, science and technology, maths, health.	Municipality of Barcelona
Prevención y control del absentismo escolar	Promotion of early childcare for disfavored children, individual coaching (32 coaches), information campaigns.	Municipality of Madrid
Spain Startup Summit	Yearly start-up conference. In 2013 it brought together 4,000 participants, 350 investors and 30 companies.	Spain Startup and IE Business School
Youth Business Spain	Programm started in 2013 to provide integrated support for youth to start a new business. It has the aim of supporting the creation of 5,000 new business and 10,000 new jobs for youths over a period of 5 years.	Youth Business international with Fundación Tomillo and CP'AC – Catalonia

Source: Miñaca and Hervás (2013)

Initiatives to Increase the Mobility of Spanish Youth

The Spanish Ministry of Labour signed an agreement with the German Ministry of Labour and Social Affairs to support the mobility of Spanish apprentices with the "Job of My Life" programme (MobiPro-EU) in 2013. The aim of the agreement is to provide around 5,000 Spanish youth with an apprenticeship or regular employment position in Germany within the next four years. The programme offers financial support for language courses and travel costs for youths aged 18 to 35 who wish to do an apprenticeship in Germany.

In practice, the programme works as follows. The employment agencies in Germany report vacant vocational training positions in their regions to the International Placement Services (Zentrale Auslands- und Fachvermittlung, ZAV). The ZAV then looks for suitable candidates in cooperation with their European network partners. The programme is planned to last three years with a total budget of 139 million euros. Unfortunately, as of April 2014, the acceptance of new apprentices under this programme has been temporarily halted due to the unexpectedly large number of applications received (a total of 9,000 apprenticeship applications had been received from all countries by March 2013).

In addition, many small local initiatives specifically support the hiring and vocational training of young, qualified Spanish workers in Germany, especially in the service and health-care sector but also for technical professions (see Table 4-4). These programmes are often developed by German Chambers of Commerce, employers or regional governments to tackle the lack of skilled labour in specific occupations and regions. Some examples are presented in the table below. The disadvantage of so many small initiatives (with an average of around 30 participants) is the resulting lack of transparency and the limited number of opportunities created for potential candidates.

Table 4-4: German Apprenticeships Programs for Spanish Youths

Initiative/Programme	What is offered?	Organiser
Adelante! – Ausbildungs- und Berufsperspektiven für spanische Jugendliche	Dual Education and Employment in technical occupations.	IHK Hannover, Caritasverband Hannover, Region Hannover
Ausbildung BASF	Dual Education (Chemics) for 20 Spanish apprentices.	BASF
Bosch-Ausbildungsinitiative Südeuropa	Dual vocational training (technical occupations) for 50 Spanish apprentices.	Bosch
CAREER in Baden-Württemberg	Qualified workers in MINT in particular Engineers	Bildungswerk der Baden-Württembergischen Wirtschaft
Ems-Achse: Die internationale Ausbildungsinitiative	Dual education	Ems-Achse Jobmotor Nordwest in the framework of MobiPro
europeans@Siemens2012/2013	Dual Education in the field of electronics and mechatronics.	Siemens Berlin
Make it in Germany	Information Platform on available apprenticeship positions for EU youths	BMWi, BMAS, BA
Spanische Auszubildende für die Landkreise Cham und Wunsiedel (Fichtelgebirge)	Dual Education	vbw-Vereinigung der bayerischen Wirtschaft und bayerische Metall- und Elektroarbeitgeber (in Verbindung mit MobiPro-EU, bei fehlender Förderfähigkeit ergänzende Unterstützung).
Spanische Fachkräfte für das Handwerk	Employment of qualified workers in particular electricians, metalworkers, engineering, painter and decorators.	Wirtschaftsförderungs-gesellschaft Schwarzwald-Baar-Heuberg
Spanische Fachkräfte für das Handwerk in Oberbayern	Employment of Qualified Youths with continous training and language courses	Chamber of Commerce München and Upper Bavaria
Spanische Pflegekräfte am Universitätsklinikum Erlangen	Employment in the healthcare sector.	University Hospital Erlangen

4.2 Italy

4.2.1 Overview and Policy Recommendations

Italy has faced low growth rates for a decade now and was strongly hit by the Great Recession. Thus, structural economic problems certainly contribute to unemployment for all age groups. Important regional differences in youth unemployment can be observed: the South has youth unemployment rates nearly twice as high as the North. Nevertheless, the large difference between youth and adult unemployment rates over the last decade, as well as the very high rates of youth who are not in employment, education or training (NEET), can be observed in all regions. In addition to the overall lack of job creation, Italian youths thus face specific structural issues when entering the labour market in all regions.

A major structural problem affecting youth unemployment is that the education system fails to provide youth with the skills required in the labour market. Although in principle a vocational secondary school track exists, the time spent on the job is very limited. No legal framework regulates the content and time spent in school-based education for apprenticeship contracts and the quality of the training provided by firms varies strongly.

A second concern is the strong labour market divide between youths and adults. Youths are strongly over-represented in temporary and atypical contracts, explaining why almost all job cuts made during the recent recession affected younger generations. In the case of dismissals, firms face strong employment protection legislation of permanent contracts combined with the conflict-prone relation between employers and trade unions. This situation often makes it difficult for firms to achieve the necessary workforce turnover to adapt to changing economic circumstances using regular working contracts. As a result, this contributes to a lower hiring rate and an increase in the proportion of service provision contracts and self-employment.

The few reforms made so far to the education system and labour market institutions in Italy did not bring about any clear progress to date and are unlikely to do so in the future. The 2012 Fornero Reform, for example, does not seem to have achieved any clear change in the imbalances in employment protection legislation between permanent and temporary contracts. While it succeeded in making service provision contracts stricter, it did not create incentives for job creation. To reduce labour market dualism, several researchers recommend the introduction of a single contract with severance payments that increase with tenure (Garibaldi and Taddei 2013). Here, it would be necessary to introduce a structural reform of the labour market to establish clear rules for severance payments and leave less room for judicial procedures in the case of dismissals due to economic reasons. Moreover, employment protection of workers under all types of service provision contracts should be increased.

Policy Recommendations

:: Invest more finances in secondary and tertiary education.

:: Foster applied vocational education and applied university programs, by developing central standards for the quality of vocational training and minimum requirements on time spent in the firm by occupation.

:: Implement a structural labour market reform, reducing the precariousness of temporary and service provision jobs and setting clear rules for reasonable dismissal costs in the case of dismissals for economic reasons.

:: Strengthen active labour market policies by providing better services and information to the unemployed as well as incentives for geographic mobility.

As compared to other European countries, public spending in active labour market policies is relatively low in Italy and has not increased much during the recession. Potential to increase the employment probability of youths in Italy exists by strengthening public employment services and providing better incentives for the creation of start-ups. Due to the very low regional mobility, programmes aimed at reducing mobility barriers are also likely to foster employment.

Italy has a relatively low proportion of university degree graduates as compared to the OECD average; it also has high university dropout rates. In addition, university graduates do not face a much lower risk of unemployment compared to the lower qualified. The absence of sizeable returns to education is a strong incentive not to invest in education. The very low number of university graduates, combined with a relatively high number of upper secondary graduates from schools providing general education, suggest that it is essential to invest in vocational education to provide skills that are more strongly demanded by the labour market.

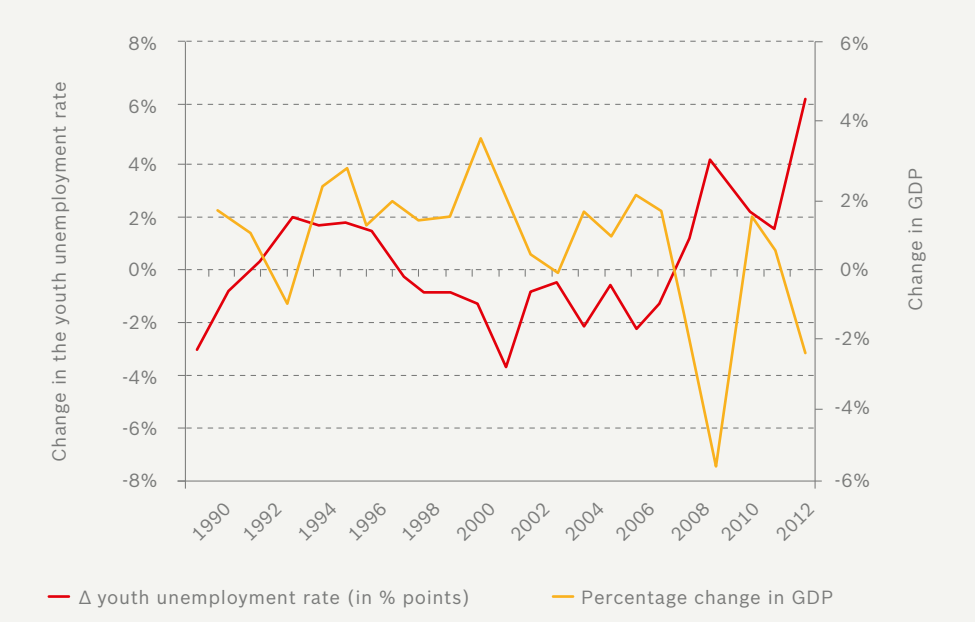
Despite state intentions to develop vocational training and apprenticeship programmes, the investment in educational policies has been very limited over the last decade. Vocational training agencies and schools (Istruzione e Formazione Professionale – IFP) coordinated at a regional level provide more practice-oriented secondary vocational education with a stronger connection to firms. These programmes have been expanded in recent years. They are a step in the right direction, even if the programmes are still small at the present time and mostly address early school-leavers. However, there is no central certification of quality and quantity for on-the-job training provided in firms and the quality of school-based training is very heterogeneous across regions. While the 2011 Consolidated Act on Apprenticeships was on the right path to making apprenticeship programmes more structured through compulsory off-the-job training, a recent decree cancelled these changes. Without a legal framework regulating the standards for on-the-job training for each occupation, it is unlikely that such a vocational qualification will become attractive to firms and youths. Unions, firms and employers' associations could certainly support this process by engaging in stronger cooperation with regions to ensure high-quality training during apprenticeships.

4.2.2 The Macroeconomic Context and the Effects of the Crisis

Italy's growth per capita has been the weakest of all OECD countries over the past decade (OECD 2013c). Productivity growth has been very low since 2000 and Italy has lost competitiveness in terms of relative unit labour costs with respect to other European countries (Dustmann et al. 2014). This means that previous to the crisis the relationship between labour costs and labour productivity has worsened significantly in Italy as compared to other countries in the euro area.

Although the growth rate plummeted to - 7 % in 2009, Italy seemed to recover quicker from the Great Recession than Spain and Portugal, as it had positive GDP growth in 2010 and 2011. But the country's economy was strongly hit by the subsequent sovereign debt crisis and again had strongly negative growth rates in 2012 and 2013. Figure 4-3 shows the development of the youth unemployment rate and GDP since 2000. We observe that, similarly to Spain, youth unemployment is strongly inversely correlated with economic growth reaching two peaks in 2009 and 2012.

