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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
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COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Youth Opportunities Initiative

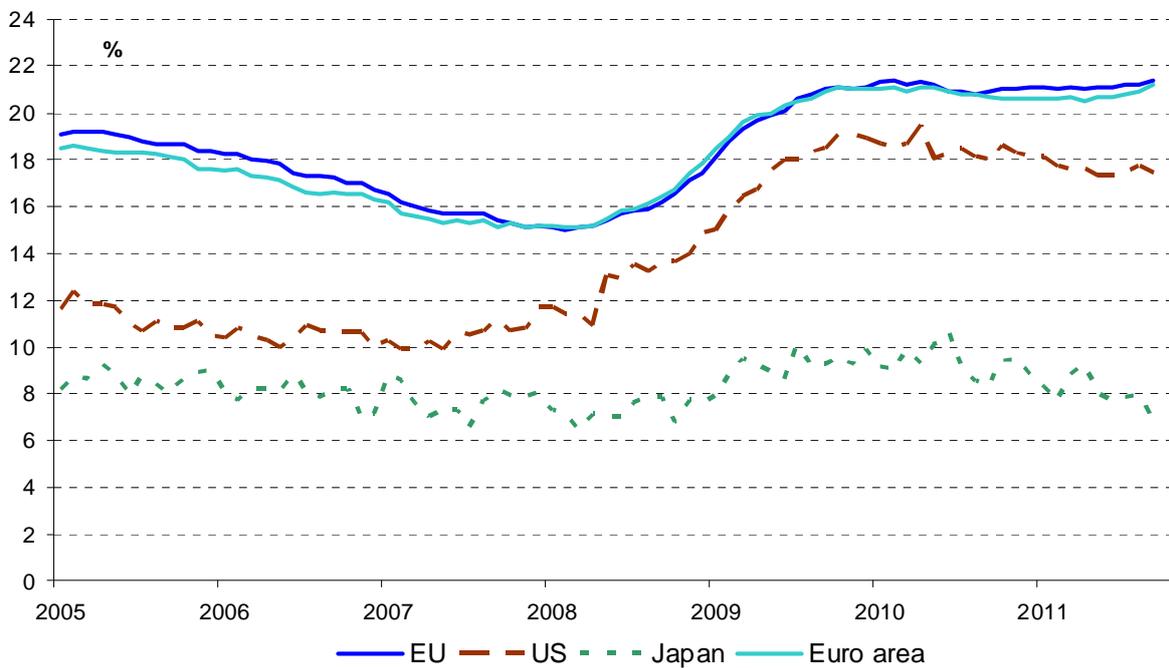
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Youth Opportunities Initiative

1. THE RISK OF A LOST GENERATION?

More than 5 million young people in the EU are unemployed today. Between 2008 and 2010, this number increased by one million.