Figure 4-3: Change in Youth (15- to 24-Year Olds) Unemployment Rate and Change in GDP 1990 – 2012, Italy



Note: The change in the youth unemployment rate is given by the difference in the unemployment rates in a given year minus the unemployment rate in the previous year. The percentage change in the GDP on the previous period gives the change in the GDP. Source: EUROSTAT online database, unemployment rates by age (%) and GDP and main components – volumes, own calculations.

The pension reform in 2011 may have also contributed to the problem of youth unemployment in that it basically suppressed the possibility of early retirement. The retirement age was set at 66 years (from 65 years for men and gradually until 2018 for women from 60 years). Moreover, retirement before the specified age due to a given work experience was converted to early retirement with much lower pension benefits. Italian firms traditionally used early retirement as a soft way to downsize their workforce. Since the reform, this is no longer an option and firms have to keep their older workers with relatively high wage costs for several years more (Garibaldi and Taddei 2013). This may leave firms with less financial capacity for hiring young people.

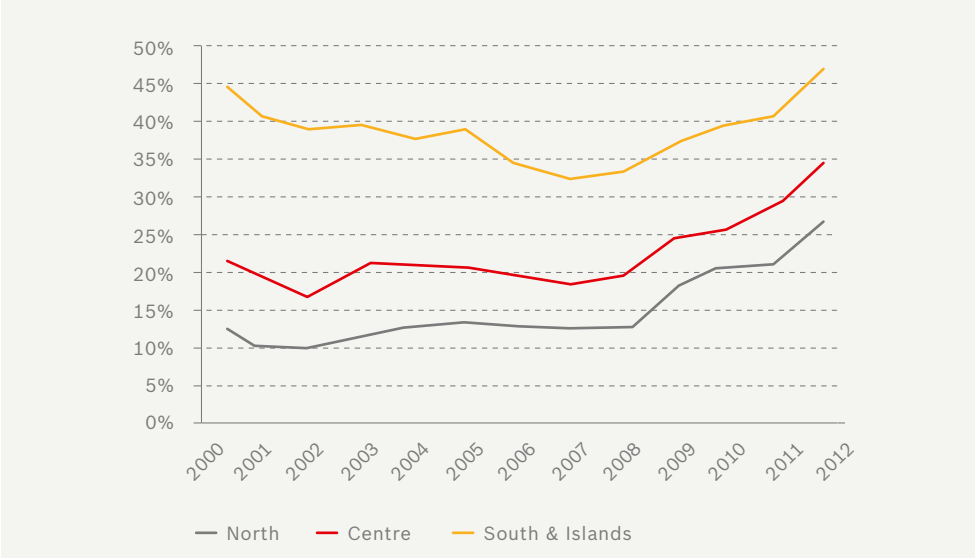
Not all sectors were affected in the same way by the Great Recession. The decrease in employment between 2008 and 2012 has been about 24 % for youth under 25 and less than 1% for adults. In terms of employment losses, the crisis has especially hit the manufacturing sector, where employment decreased by 40 % for 15- to 24-Year-Olds, and the construction sector, where youth employment decreased by 36 %. In contrast, employment increased for both youths and adults in the accommodation and food services sector.

Figure 4-4 shows the existence of very large differences in youth unemployment rates across the three main Italian macro-regions. In the "South and Islands" regions, youth unemployment was at very high levels (over 30 %) even before the crisis. In the north of the country, the youth unemployment rate was relatively low (below 15 %) before 2008 and increased to more than 25 % in recent years. Lower job creation and a lower quality of the education system are major problems in the south of the country (Pastore 2012).

However, the integration of youths in the labour market was a reason of concern even before the Great Recession in all Italian regions.

Italy has had the highest ratio of youth unemployment to adult unemployment in Europe for years. In all regions, young workers were on average more than three times more likely to be unemployed than adults long before the crisis and NEET rates have been around 20 % for ten years. It thus seems that even in the more prosperous northern regions, Italian youths face structural difficulties upon entering the labour market.

Figure 4-4: Youth (15- to 24-Year-Olds) Unemployment Rate by Region in Italy, 2000 – 2012



Source: Istat Online Database, unemployment rate – geographical areas.

4.2.3 The Educational System

Education is compulsory for ten years, from six to 16 years of age, and includes the eight-year first cycle of education (five years of primary school and three years of lower secondary school) and the first two years of the upper secondary school. At the end of lower secondary schools (age 14), pupils attend either the state upper secondary schools (i. e. Lyceum, technical and professional schools) for five years, or vocational education and training courses. Vocational education and training courses fall under the competence of the regions and have a duration of three or four years. Degrees in state upper secondary schools enable direct access to university. Table 4-5 presents an overview of the main educational stages and institutions in Italy.

Table 4-5: The Italian Educational System

Age 6 – 13	Age 14 – 19	Age 19 and higher
Primary education and lower secondary education	Uper secondary education: :: Lyceum :: Technical institutes :: Professional institutes :: Vocational training centres	:: Universities :: Training courses organised by the Regions (e. g. for apprenticeships) :: Instituti Tecnici Superiori (ITS)

In Italy, there are two main types of vocational training, namely school-based vocational education and professional apprenticeships. In both programmes youths typically spend some time in educational institutions and in firms, but the intensity of on-the-job training is very low.

School-based vocational training is mainly provided in technical and professional institutes, which are high schools attended by the majority of pupils in Italy between the ages of 14 and 19. The school programmes of both technical institutes and professional institutes have become increasingly similar over time to the Lyceum, which provides general education suited to future university education. Both school types usually provide an internship in firms that typically does not last more than one month (Ballarino and Checchi 2013, for example, report that 95 % of internships done in 2005 were carried out in the Lombardy region and lasted between three and four weeks).

More recently, another type of school-based vocational training is gaining importance, namely vocational training agencies and schools (Istruzione e Formazione Professionale – IFP) coordinated at a regional level. In 2011, about 8 % of youth aged between 14 and 17 attended these types of programmes (ISFOL 2012a). Most programmes last three years and award a vocational certificate at the end of the programme. Recently some regions have introduced the possibility to attend a fourth year with the aim of gaining a professional school diploma, but less than 10,000

students took up this offer in 2012 (ISFOL 2013a). The training provided in these institutions is more specific and the cooperation with firms is stronger. However, participants are typically pupils who drop out from secondary education and the quality of education is generally poor (Ballarino and Checchi 2013). Moreover, there is also a greater heterogeneity in the quality of education and in the time spent in internships, with larger problems encountered in southern regions (ISFOL 2012a). Further, only 68 % of pupils in vocational training agencies and 46 % of pupils in vocational training schools finished the programmes and earnined a vocational certificate in 2012 (ISFOL 2013a).

The overall skills provided by school-based vocational training are typically considered of low quality or not specific enough by firms. South Tyrol is an exception however. As seen in Box 4-1, it has a well-functioning dual vocational education system.

Box 4-1: The Dual Vocational Education System in the Province of South Tyrol

The autonomous province of South Tyrol stands out as it has a much lower youth unemployment rate than other Italian regions. The youth unemployment rate was 11.6 % in 2012 and has remained lower than 10 % in the years before 2012, in contrast to all other Italian regions which have had a youth unemployment rate of more than 20 % in recent years (see the latest online database).

One of the key determinants of the better youth labour market outcomes is the dual vocational education system, which involves more than 10 % of youth aged between 16 and 18 (ASTAT 2013). The system has been in place since 1955 and is very similar to the dual education system in place in Germany or in Austria. Apprentices spend almost 400 hours per year in vocational schools and the rest of the time in a company. At the end of the programme, which typically lasts three or four years, apprentices earn a professional qualification (Berufsbefähigungszeugnis) or a professional diploma for the four-year programme. The dual apprenticeship in the region, which is mostly characterised by service-oriented small industries, is particularly widespread for professions in craftsmanship, as well as in the catering and hotel industry.

The dual education system in South Tyrol is very different from other vocational education in the rest of Italy, which is almost entirely school-based. While a new type of dual vocational education was recently introduced by law (Apprendistato per la qualifica e per il diploma professionale), only a small number of pilot programmes have been introduced in a few regions (i. e. Piedmont, Lombardy and Veneto) within the context of this framework and have involved less than one hundred pupils each (ISFOL 2013b).

More information on the apprenticeship system in South Tyrol can be found on the province's website (www.provinz.bz.it/berufsbildung).

Professional apprenticeships are contracts between firms and individuals aged 18 to 29 that have a length between two and six years. In principle, these contracts were established to combine on-the-job training with external training courses in accredited institutes sponsored by the regions. They allow for lower social security contributions to compensate firms for the training costs they incur. However, because of a lack of public funding and infrastructures, as well as subsequent reforms, only between 20 % and 30 % of apprentices participated in external training courses in recent years (ISFOL 2012b). Moreover, the quality of external training is very heterogeneous across regions.

Italy overall has a relatively low proportion of tertiary education graduates. Only 15 % of 25- to 64-Year-Olds have a university degree as compared to the OECD average of 32 %. Entry rates to university decreased to 48 % in 2011 as compared with 56 % in 2006. Moreover, Italy is the OECD country with the highest university dropout rate, since about 55 % of the individuals enrolling to university in 2006 did not get a degree compared to the OECD average of 31% (OECD 2008b). In addition, the majority of university graduates take longer than expected to get a degree (Aina et al. 2013).

The low participation in higher education may be related to the uncertain returns from education that prevail in Italy. Italy and Portugal are the only countries among those we consider where graduates of tertiary education do not benefit from lower unemployment rates than the others. Moreover, 25- to 34-year-old Italians with a tertiary degree earn on average only 22 % more than those with an upper secondary degree. The OECD average is 40 % (OECD 2013a).

As in Spain and Portugal, the skill mismatch of tertiary education graduates is also problematic in Italy. First, it seems that there is an overproduction of graduates in subjects (such as arts, humanities and social sciences) that are less demanded in the labour market as compared to technical ones. Indeed, overqualification and skills mismatch is found to be higher for these subjects (Caroleo and Pastore 2013). Second, the education system focusses mostly on theoretical knowledge and not enough on practical applications and on fostering problem-solving skills (Eichhorst and Neder 2014). Incorporating internships in firms into academic curricula and developing more applied tertiary programmes would help in reducing the existing skill mismatch.

4.2.4 Duality of the Labour Market

The division of the labour market represents a growing concern in Italy and the increased use of temporary contracts is an important reason why the recent economic crisis affected youth much more strongly than adults. The ratio between the proportion of employees with a temporary contract under age 25 and the same proportion among adults (between 40 and 65 of age) has increased rapidly over recent years. While in 2000 this proportion was lower than the EU-15 average (4.4 vs. 5.9), it has rapidly increased in the past years, reaching a level above the EU-15 average (6.7 vs. 6) in 2012.