Figure 1: Evolution of youth (15-24 years) unemployment rates since 2005

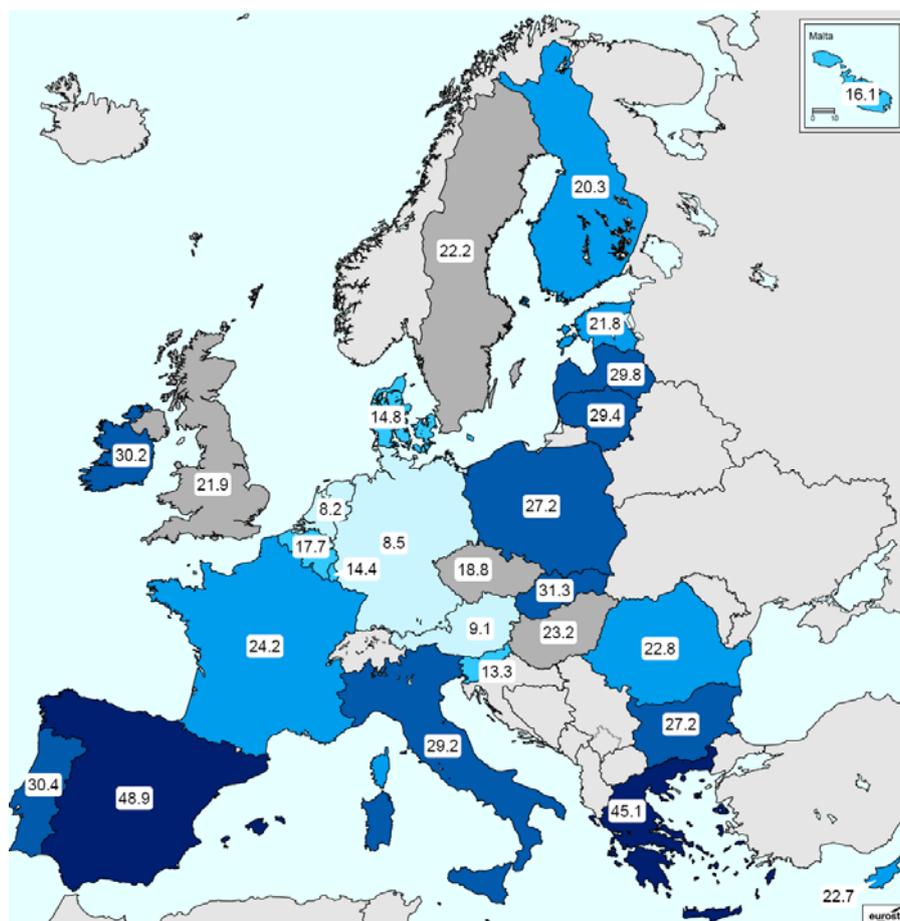


Source: Eurostat monthly unemployment; Data seasonally adjusted, except for Japan

This means that one in five young people on the labour market cannot find a job. The **youth unemployment rate** (at over 20%) is twice as high as for the whole working population and nearly three times as high as the rate for the adult active population. In some countries, rates are as high as 40%. Within the same countries situations may differ widely between regions. Moreover, certain groups of the young population (including women, young people with disabilities, youth with migrant background) are particularly exposed to the risks of unemployment, long-term unemployment, early school leaving or inactivity¹.

¹ For example, the EU average unemployment rate of migrant youths exceeds 30%.

Figure 2: Youth (15-24 years) unemployment rates (October 2011)

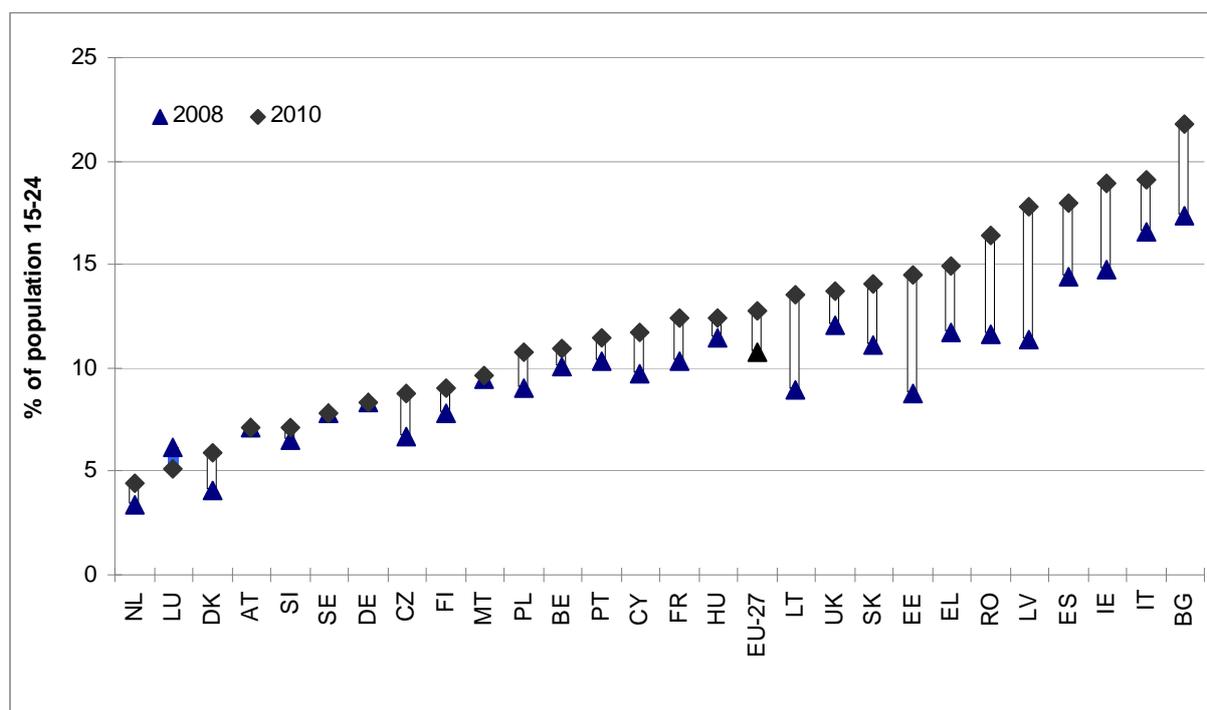


Source: Eurostat, Eurostat monthly unemployment; Data seasonally adjusted

Faced with rising levels of unemployment, it is becoming harder for young people to find work and many may decide to prolong or go back to studies. This could be an investment for the future provided the right skills are acquired. However, what we see is that a large number of young people are neither in the world of work nor in that of studies.