This is mainly because of recent reforms which between 1997 and 2003 eased the restrictions for temporary contracts and introduced new forms of atypical contracts. The decree of 2001 abolished the list of specific reasons for using temporary contracts and led to an increased use of fixed-term contracts "at the margin", namely affecting only new entrants in the labour market (Boeri and Garibaldi 2007).

The flexibilisation of the use of temporary contracts was not accompanied by serious reforms of the unemployment benefit system, so that many youth are not covered by unemployment insurance and often have to rely on informal, family-based assistance during unemployment spells (Garibaldi and Taddei 2013).

Italian employers may use many different forms of temporary contracts with different characteristics: apprenticeship contracts and fixed-term contracts but also service provision (or collaboration) contracts, which are subject to less strict employment protection (for an overview on contract types in Italy see Tealdi 2011).

The strong employment protection legislation of permanent and fixed-term contracts is one reason why firms may prefer to hire under collaboration contracts. The main constraint for dismissing permanent workers lies in the length and uncertainty of the court trials judging whether a dismissal is unfair or not. Faced with the threat of high dismissal costs, firms thus have an incentive to opt for fixed-term and atypical contracts. Conflict-prone negotiations between employers' organisations and unions in Italy most likely contribute to the risk of being taken to court in the case of dismissals of permanent workers.

The result is that the Italian labour market remains divided between the older generations with a permanent job and the younger generations, who are typically locked for a long time into temporary and often "precarious" employment. This is also reflected in the high proportion of self-employment and collaboration contracts. Table 4-6 shows employment shares and social security contributions by contract type in 2011. The table clearly shows that the majority of young workers aged 18–29 (unfortunately these data are not available for 18- to 24-Year-Olds) were not employed with a permanent contract. What is especially striking, however, is the high proportion of workers employed with collaboration contracts (14 %), higher than both fixed-term contracts (11%) and apprenticeship contracts (6 %).

Table 4-6: Employment and Social Security Contribution by Contract Type in 2011, Italy

	Employment in 2011 (in %)		Social security contributions (in %)
	Total	Youth (18–29)	
Permanent	64.4	44.7	31
Fixed-term	5.9	10.6	31
Apprenticeship	1	5.9	10
Collaboration	5.8	13.9	17
Self-employed	17.2	11.2	
Other	5.7	13.7	
Total employment	100	100	

Note: Social security contributions shown are percentages of gross earnings. Individuals with collaboration contracts are categorised as self-employed. The total self-employed proportion is thus higher than shown in the table. Source: ISFOL (2013). Rapporto di monitoraggio del mercato del lavoro 2012. ISFOL: Rome.

As a consequence, youths are much more affected by dismissals when a recession comes along than adults on permanent contracts. This in itself would not be an issue if there were consensus-based relations between unions and employers that also take the level of employment into account. This is not the case in Italy, as insiders with permanent contracts are particularly well represented by the largest unions, which tend to strongly defend their own interests in confrontation with employers (Baglioni and Mota 2013).

4.2.5 The Lack of Geographic Mobility

Another contributing factor explaining the high youth unemployment rates in Italy is the low degree of geographic mobility of youth. Italy is among the European countries with the lowest regional and local mobility rates in the EU (Bonin et al. 2008). Italian youths tend to live longer with their parents than their European counterparts. While 81% of Italian men aged 16–29 still lived with their parents in 2012, the proportions are about 78 % for Portugal, 77 % for Spain and less than 70 % for France, Germany and the UK (Eurostat online database). One explanation is that the safety net system is very informal and family-based in Italy, especially concerning programmes for the youth. Typically young workers with little labour market experience are not eligible for unemployment benefits. Moreover, housing costs are high in Italy compared to wages (Giannelli and Monfardini 2003). Given the existence of extremely high regional differences in unemployment rates, programmes aimed at reducing mobility barriers and helping Italian youths to leave the parental nest earlier have a great potential to reduce the very high structural youth unemployment rates in Italy.

4.2.6 Survey of Policies and Initiatives

Labour Market Policies

The Italian government's recent policies against youth unemployment focus mostly on financial incentives for firms to hire youths with open-ended contracts.

First, in 2010 the "Diritto al Futuro" initiative was launched, providing among other things, a 5,000 euro bonus to companies which offer young parents, who are unemployed or on atypical contracts, a permanent contract (Eurofound 2011). Second, a decree issued in 2013 (D.L. 76/2013) provided a one-year tax reduction of up to 650 euros per month to firms that hire workers under 30 (unemployed and / or individuals without secondary education degree) with an open-ended contract. The same applies for firms converting temporary contracts into open-ended ones. The total budget allocated to this programme is 1.5 billion euros.

Within the EU Youth Guarantee framework further funding of about 1.5 billion euros will be invested in the years 2014–2018 to provide employment and training to youth under 25 who are either unemployed or not in employment education or training (NEET) (Ministero del Lavoro e delle Politiche Sociali 2014a). The system of employment services is going to undertake the major role of assisting youth and intermediating between education institutions and the labour market. This might be an important occasion to strengthen the currently inadequate system of employment services. Otherwise, it is unlikely that the programme will be successful.

The 2012 “Fornero Reform” has tried to decrease the duality in the Italian labour market by addressing the differences in employment protection between permanent and temporary contracts and decreasing the incentives for firms to hire through atypical contracts. However, changes in the employment protection legislation rules for permanent workers have only been marginal and it is unlikely that they made it more attractive for firms to employ youths with permanent contracts (Garibaldi and Taddei 2013).

Before the 2012 “Fornero Reform”, permanent contracts could de facto hardly be ended. Economic reasons were generally not accepted as reasons for fair dismissal. Workers dismissed unfairly could decide between full reinstatement in the firm or high severance payments (15 months plus months from dismissal). Since the introduction of the Fornero Reform, economic reasons are accepted as a reason for dismissal, but higher severance payment of 12 – 24 months are to be paid if a dismissal is ruled to be unfair (court decision). No severance payment applies for fixed-term contracts and thereby gives firms much more flexibility. The confrontational negotiation culture among trade unions and employers’ representatives may contribute to reinforcing the threat of major costs and uncertainties in the dismissal procedure.

One of the reform’s achievement was that it succeeded in decreasing new hiring through collaboration contracts, by making the rules under which firms could use these contracts stricter. Whilst there is some evidence of a shift towards standard fixed-term contracts, job creation might have been reduced (Ministero del Lavoro e delle Politiche Sociali 2014b). This is considered a positive change to decrease labour market dualism, but the timing of the reform – in the midst of the sovereign debt crisis – is likely to have negative effects on overall employment.

In 2011, Italy spent only 0.4 % of the GDP on active labour market policies – a much lower proportion compared to other EU countries, such as Germany (0.8 %), France (0.9 %) or Spain (0.9 %). Moreover, the composition of this expenditure is unbalanced. The majority of the spending goes towards training and private sector incentives. Not much is invested in the system of employment services (“Centri per l’impiego”) that should be strengthened to improve the match between jobseekers and employers. In Italy, only about 3 % of the new employment is channelled through public and private employment services (Pastore 2012). Compared internationally, the incentives for the creation of start-ups and employment incentives directed to individuals are very low. These measures are among the active labour market policies that are found to be more effective in the short run (Card et al. 2010). In the current difficult economic situation, higher funding on these measures could contribute to job creation for youth.

Educational Policies and Initiatives to Improve Vocational Education

Contrary to Portugal, Italy has not made major policy efforts to increase the level of educational attainment. It is the only OECD country that has not increased spending per student in primary and secondary education since 1995 (OECD 2013a). Despite the expansion of educational attainment provided by vocational training institutions at a regional level, the overall quality of the programmes is poor and they do not seem to have contributed to a substantial reduction in the number of early school-leavers amounting to about 18 % in 2012. There is a consensus among Italian researchers that the training provided by the vocational programmes of secondary schools is generally inadequate and that the cooperation among public institutions and firms should be enhanced.

The importance of apprenticeship contracts has increased in the past ten years and there is a general political consensus to make them a major channel of labour market entrance of young workers. However, legislators in Italy have often changed their mind concerning the nature of the off-the-job training to be provided. First, the "Biagi Law" of 2003 further liberalised the already very flexible apprenticeship contracts. It abolished the certification of qualifications, abolished the obligation of school-based training and extended the scope of the contracts to include persons up to 30 years of age where the previous age limit was 25 (Cappellari et al. 2012). Then the Consolidated Act on Apprenticeships of 2011 re-established the obligation of the provision of school-based training, but a law of March 2014 (D.L. 34/2014) cancelled it again. However, these vocational qualifications are unlikely to be acknowledged by employers and pupils, if there is no central standard for the quality of the training provided in firms for each occupation.

A new form of higher technical institutes (Istituti Tecnici Superiori – ITS) was introduced in Italy in 2011. ITS are institutes offering post-secondary vocational education. The courses offered during the last two years and have a very applied focus, which is ensured by the fact that half of the instructors are professionals from private firms or external public institutions. The approach is promising because of the better link to practice. Compulsory internships are organised for 30 % of the time spent in these programmes. Currently 63 ITS have been set up with about 5,000 students (for further information on ITS consult the website of the Ministry of Education and Research). The development of these programmes is still at an initial stage and it is too early to provide any evaluation. In addition, some interesting initiatives at the local level have been started up by public institutions as well as by private firms and employers' associations. Table 4-7 provides an overview of the most interesting initiatives which focus on supporting training and on improving the cooperation between educational institutions and private firms at the local level.

Table 4-7: Local and Private Initiatives to Tackle Youth Unemployment in Italy

Initiative/Programme	What is offered?	Organiser
Sistema dote	Among other things provides an "apprenticeship dowry" of up to 6,000 Euros per apprentice. This amount can be used for training services of the regional vocational education during apprenticeships.	Lombardy region
Ausbildungspraktikum für arbeitslose Jugendliche	Formation internship offered to unemployed youths with a compensation of three to five Euros per hour. 264 internships were offered in 2013.	South Tyrol province
Reti di imprese per l'istruzione tecnica	Improve school-to-work transitions through stronger interchange between firms and school teachers/students of technical institutes. More than 20 schools and 30 firms participated to the initiative which started in 2010.	Assolombarda (employers' confederation of the Milan area)
Orientagiovani	Aimed at students in schools and universities, an orientation day is hosted in all italian provinces. It provides information about companies and the educational profiles requested in the labour market. Almost 40,000 youth are reached nationwide.	Confindustria (largest employers' association in Italy)
YouthSpark	Set of initiatives providing training for youth starting in 2013. The programs "Youth & Employment – IT as an enabler" and "Meet no NEET" have provided IT training to about 9,000 youth so far. "Startup Revolutionary Road", which aims at providing training and mentorship for starting a new business, involved 2,500 youth and enabled the creation of 80 start-ups in 2013.	Microsoft (private company) in collaboration with public institutions, non-profit organisations and private firms
Innovation Hub Genova	A pilot programme launched in 2014 involving private firms and research institutions. It provides mentoring and industrial tutoring to assist innovative start-ups. High-quality training is planned for 60 youth in Genova, while further innovation hubs are planned in other 25–30 Italian cities.	Fondazione Ricera & Imprenditorialitá

4.3 Portugal

4.3.1 Overview and Policy Recommendations

Macroeconomic issues are particularly pronounced in Portugal. The structural lack of economic growth and the tough austerity measures taken because of the sovereign debt crisis are important reasons behind (youth) unemployment. A first priority to improve employment perspectives for Portuguese youth is therefore to tackle the overall economic situation and to increase competitiveness in order to create new jobs.

However, institutional factors have contributed to the increase in unemployment as well, especially for youths. In particular, the rigidity of wage-setting institutions, the strong employment protection of both permanent and fixed-term contracts as well as the strongly school-based secondary education system make the transition from school to work even more difficult.

More so than in Spain and Italy, rigid entry wages are thought to contribute to youth unemployment in Portugal. In addition to the minimum wage that applies to workers of all age groups, collective agreements at the sectoral and regional level set wages above the minimum wage for all firms and workers. The lower minimum wage levels for youths were abolished in 1987. Decentralising wage-setting or at least allowing firms to opt out from these collective agreements to take into account firm-specific constraints, as was done in Spain with the 2012 reform, may help to reduce the burden of high labour costs and increase the hiring rates in Portugal.

As in Spain, the proportion of temporary employment among youths is very high in Portugal, making the youth very vulnerable to job losses in case of a recession. Moreover, an average youth can expect to wait more than four years before finding a permanent job after leaving school which is the longest duration as compared to the other countries considered. Employment protection legislation remains strong for both permanent and temporary contracts in Portugal, although the 2011 reform succeeded in imposing a maximum on the severance payments in the case of dismissals of permanent workers. This is particularly relevant for workers with high tenure who could previously not be dismissed at reasonable cost. High dismissal costs for permanent workers contribute to the high proportion of temporary employment among youths.

Policy Recommendations

:: Foster economic growth in order to create more jobs.

:: Allow firms to opt out from collective agreements.

:: Regulate the use of service provisions contracts.

:: Increase the practical relevance of vocational education through partnerships between firms and publicly financed education centres.

:: Regulate apprenticeships: work towards developing central standards for vocational training and minimum requirements on time spent in the firm.

In recent years, a major effort has been made to increase the level of educational attainment, leading to a significant increase in the proportion of upper secondary and tertiary education graduates. Nevertheless, the proportion of early school-leavers remains seven percentage points higher than the EU average. EPIS, a private sector initiative, provides coaching and training of non-cognitive skills to 15,000 pupils in order to reduce school dropout rates. The programme has been effective in reducing dropout rates and is an example of effective intervention to reduce dropouts that could be extended to include more pupils.

In spite of the political willingness and repeated attempts to increase the practical relevance of vocational education, no clear results have been yielded thus far. A promising large-scale project that provided dual vocational education to around 55,000 youths and adults each year since 2000 has been recently stopped. A new project started within the framework of the Youth Guarantee to provide dual vocational education and programmes for school dropouts. However, no standards are set for the quality of the apprenticeships in firms and youths are paid only the symbolic amount of 40 euros per month during the three-year programme.

Partly because of the industrial structure, which is rather service-oriented and therefore requires less practical technical skills, firms are reluctant to invest in apprenticeships. Without the support of employers, it is unlikely that governmental initiatives will succeed in increasing the quality of vocational education and its practical relevance.

4.3.2 The Macroeconomic Context and the Effects of the Crisis

The Portuguese economy already faced structural problems before the financial crisis, and was then strongly affected by the Great Recession.

The Portuguese GDP per capita has been the lowest of all considered countries since 1995 and the growth rate averaged 0.4 % between 1988 and 2013. It decreased to - 3 % in 2009 after the financial crisis and again after the debt crisis in 2012. Regional differences are not very pronounced in Portugal. All regions had youth (15- to 24-Year-Olds) unemployment rates above 30 % in 2013. The densely populated urban areas along the coast are somewhat better off than the declining low-density rural areas concentrated in the country's interior (OECD 2010).

The Portuguese economy suffered amongst other things from the liberalisation of textile trade. The expiration in 2005 of the Multi Fibre Agreement, which imposed quotas on the amount of textile that developing countries could export to developed countries, led to the increased delocalisation of the textile industry to Eastern Europe and Asia.

Despite increasing exports since 2010, the average proportion of exports to GDP remains lower than in the rest of the OECD (37 % in Portugal versus 43 % in the OECD in 2011). Investments have largely been directed towards the non-tradable sector with little effect on productivity growth (OECD 2012c).

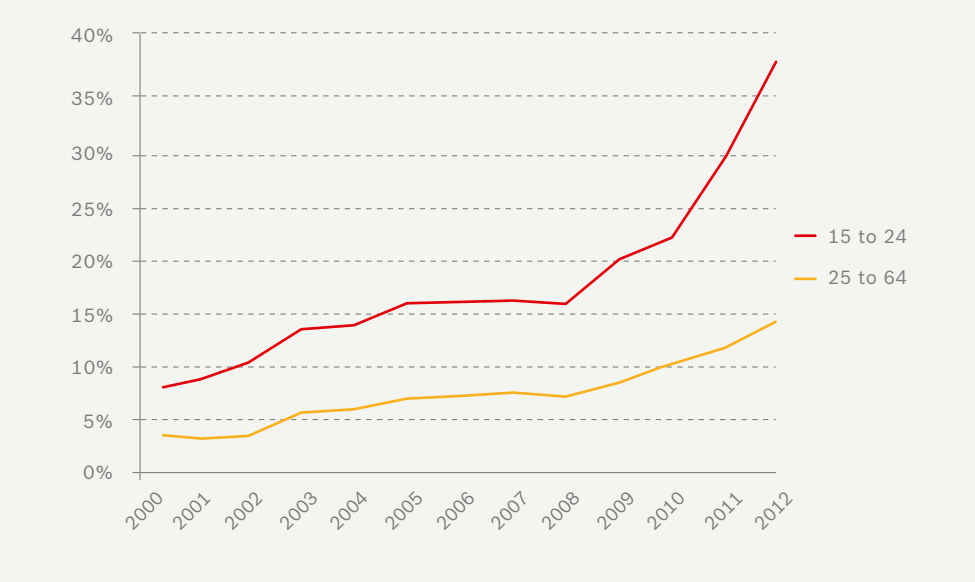
Harsh austerity measures were then taken by the Portuguese government in the aftermath of the financial and debt crisis in order to cut public deficits and in exchange for the bailout by the International Monetary Fund, European Commission and European Central Bank. The current account balance was thereby improved from - 11% to - 2 % of GDP between 2009 and 2013 (OECD 2013), but this was achieved with tough reductions in public expenditure. These budget cuts threatened to worsen the recession and reduced the possibilities for active labour market policies or investments in education. Accordingly, additional resources devoted to social support in Portugal were less than a third of the OECD average between 2007 and 2012 (OECD 2014) although unemployment rates doubled.

In addition, the Portuguese public budget is also constrained for structural reasons. Expenditures on pensions and health represent important and increasing proportions of the public budget as the Portuguese population is ageing rapidly. According to predictions by the OECD (2014), there will be around 1.4 people of active age per retiree in 2050 compared to around 3.3 currently.

Similar to Spanish firms, Portuguese firms had high levels of leverage before the crisis. Following the financial crisis and the austerity measures taken by the government, firms faced severe credit constraints and had to cut down employment and refrain from hiring. Finally, Portugal faced a construction boom and bust, though to a lesser extent than Spain.

As a result of these structural economic problems and the Great Recession, the unemployment rate has been increasing since 2000 and the increase accelerated starting in 2008. Figure 4-5 shows the development of the unemployment rates over time for youths and for adults. Youth and overall unemployment rates were already increasing since 2000 and doubled between 2008 and 2012. Youth unemployment reached 38 % in 2012. Employment fell by 700,000 since 2008, of which 154,000 were youths (15- to 24-Year-Olds).

Figure 4-5: Unemployment Rate by Age Group in Portugal, 2000 – 2012



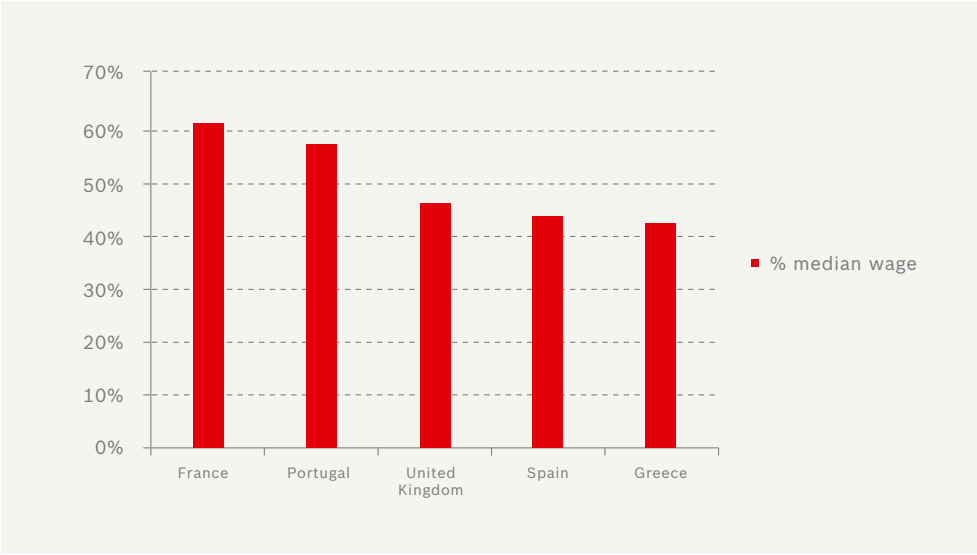
Source: Eurostat online database, unemployment rates by age (%).

The economic downturn thus plays an important role in the increase in youth unemployment in Portugal, but institutional factors affect youth employment as well. In the following sections, we focus on minimum wages, employment protection for permanent contracts and the educational system in turn.

4.3.3 The Minimum Wage

Portugal has had a nationwide minimum wage since 1974. It is not high in absolute terms (566 euros per month) as compared to other European countries, but relative to the median wage in Portugal, it is one of the highest in Europe. Figure 4-6 shows the level of the minimum wage relative to the median wage for Portugal and the reference countries. Relative to the median wage, the minimum wage in Portugal is the second highest after France.

Figure 4-6: Minimum Wage as a Percentage of the Median Wage, by Country, 2012



Note: The median wage is the wage of the employee at the middle of the wage distribution. Median wages refer to earnings of full-time employees. Source: OECD online database, LFS – minimum relative to median wages of full-time workers.

Whereas France and the UK also have comparatively high minimum wages, youths under 20 year-olds are subject to lower minimum wages in these countries. In contrast, in Portugal, the applicability of the minimum wage was extended to all age groups in 1998.

First, the minimum wage for workers aged 17 increased by 50 % as it was raised from half to 75 % of the full minimum wage in 1987. Cardoso and Portugal (2001) evaluate this reform and find that the higher minimum wage has actually increased job attachment of young workers. In fact, although teenagers make up a smaller proportion of job accessions after the reform and a larger proportion of the workforce in firms going out of business, these effects were offset by a reduction in separations from the employer. Teenagers eligible for a wage increase following the reform were thus more likely to stay with their employers than other workers.

Second, also in 1987, the minimum wage for workers aged 18 or 19 was raised from 75 % of the minimum wage to the full minimum wage, therefore increasing by 33 %. This reform was evaluated by Pereira (2003), who finds that it led to a significant reduction in the employment probability of youths in this age group but increased employment of 20- to 25-Year-Olds. Centeno et al. (2011) show that the recent increases of the minimum wage in 2007 – 2009 had a negative impact especially on the employment stability of low-wage workers, of which many are youths.

The successive increases of the minimum wage for youths may have contributed to the lower employment probability, especially in sectors and regions with low average wages. In addition, in Portugal, collective agreements that apply to all firms at the sectoral and regional level may set their own minimum wage above the national one. This can contribute to youth unemployment because firms cannot adapt wages to their firm-specific circumstances.

4.3.4 Duality of the Labour Market

Similar to the Spanish and Italian labour markets, the Portuguese labour market is characterised by a high proportion of temporary employment among youths. This proportion started increasing in 1994 from 25 % to close to 60 % in 2012. Portugal now has the highest proportion of temporary contracts among youths after Spain. An important point is that these contracts are not apprenticeship related as is the case for most youth temporary contracts in Germany. Some 77 % of Portuguese youths claim that they have a temporary contract because they could not obtain a permanent position. Moreover, the expected time required to find a permanent job after leaving school – more than four years –is highest in Portugal as compared to the other considered countries (Brunello 2010).

The strong level of employment protection for permanent contracts contributes to the high proportion of youths with temporary contracts in Portugal. Portugal has one of the most restrictive employment protection legislations for permanent workers in the OECD. In particular, procedural inconvenience for firms upon dismissal of permanent workers and the rise of severance payments with tenure are very high in Portugal. Table 4-8 shows the severance payments that apply upon dismissal of workers by type of contract. Before 2011, firms had to pay very high severance payments in case of dismissal of permanent workers. These payments amounted to the income of 15 – 45 days times the years of seniority of the worker in the firm and no maximum amount was specified. This meant huge dismissal costs for workers with high tenure and can be expected to raise temporary employment rates and to reduce the overall hiring rate.

In 2004, a reform of the Portuguese labour code extended the protection of permanent employment, which previously applied only to larger firms, also to firms with 11–20 workers. Centeno and Novo (2012) show that the more stringent employment protection of permanent workers enforced through the reform induced the affected firms to increase the proportion of employees with fixed-term contracts.

Table 4-8: Severance Payments by Type of Contract, Portugal

	Permanent contact	Temporary contract
Before 2011	15–45 days per year of seniority plus procedural costs. No maximum level.	3 days per month of seniority but no procedural costs.
After 2011	12 days per year of seniority. Maximum of 12 months.	

The use of temporary contracts in Portugal is fairly regulated as well. The maximum cumulated duration of a temporary contract is 36 months and temporary contracts are automatically converted into permanent contracts if this duration is exceeded. Moreover, the use of temporary contracts is restricted to particular situations (see OECD 2012c). As a result, firms may try to avoid the employment protection rules on regular fixed-term or permanent contracts by hiring workers under legal or illegal forms of service provision contracts (Recivos Verdes). This form of contract is not subject to minimum wage or severance payments and has been increasingly used in recent years.

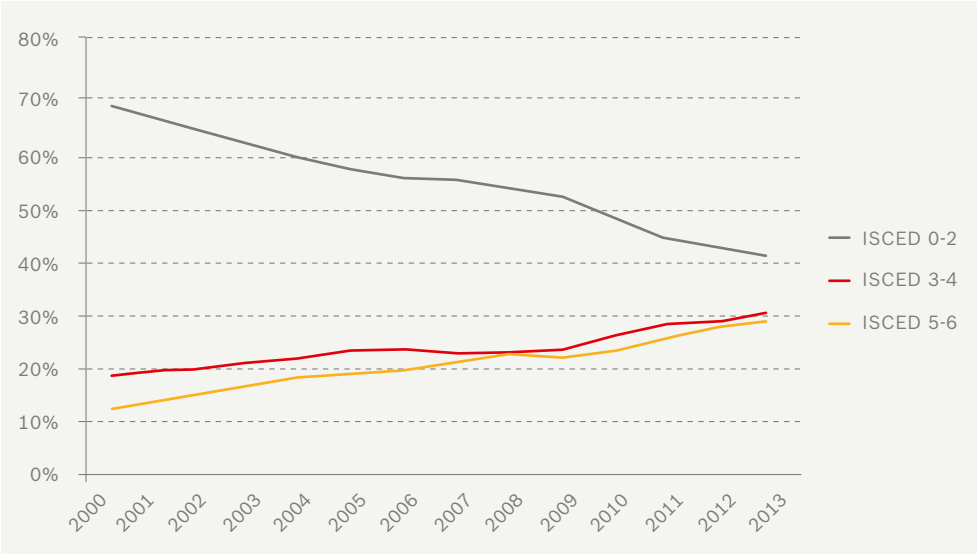
In Portugal, tripartite agreements between government, employers and unions are the basis for labour market and social policies. The negotiation culture between unions and employers' organisations is often not consensus-based. This may increase the threat for firms of being taken to court in the case of dismissals and thereby create an incentive to use service provision contracts. Nevertheless, unions are less powerful in Portugal than in Italy. Recent restructuring and concentration of both Portuguese employers' organisations and the most relevant union is expected to lead to more effective bargaining and coordination.

4.3.5 The Educational System

Educational attainment has increased very fast since 2000 in Portugal. Figure 4-7 shows the proportion of 25- to 34-Year-Olds who obtained at most a lower secondary education degree, an upper secondary degree and a tertiary degree between 2000 and 2012. The proportion of 25- to 34-Year-Olds with at most a lower secondary education strongly decreased from nearly 70 % in 2000 to 40 % in 2012, whilst the proportion of 25- to 34-Year-Olds with an upper secondary or tertiary degree has increased accordingly.

Despite these developments, the proportion of upper secondary graduates in Portugal still lags far behind the proportion in other European countries. In 2010, only 52 % of the 25- to 34-Year-Olds attained an upper secondary education as compared with 65 % in Spain and 70 % in Italy. The proportion of early school-leavers is one of the highest among the considered countries (21% in 2012). Portugal is also among the countries with the lowest proportion of adults (17 % of 25- to 64-Year-Olds) with a tertiary education degree.

Figure 4-7: Educational Attainment (25- to 34-Year-Olds) in Portugal, 2000 – 2012



Note: ISCED 0–2: up to lower secondary education, ISCED 3–4: upper secondary education or post-secondary non-tertiary education, ISCED 5–6: tertiary education. Source: Eurostat online database, proportion of 25- to 29-year-olds with lower secondary/upper secondary/tertiary education attainment by sex and age.

The Portuguese education system is mostly academic-oriented. Its organisation is presented in Table 4-9.

Table 4-9: The Portuguese Educational System

6 – 15 year-olds	16 – 18 year-olds	18 years and older
Basic Education	Secondary Education	Higher Education: University 64% Polytechnic 36%

Source: Ministry of Education and Science, Portugal.

All pupils follow the basic education track until the age of 15. After completing basic education, 73 % of 16- to 18-Year-Olds pursued a secondary education before 2009, when the compulsory schooling age was raised from 15 to 18 years. The secondary education lasts three years and gives access to higher education. It is possible to attend either academic or technical courses, but the core curriculum and the obtained degree are the same. There is no vocational track with a compulsory on-the-job experience in regular secondary schools. In 2011 – 12, 64 % of higher education students followed a university education, the remaining a polytechnic or applied higher education. However, in order to access polytechnic or applied higher education, the secondary school degree is a prerequisite. This means that besides directly entering the labour market, there is no alternative for pupils who do not manage to obtain the general secondary school degree.

4.3.6 Survey of Policies and Initiatives

Labour Market Policies

Portugal has made considerable progress in reducing employment protection of permanent workers. With the 2011 labour market reform, severance payments for the dismissal of permanent workers were decreased from one month to 12 days per year of tenure. More importantly, the reform introduced a maximum severance payment of 12 months regardless of tenure. This considerably reduced the threat of high firing costs for permanent workers.

Portugal has a relatively strict sanctioning and monitoring system of social welfare recipients, who are encouraged to actively search for a job or training (Baglioni and Mota 2013). How effective this monitoring is however remains unclear. Centeno et al. (2009) evaluate an active labour market programme implemented at the end of nineties that provided compulsory job search assistance to unemployed under the age of 25. They find that the programme had only modest effects on the probability of shortening unemployment though higher educated workers benefited more. As in Spain and Italy, recent active labour market policies have focussed on giving financial incentives to support youth employment and reducing employment protection. The Impulso Jovem programme supports the employment of young workers (18- to 30-Year-Olds) by the partial reimbursement of social security contributions. When hiring a person aged 18 to 30 (part- or full-time) on a permanent contract, firms are reimbursed 100 % of social security contributions for a duration of 18 months. The reimbursement is 75 % for temporary contracts. Therefore, the incentive to give permanent contracts rather than temporary contracts is not very high.

Educational Policies and Initiatives to Improve Vocational Education

Increasing the overall level of educational attainment has been a central focus of Portuguese educational policy in recent decades and yielded a significant increase in the average level of education. In order to decrease dropout rates and to increase the level of educational achievement, the compulsory schooling age was increased from 15 to 18 years of age in 2009. The proportion of 25- to 34-Year-Olds with at least an upper secondary degree increased from 32 % to 56 % between 2000 and 2011. The proportion of early school-leavers, which was the highest of all countries considered with 39 % in 2006, decreased to 21% in 2012. Moreover, specific opportunities for adults to obtain a degree were created in 2005, leading to 30 % of graduates from upper secondary education in 2011 who were older than 25 years of age (OECD 2013a).

However, on the other side, the austerity measures following the financial and debt crisis had a significant impact on the resources available for education. Amongst others these measures included salary cuts for personnel working in public education and a rationalisation of educational expenditure at all levels of the administration.

The EPIS (Empresários pela Inclusao Social) programme is a large-scale private sector initiative aimed at fighting early school-leaving. The programme addresses 15,000 seventh and eighth graders (13- to 15-Year-Olds) and has been in place in 85 schools since 2007. This represents about 10 % of the seventh and eighth grade students in Portugal. The programme aims to improve the non-cognitive skills of poorly performing students through individual coaching and small group training sessions. An evaluation of the project by Martins (2010) shows that the programme reduced grade retention by at least ten percentage points.

Moreover, several educational programmes for school dropouts aged 15 to 23 are provided within the EU Youth Guarantee framework.

In addition, policy measures were taken to support the hiring of apprentices. In 2000, the Ministry of Education started the Novas Opportunidades programme, offering dual vocational training in the so-called Novas Opportunidades Centres. 200 of these centres were created from 2005 to 2012 and 400,000 persons obtained a vocational education degree. The programme provided a second chance to early school-leavers. The programme was, however, stopped in March 2013 with the argument that the quality of the training provided was too low, because centres were paid according to the number of graduates.

The Garantía Jovem programme started in January 2014 within the framework of the EU Youth Guarantee which aims to ensure that all young people under 25 – whether registered with employment services or not – get a good-quality, concrete offer within four months of them leaving formal education or becoming unemployed. In this framework, dual vocational training is provided through the regional Centres for Employment and Professional Education (Centros de Emprego e Formação Profissional). The Garantía Jovem programme finances three-year dual vocational training for youths until the age of 29. 40 % of the time has to be spent on the job. However, there is no standard for the quality of the training provided in firms and youths are paid only 40 euros per month as a "scholarship".

At present, there is no strong support from the side of employers to invest in dual vocational education or apprenticeships. This may be partly due to the sectoral structure that requires few technically trained workers as well as to the lack of financial means to invest in the current economic situation at all.

Besides the EU-funded initiatives supported through the Youth Guarantee, small initiatives run by private companies or non-profit organisations try to support unemployed youths through internships and give advice on becoming self-employed. A list of some of these initiatives can be found in Table 4-10. The small number of proposed internships are only symbolically remunerated, very short and with no clear qualification objective.

Table 4-10: Private Initiatives to Tackle Youth Unemployment in Portugal

Initiative / Programme	What is offered?	Organiser
Qualificar para Empregar: Entrepreneurship for Employment	Dual vocational training in technical occupations for 400 unemployed in 2014.	Instituto de Soldadura ISQ (Private Company)
Programa de Estágios Jovens Animadores do Museu da Eletricidade (PEJAME)	Six-months interships for youths aged 18 – 25 (240 Euros per month).	Fundação da Juventude (Non-profit Organisation)
Programa de Estágios de Jovens Estudantes do Ensino Superior nas Empresas (PEJENE)	Three-months interships for students (without remuneration).	Fundação da Juventude
Associação Nacional de Jovens Empresários	Training and information of young entrepreneurs; design and divulgation of facilitation instruments for business start-up.	ANJE and associates
A empresa, Start Up	Study projects of four to six months in secondary schools and universities on the topics of financial literacy, work-readiness, and entrepreneurship. 136,500 pupils participated since 2005.	Junior Achievement Portugal (Non-profit Organisation)

5
General Course of Action for Europe

5.1 Overview and Policy Recommendations

Youth unemployment stems from several sources cutting across general economic, labour market and education conditions that are mostly determined at the country level. Therefore, strategies for tackling youth unemployment need to be developed and impemented at the national level. Accordingly the country reports above contain country-specific recommendations. In the following, we nevertheless want to state, by way of conclusion, the key elements of a general course of action for Europe. The elements highlighted below are relevant for all European countries seeking to tackle the youth unemployment problem, although the individual parts require weighting according to the special circumstances of each country.

Considering how to design a better way forward for labour market integration of the youth in Europe, it is essential to address five key issues.

First, young adults in particular are suffering from the current failure of countries to create new and better jobs in sufficient numbers. Structural reforms aimed at improving global competitiveness and the dynamics of job creation are therefore fundamental. Where labour market entrants will not benefit from more job openings becoming available in the economy, additional structural measures to overcome the labour market divide between younger and older workers are in order.

Second, the difficulties among both unskilled and skilled young people to integrate into the labour market are a reflection of skill mismatch: part of human capital embedded in the young generation is not in accord with the demand of employers. Working against skill mismatch requires modernising education and training systems. A key element in this is to bring human capital development closer to the private sector.

Third, while some active labour market policies seem to be effective in integrating young people into the labour market, the evidence is not satisfactorily strong to warrant youth guarantees on a large scale. Instead, active labour market policies need to be selective. Individual targeting and quality measures implemented within local structures are key success factors, which may easily get lost when active labour market policies are extended quickly and on a large scale.

Fourth, adapting the general economic, labour market and educational framework takes time, and therefore short-term remedies are in order as well. Among these, migration is probably the most effective short-term valve. It requires additional support at all levels, as geographical mobility remains low despite a unified European labour market.

Fifth, successful youth employment strategies require involving all relevant stakeholders, including the young people themselves. Part of the challenge is to structure and organise activities among employers, social partners, case managers, education providers, etc. Obstacles to cooperation call governments to take the lead in coordinating and financing partnership models. Still stakeholders must actively engage themselves to identify their interests and contribute their experience in respect to setting up a comprehensive policy agenda to fight youth unemployment. Non-governmental organisations may support the process by acting as mediators and moderators.

A General Course of Action for Tackling Youth Unemployment in Europe
1. Create More Jobs for Labour Market Entrants – Ensure economic growth that leads to more and better jobs – Fight segmentation between older and younger workers in the labour market – Lower high entry wages and strengthen hiring incentives through wage subsidies
2. Better Align Skills and Labour Market Needs – Fight early school-leaving – Foster the quality of vocational education by stronger (dual) training at the workplace – Make academic training more applied
3. Use a Careful Selection of Active Labour Market Policies – Improve upon counselling and job search assistance – Provide publicly sponsored training to unemployed youth, if possible at real workplaces – Avoid public job creation
4. Support Mobility Across Borders – Encourage international mobility for training and employment in scarce occupations – Improve upon information – Lower language and psychological barriers to mobility
5. Involve All Relevant Stakeholders – Establish cooperative industrial relations – Engage firms in setting up dual vocational training structures – Set up and monitor comprehensive youth employment strategies

5.2 Create More Jobs for Labour Market Entrants

The single most important condition to support easy entry of the youth into the labour market is for the economy to create an ample number of job openings. While young adults are generally in a vulnerable position due to their qualification needs and lack of experience, empirical evidence shows that their labour market prospects are strongly tied to general employment growth. One channel that brings about this connection is that firms recruiting experienced workers tend to recruit less experienced workers who are also required for complementary tasks. A second channel is that as labour gets scarcer in a thriving economy, employers become more willing to make concessions and to provide young people with job and training opportunities that would be unavailable in a less tight labour market.

Thus, sustained job creation is a key to ensuring that youth can improve their relative position in the labour market. The key to steady job creation, in turn, is economic growth. If economic growth stems from innovation and adaptation of new technologies, the chances improve that young people also end up in high-quality employment.

Defining general economic growth policies to promote creation of more and better jobs is beyond the aim of this report. Preferred strategies should seek to improve the rank of the economy in global competition and modify the regulatory framework such that the environment becomes more conducive to entrepreneurship and innovation. This brings cross-cutting themes – notably the corporate tax environment, the quality and quantity of physical infrastructure, energy costs and the amount of red tape on businesses – to the fore.

In this perspective, the austerity measures that have been imposed onto some European member states in response to the sovereign debt crisis may eventually substantially benefit youth employment. Governments therefore should not delay measures correcting weaknesses in the regulatory framework that could put them on a higher structural growth path. At the same time, they need to be very careful in designing the required tax increases and spending cuts such as to minimise the risk of any additional employment losses.

In addition, active promotion of entrepreneurship and risk taking by provision of basic business skills training and adequate capital can help in developing the start-up and expansion of small- and medium-sized businesses as engines of job creation. Sponsoring institutions may especially align such entrepreneurship programmes with job creation goals, by focussing on sectors with high labour requirements, such as services (Dencker et al. 2009).

While the prospects of young people benefit from general employment growth, the number of job openings specific for first-time jobseekers as well as the retention rates in early career jobs have a more direct effect on the labour market position of the youth. Governments seeking to improve upon these variables need to consider labour market segmentation between younger and older workers as well as the relative wages of labour market entrants.

Concerning labour market segmentation, careful design of fixed-term contracts and employment protection legislation is critical. The possibility of hiring on fixed-term contracts may make employers less cautious to hire young workers in an economic upturn. At the same time, if the transition rates from temporary to permanent employment are constantly low, the young must bear most of the burden from cyclical fluctuations and are frequently excluded from better paid employment, stable employment, and intensive firm-specific training or advanced learning at the workplace. Such adverse perspectives, in turn, may reduce individual effort and foster social exclusion.

Therefore, countries affected by strong duality in the labour market should seek to facilitate the transitions between temporary and permanent jobs. One measure to consider is to restrict the use of fixed-term contracts, in particular by limiting consecutive fixed-term arrangements and regulating service provision contracts. An alternative is to facilitate dismissal from open-ended contracts. The most effective strategy would be to overcome the distinction between temporary and fixed-term contracts altogether. This can be achieved by making all contracts permanent and granting employers a general right of dismissal, but imposing a scheme of severance payments that gradually increase in the individual duration of job tenure.

In regards to the relative wages of labour market entrants, minimum wages are a matter of concern. There is evidence consistent with the view that national minimum wages may cause employment losses among young workers, even for those countries that have adopted specific sub-minimum wage provisions for youths. Although positive effects are not guaranteed, a lower minimum wage for young workers in real terms, relative to the median wage (or the minimum wage for established workers) might help in creating more employment opportunities for the youths.

Effective wage levels for young workers are not only a matter of legal minimum wages however. In many cases collective bargaining agreements fix wages. Hence, industrial relations play an important role in achieving a degree of wage differentiation that makes it attractive for firms to hire young people who probably still need some training on the job. In cases where collective bargaining outcomes substantially compress the wage distribution from below, i.e. where the lowest wages are rather close to the average wage, parties should rethink their bargaining targets to promote employment of less productive workers, which includes the young. Shifting collective bargaining to more decentralised levels, or allowing escape clauses into collective agreements that enable individual agreements on lower wages, are more formal steps that could help in eliciting more employment friendly wage-setting behaviour.

Policymakers may complement such endeavours through temporary wage subsidies for private firms employing additional youth. Age-targeted hiring incentives are best combined with additional constraints, in particular training requirements or the requirement to hire from a specific pool of hard-to-place agents. The empirical evidence suggests that hiring subsidies are effective in bringing more young people into employment in the short run, if the targets are well defined. On a comprehensive scale, hiring subsidies are not recommended. The cost-benefit ratio could be poor, as employers would often hire subsidised candidates anyway. Substantiating that the subsidised position is an additional one and does not replace another non-subsidised position often proves difficult.

An attractive feature of hiring subsidies is that they place young jobseekers in private market jobs. A tempting, but most problematic alternative is the creation of public jobs. Despite the obvious short-term unemployment reducing effect for those who get publicly employed, the empirical record of the measure is clearly negative (Card et al. 2010; Caliendo et al. 2011). On the one hand, meaningful public employment tends to crowd out private sector employment. On the other hand, public jobs that do not compete with private jobs are poor stepping stones to private sector jobs. They tend to provide agents especially with non-marketable skills and do not prevent depreciation of marketable skills. Private employers thus often perceive employment in a publicly created job as a negative ability signal. As the effectiveness of public job creation schemes to cope with aggregate unemployment is not substantiated, they are not recommended as an approach to fight youth unemployment in Europe. Even as a temporary bypass to keep young people attached, they should be approached with the utmost caution.

5.3 Align Skills and Labour Market Needs

To be able to embark on successful labour market careers, young people require adequate human capital. An empirical regularity is that better educated individuals have access to better paid jobs and benefit from both higher employment and lower unemployment rates. Still, expanding general education is by itself not a guarantee for smoother labour market integration of youths. A crucial factor is that the provided skills meet employers' needs.

While education and training systems in Europe remain heterogeneous, some settings appear better suited to avoid skills mismatches than others:

:: Employer-provided training at the workplace helps ensure a properly applied component better than school-based training.
:: Certified training delivers recognisable qualifications that are transferable between employers and is better than informal training.
:: A combination of general and firm-specific skills is superior to the specialisation in one of the two, as either is required to accomplish tasks at the modern workplace.

In view of these arguments, dual vocational training, which combines school-based general training with workplace-based, firm-specific training, appears an effective model for organising upper secondary education. In fact, cross-country comparison suggests that countries where the dual apprenticeship system makes up a substantial part of vocational training experience less friction in the transition process from school to work and lower NEET rates.

Developing a dual vocational training system that is strongly embedded in firms is an appealing option for countries struggling with youth unemployment stemming from skill mismatch. Nevertheless, the development and implementation of functioning concepts hinge on the specific institutional and economic environment, as well as the prior conceptions and experiences of the diverse actors to be involved.

A general road map for changes in the education system aimed at facilitating school-to-work transitions and less skills mismatch contains three core elements:

:: Promote completion of basic education.
:: Strike a better balance between training at school and training at the workplace.
:: Fight skills mismatch of university graduates.

Concering the promotion of basic education, the educational targets of the European Union rightly stress the need to reduce the proportion of early school-leavers who fail to complete lower secondary education. An adequate minimum level of general skills is the basis for successful inclusion into further training opportunities and the labour market. Possible measures to promote basic general education include prolonging compulsory schooling, developing the provision of social and psychological support within schools, increasing parental involvement through improved communication between schools and parents, and especially personalised coaching for pupils with an increased risk of dropping out early.

The ways how to best strike a better balance between training at school and training at the workplace depend on the initial conditions. Where vocational training is predominantly school-based, this requires active steps to be taken to integrate longer periods of practical work, at least through internships but preferably through extended phases of regular contracted work, notably in the later phase of the upper secondary training phase. The development of a formal curriculum for the working phases is essential to ensure the quality of the training provided by firms. Where vocational training takes place predominantly on the job, this requires developing vocational schools and vocational schooling curricula, in order to promote development of complementary general skills. In either situation, active coordination between employers and government or private institutions is highly desirable, in order to fix a reasonably balanced overall vocational training curriculum.

Steps in the direction of a better aligned dual apprenticeship scheme do not necessarily need to be taken at the national level. In fact the attempt at modernising the system from top to bottom can turn out to be difficult. Conflicts of interest and lack of resources may impede the necessary large-scale cooperation between different actors with different interests in different elements of vocational training components. The alternative approach is to start from local associations of especially interested parties. The initiators of bottom-up activities could be regional government or labour market authorities faced with especially high levels of skill-related youth unemployment, or local associations of firms faced with a need of special occupational skills not satisfied by the existing vocational training possibilities.

A core step in setting up regional vocational training clusters is the development of a legal framework that determines a curriculum and an examination scheme, secures recognition of certificates, and regulates the organisation and financing of supra-firm-level training components. Government involvement can facilitate such an agreement. First, public authorities may lend credibility to the system by guaranteeing and controlling standards. Second, the willingness of firms to pay for training of transferable skills is limited, because they may not manage to recoup the investment from mobile workers. The public sector may thus need to provide financial means to pay for the transferable skill part in the curriculum, at least to the extent that apprentices would not finance it, for example, through paying a tuition fee or accepting a lower wage.

In a next step, if several local vocational training clusters come into life, there is a need for employers' associations or government institutions to coordinate between the different initiatives. Achieving a standardisation of training contents and quality is important to facilitate mutual recognition of vocational training outcomes, and the resulting more widespread reach will make joining the scheme more attractive for local employers and young people hitherto uninvolved. A method of supra-regional coordination and standardisation will also help to attract imitators from new localities.

Concerning university graduates, it is necessary to more carefully monitor skills mismatch and secure more applied academic training. In some European countries, there is substantial evidence for overeducation at the tertiary education level, meaning that a substantial proportion of agents obtaining academic training has difficulties to find a proper job and ends up in a job that does not demand their level of education. One approach to solving this problem is to create an economic environment creating more vacancies for the academically trained, but achieving such structural adjustment may consume considerable time. An alternative approach that may facilitate labour market integration is to make tertiary education more labour-market oriented. Possible means to make progress on this goal are obligatory internships as part of the academic curriculum, increasing the number of (fully) working students and strengthening universities of applied sciences and polytechnics.

Yet another approach may be to work against deterioration of returns to higher education by reducing the number of students at the tertiary level. One may achieve this through better information on later employment prospects, but more effectively by developing high-quality vocational education that is a real alternative to higher education. If such alternative educational tracks exist, raising tuition fees (depending on individual achievement) to discourage especially the least able and redirect them into a more vocationally oriented education career can also contribute to reducing skill mismatch.

5.4 Use a Careful Selection of Active Labour Market Policies

Even in a vibrant economic environment, with a carefully (de-)regulated labour market and well-functioning educational institutions, a certain proportion of young people experiences more difficulties when making the transition from school to work. Characteristics that often set up extra hurdles to entering the labour market are the lack of basic and in particular non-cognitive skills, a migration background, health-related problems and sometimes gender. Active labour market programmes supporting specifically disadvantaged groups among the youth can be useful complements to the broader strategies discussed above. However, a meta-analysis of existing evaluation studies suggests that active labour market policy measures targeting the youth tend to be less effective than active measures targeting the remainder of the working-age population.

Active labour market policies can thus only be a short-term complement to structural policies to tackle youth unemployment.

Active measures targeting disadvantaged young people tend to be more effective if the intervention occurs at an early stage. The available empirical evidence provides a justification for interventions even before the entry into the labour market. One core element in this respect is career guidance. Young people must have the opportunity, in school, to discover what they enjoy doing and identify their aptitudes for different kinds of careers. One should also raise awareness for the career impact, and the economic value, of acquiring specific education and training credentials.

Particularly effective active labour market policies, although they are often not considered – and financed – as such, target the early educational investment or the development of non-cognitive skills of pupils at risk of dropping out from secondary school. The power of such intervention strategies stems from the dynamic nature of human capital formation, a process fostered and accelerated through self-productivity ("learning how to learn") and complementarities between the generation of non-cognitive and cognitive skills.

Turning to the more conventional domains of active labour market policies, one should be careful with naming a particular best practice. Apparently successful measures operate under particular institutional and economic framework conditions, and may develop different effects if they are transferred to another context. However, an overview review of numerous individual assessment studies suggests that in general two sorts of interventions are rather effective.

First, measures enhancing the effectiveness and intensity of the job search tend to reduce the unemployment rate of young people at least in the short term. By implication such interventions should preferably take place at an early phase of an unemployment spell. This, in turn, implies that labour market authorities should make an effort to ensure that unemployed youth actually get registered, as a prerequisite to obtain access to any active policy measures.

A key to effective search is intensive individual counselling by placement agencies. In order to develop tailored solutions, it is important to acknowledge the heterogeneous needs of jobseekers depending on their level of labour market readiness. Diagnosis of personal needs should translate into individualised action plans, which can serve as a basis for offering timely and comprehensive information on suitable job openings as well as alternative (educational) options. At the same time, sticking to an activation policy principle is important to effectively promote search effort. The evidence clearly supports the view that the combination of adequate counselling with sanctions for non-cooperative behaviour such as reductions in financial assistance is effective to support the transition into employment. Such disciplinary means tend to work even ex ante via an announcement effect.

Second, active provision and financing of training opportunities for unemployed young people lacking skills can also contribute to promoting employment chances in the medium term if the provided training is of sufficiently high quality. Consistent with our previous considerations concerning the development of vocational skills in line with labour market needs, publicly sponsored training programmes that provide learning at real workplaces have turned out to be especially effective. In consequence, the resources for active training measures devoted to young people have been shifted from school-based measures to employer-based (or dual apprenticeship-like) measures in many countries.

In comparison, active labour market measures focussing on supporting the transition to employment or training the employed appear less successful in reducing unemployment. The immediate recommendation to be derived from this observation is that countries in which such measures are rather prominent, like Spain, should reconsider their policy mix and devote a larger proportion of resources to the training of unemployed individuals who experience labour market difficulties due to lack of adequate skills. Ideally, such publicly sponsored training schemes should get the employers actively involved. Therefore, the combination of hiring and workplace training subsidies can be a winning tool.

The review of the evidence on effective active labour market policies should also be taken into account into designing "youth guarantees", a concept first implemented in the Nordic European countries in the 1980s and 1990s, which has gained prominence (and financial support from the EU) as a means to fight the current youth unemployment crisis. The concept of a youth guarantee is to entitle all young people in need to a job, training or education within a given period of time. Government employment services are obliged to provide the entitlement by offering services or programmes to any youth satisfying some pre-established criteria.

In principle, a range of measures is within the scope of such a guarantee: job-search assistance, subsidised general education and vocational training, subsidised employment, business start-up programmes and public works. In practice, countries with a youth guarantee have been using any of these measures. One can observe a lot of variation in local practice and frequent redesign in response to experiences with implementation and effectiveness. While empirical evidence on the specific effects of youth guarantees is limited, the experiences altogether seem to confirm the general findings on the relative success of different types of active labour market policies in support of young people. First, timely interventions tailored to the specific needs of specific needy groups are a factor of success. Second, intensive counselling and obligations on the part of the participating young unemployed enhance effectiveness. Third, providing access to compensatory vocational training, especially at real workplace, is more effective than just providing jobs.

Much harder to establish are specific effects associated with establishing such measures under the unifying roof of a youth guarantee. First of all, youth guarantees are a challenging instrument. Implementation requires a well-functioning labour market administration that has the experience and capacity to manage active labour market measures in an efficient manner. This includes the ability to build strong cooperation with partners at the municipality level. Alignment with local requirements and active engagement of actors, such as employers' organisations, trade unions, NGOs and educational institutions, has transpired to be an important factor of success.

Another success factor is the availability of sufficient financial means, especially if the eligible population is defined in a broad manner. According to ILO estimates, youth guarantees can induce an annual cost in the range of 0.5 – 1.5 per cent of GDP. Even if such costs are recovered later via the long-term positive effects of avoiding unemployment and inactivity, such a financial burden can be hard to bear for governments put under pressure by economic recession and fiscal austerity programmes. Finally, youth guarantee services are not automatically in demand by the unregistered unemployed. Thus, specific effort and outreach activities may be necessary to extend the participation of young people disconnected from the labour market and education.

In sum, while youth guarantees may help connect young people to labour markets and promote their employment prospects, the possible extension of such guarantees to the whole of Europe appears a challenging and potentially costly approach. In particular countries with less-developed public employment services and relatively little experience with the design of efficient active labour market policies should consider more pragmatic and less risky approaches to make progress on active labour market policies. For instance, a first step is to critically review the structure of existing measures and then shift resources consistently toward those measures with proven positive effects. In addition, public employment agencies should gradually focus more intensively on the neediest young people who are currently often out of the reach of their services.

5.5 Support Mobility Across Borders

The approaches to reducing youth unemployment and increasing youth employment described so far are of structural nature. Therefore, any positive reform effect is unlikely to arise in the short term. The implementation of structural reforms, in particular where more fundamental adjustments are required, in itself can be a time-consuming process. This shows in the sluggish amendment of framework conditions in many of the crisis countries in Europe. In addition, there is often a considerable impact lag following implementation of structural reforms impacting on labour markets, as the actors on these markets need time to adapt to new circumstances.

Therefore, there is a need for measures that would take some pressure out of youth labour markets in the short term.

The experiences with some of the seemingly attractive short-term remedies indicate that they are indeed inappropriate. Early retirement programmes generally do not open up additional opportunities for young workers. Public job creation schemes generally only build weak bridges to regular employment and hence do not create lasting effects. Relatively more promising is education extension. In fact, in many countries a substantial proportion of young people currently excluded from the labour market have responded by staying longer within the education system and targeting higher qualification levels. This can be a successful tunnelling strategy provided that the labour market develops positively in the meantime and creates a sufficient demand for high-skilled workers. However, if this does not happen, the outcome might be even worse concerning skills mismatch than at present, which would aggravate employment problems.

The most effective policy instrument to elicit immediately positive effects, then, seems to be geographic mobility. Migration can serve as a short-term valve within countries characterised by substantial regional labour market disparities, like the lasting differences between the North and South of Italy. It can also alleviate imbalances between countries, especially in the current European crisis where some differences in (youth) unemployment rates across member states are much larger than differences within countries.

International migration may not only reduce numerical imbalances, but also act against skills mismatch. In a thriving economy like Germany, there are increasing signs of labour shortages in particular labour market segments. Therefore, hiring suitably qualified workers from abroad, or attracting young workers for training in scarce occupations, can be immediately beneficial without jeopardising employment perspectives of the incumbent youth. At the same time, sending countries do not necessarily suffer from a brain drain if mobile young people with qualifications not in demand on the national labour market gain access to employment opportunities abroad. In the longer term, if international mobility is combined with access to good-quality vocational education, the sending countries may even benefit from an extension of skills relevant in their own labour market upon return of their citizens from temporary migration. Personal exposure to effective vocational training schemes in other countries may furthermore help in transferring institutional knowledge, which can facilitate the development of better educational institutions in the sending country. In view of the massive imbalances in youth unemployment rates across Europe, the current rates of international mobility from ill-performing to well-performing member states appear very low, however. The fact that only a small proportion of the European youth disconnected from their own labour market is on the move indicates that mobility costs often remain too large, or perceived individual mobility gains too small, despite free mobility of labour within the European Union. There are several margins to work on.

First, invest in foreign language skills, especially in the medium-skilled population. This is not only a responsibility in the sending countries, but also in the potential receiving countries. Many establishments experiencing labour shortages at present could not easily provide a foreign-language work or training environment. The requirement to first learn how to communicate in the receiving country language may be an important barrier and reduce the expected net gains from international mobility for both workers and employers. More generally, inexperience with handling cross-cultural navigation both on the sending and the receiving side may induce psychological costs lowering the individual benefits of migration. Therefore, programmes to provide agents with temporary mobility experiences early in life deserve support.

In order to achieve short-term effects, it is important to overcome information problems. One aspect is to improve upon the international matching of jobseekers to vacancies. While the European Portal for Job Mobility (EURES) is a first step to setting up a uniform information portal, it is important to get case workers in public employment services actively using this central information in the job placement and counselling process. Many foreign jobseekers will have difficulties processing and interpreting the enormous amount of information in a correct manner on their own.

A second aspect is that legal harmonisation within the European Union has made some good progress, but the practical issues associated with cross-border mobility can still look daunting from the perspective of individuals who are considering migrating. Central portals ensuring transparency of legal and practical relocation matters may make migration decisions easier.

A third information aspect is that despite progress on removing bureaucratic hurdles in recognition of foreign skills and standardisation attempts within the European Qualifications Network, qualification recognition problems remain severe in practice. Again, the problem affects both potential migrants and potential employers. For agents intending to move for training, it is difficult to assess the quality of the various educational options, in various potential receiving countries. Agents intending to move for work might be confused by country-specific employer habits in describing jobs or skill demands. From the employer perspective, standardised skill descriptions are often unintelligible, and reveal too little about actual capacities to succeed in performing certain task. The development of a standard for professional qualification at a European level is not very advanced.

Overcoming such information problems is not only a task to be performed by the European Union, national government and public employment services. Companies and associations of employers that realise a surplus from hiring from abroad, but also unions or NGOs trying to alleviate the problem of unemployed youth, should engage in creating more transparency at all levels, too.

In general, supporting temporary migration policy and labour mobility as a strategy to reduce high youth unemployment in the short term is a multifaceted task that requires active involvement from many different actors and at different regional levels. This creates a certain risk that the clarity of the overall strategy gets lost in many parallel activities.

This tendency can be illustrated with the German case. There are a lot of activities in a similar vein, like a German–Spanish government agreement for hosting young people from Spain for training, Federal State level programmes backed with funds from the European Social Fund (ESF) to support matching of young unemployed from the crisis countries to firms providing apprenticeship training, and local initiatives backed by employers' associations and job centres to cope with labour shortages by attracting foreign apprentices. The presence of numerous small different initiatives make options less transparent for the target groups, and may easily prevent the realisation of scale and learning effects. In this situation, there would be a clear role for government entities and private institutions, notably employers' organisations and NGOs, to engage in coordination and harmonisation activities, to obtain a more

stringent overall strategy and make mobility across Europe more effective as a short-term remedy against regional imbalances in youth unemployment.

5.6 Involve All Relevant Stakeholders

Developing and implementing national strategies against youth unemployment is a complex task. Quick progress will only be achieved if all relevant stakeholders make adequate contributions:

:: **Governments** need to reconsider their general economic policies, labour market policies and education policies. National governments, responsible for a conducive institutional framework and efficient allocation of financial means, need to take the lead. However, government bodies at decentralised levels have to act as well, in order to ensure that active policy measures and programmes are adapted in a way that meets the local conditions.

:: **Unions and employers' associations** need to overcome conflict, become aware of their joint social responsibility in ensuring the labour market integration of youths and act accordingly. This includes finding collective agreements that lower real labour costs to gain competitive strength, thereby providing lower entry wages and stipulating exacting standards for apprenticeship training.

:: **Individual firms** need to be aware of the positive social externalities of integrating youths, which is a reason to engage beyond their immediate own economic interest. In particular, larger employers with apprenticeship experience have a responsibility to convince others of the benefits of firm-based training and engage in fixing standards to facilitate recognition of firm-based training. The role model and communication function could even work across borders – firms that operate transnationally are in a favourable position to bring standards of apprenticeship training to countries where systematic qualification at the workplace is not yet fully developed.

:: **Young people** need to be flexible and adapt their choices to opportunities. This requires being ready to be mobile both within countries and across borders, as well as adapting education choices to fit areas of growing labour demand. It also demands actively engaging in and supporting new education and training activities with the aim of improving qualification and reducing skill mismatches.

:: **Non-governmental organisations** can support the steps to be taken by the core stakeholders by taking complementary action on suitable niches. Given limited resources, their realm is first of all to support the transmission of information. More specifically, non-governmental organisations should distribute examples of best practice, act as mediators between employers' organisations and unions and foster local networks involving the relevant stakeholders and target multipliers. If non-govermental organisations must routinely (co-)operate across borders, such as larger foundations for example, they may provide platforms for building bridges across borders that can be difficult to arrange for government bodies. Non-government bodies should generally be conservative in regards to implementing active labour market interventions on their own. These can easily compete with existing public measures and be too small to achieve relevant impact. If non-government bodies do engage in providing their own support to youths, it is important to target specific groups that are not a priority of public labour administration.

An advisable approach to get the relevant stakeholders involved and coordinate action to work against the challenge of youth unemployment would be to set up an autonomous task force for settling an agreement to collaborate steadily and consistently on a comprehensive national strategy for better employment prospects of young people. Such an agreement must build on consensus reached through a consultative process that allows the integration of experiences and perspectives of all stakeholders.

As the empirical knowledge about the functioning of youth labour markets is often rather limited, the impact of changes in the environment is difficult to judge beforehand. This calls for making amendments cautiously. It also calls for being prepared to realign strategies along the way, in order to integrate lessons from implementation failure and impact assessment. This is an issue demanding leadership from national governments. They need to make the stakeholders involved agree on clear and consistent targets to measure progress as well as to make sure the resources required for monitoring purposes are provided.

To be effective, a national youth employment strategy should contain a number of elements: a set of concrete and realistic consensus goals; a list of concrete measures building upon a critical assessment of previous practices, an underpinning theory of change, as well as empirical evidence of possibly good practice; a reflection on knowledge gaps and a strategy to systematically fill these gaps; and an agreement how to institutionalise proper impact assessment and effort-to-outcome analysis, including a commitment to regular publication of progress reports.

Any plausible commitment must also go along with assigning adequate resources, that is resources sufficient to translate the contents of the agreement into practice. Put differently, in countries where resources are scarce, ambitions need to be downsized accordingly. Focus should be put strictly on investment in potential high-impact measures. In general, a large proportion of the necessary resources will come from public coffers. Yet it would strengthen commitment to a national youth employment strategy if businesses, social partners, educational organisations and other stakeholders, in line with their respective capacities and financial means, agreed upon contributing a certain part of the budget.

The collected resources would flow into two different channels. First, the envisaged instruments themselves, for example, enlarging certain active labour market programmes or investing in better quality of education, may involve a direct cost. In addition, dedicating an office with its own budget and personnel may facilitate coordinated implementation. Second, the concomitant monitoring, documentation and evaluation effort through the financing of adequate research personnel and data collection. The progress monitoring task might be assigned to some government-financed research agency. However, in order to ensure independent assessment and credibility of the assessment process, it is advised to outsource the task to changing evaluators winning acceptance through a competitive process.

6
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