In total, 7.5 million people in the 15-24 age group are neither in employment nor in education or training. This share has increased from 10.8% in 2008 to 12.8% in 2010 for the EU as a whole. In Bulgaria, Estonia, Greece, Ireland, Italy, Latvia, Romania, Slovakia and Spain over 14% of the young generation is not in studies (anymore) and not (yet) in employment.

Figure 3: Share of young people not in employment, education or training, as a percentage of the age group 15-24 in 2008 and 2010



Source: Eurostat, EU Labour Force Survey²

This means that these young people have left formal education and are either unemployed – looking for a job – or not on the labour market, for instance being passive job seekers, discouraged to enter the labour market or deliberately avoiding it, possibly taking up other family or private activities.

The prolonged effect of the crisis is exacerbating an already difficult situation for many. **Long-term youth unemployment** is on the rise: on average 28% of the young unemployed under 25 have been unemployed for more than 12 months. Moreover, an increasing number of young people do not actively seek employment. The European Foundation for the Improvement of Working and Living Conditions (Eurofound) estimates that in 2008, the cost of long term unemployment or inactivity among young people in the 21 Member States for which there is available data amounted to at least €2 bn per week to society, the equivalent of 1.1% of GDP in total³. The re-integration into employment of just 10% of these people would create a yearly saving of more than €10bn.

² Data for Malta and Sweden are provisional; data for Luxembourg lack reliability due to small sample size.

³ Eurofound (2011), "The social impact of the crisis". The estimated costs include foregone earnings and public finance costs due to the excess of transfer payments through welfare arrangements; they represent a lower bound since they do not include additional costs such as unpaid taxes on foregone earnings, costs for health and criminal justice. The countries excluded in the estimation due to missing statistical variables are DK, EL, FI, FR, MT and SE. The reference population are 16-29 year olds unemployed or inactive (but not in education) for more than six months.

At the same time, the decrease in permanent jobs during the crisis has hit young people with a job disproportionately: they are over-represented in temporary contracts. Although temporary contracts can be a stepping stone towards more stable forms of employment, in those Member States in which the share of temporary contracts is higher it is also more difficult to move from temporary to permanent contracts. This can lead to **segmented labour markets**, with young people trapped in the lower end of the labour market, with less on-the-job training, lower wage levels and weaker long-term employment and career prospects⁴. The difficulties on the labour market are also having a negative impact on young people aged 25-29 with higher education who find it harder to access jobs fitting their qualifications.

In 2010 and 2011, high unemployment levels co-existed with increased difficulties in filling vacancies⁵. Such trends point to increasing **labour market mismatches**, due to inadequate skills, limited geographic mobility or inadequate wage conditions, across EU sectors and regions. Between now and 2020, it is estimated that there will be 73 million job openings due to retirement of workers. These will need to be filled with appropriately qualified new staff, thus also creating new opportunities for young people.

However, at present, in an already shrinking age cohort, a large share of the young generation is not equipped with the skills to enter and succeed on the labour market on a sustainable basis⁶. The proportion of **early-school leavers**⁷ is still over 14%, the equivalent of one in six young people. This is well above the 10% target agreed under the Europe 2020 strategy. The OECD estimates that about 30-40% of early school leavers are at risk of facing persistent difficulties in their access to stable employment⁸, with risks of marginalisation over time.

To tackle these challenges, Europe needs to invest in its young people and propose immediate and effective actions to prevent and tackle the high rates of youth unemployment. Growth enhancing measures are necessary to create new jobs, but could not in themselves be sufficient to tackle the problem of youth unemployment. This is why the Commission is proposing a **Youth Opportunities Initiative** (see box in section 4), targeting in particular young people who are not in employment, education or training, to combine concrete action by Member States and the EU with the priorities identified in the Europe 2020 strategy, in the June 2011 Council conclusions on youth employment⁹ and in the Council Recommendation on policies to reduce early school leaving¹⁰. The initiative builds on a strong partnership between Member States and the Commission and encourages concerted action between Member States' authorities, businesses, social partners and the EU.

⁴ See the Commission Employment in Europe Report 2010 and EU Employment and Social Situation Quarterly Review, September 2011.

⁵ See Commission draft for the Joint Employment Report 2011/12, COM(2011)815 ANNEX III of 23.11.2011, p.6f.

⁶ See Commission draft for the Joint Education and Training 2020 Report, COM (2011)902 of 20.12.2011.

⁷ Early school leavers are young people who leave education and training with only lower secondary education or less, and who are no longer in education and training.

⁸ Scarpetta S., A. Sonnet and T. Manfredi (2010) "Rising youth unemployment during the crisis: how to prevent negative long-term consequences on a generation?", OECD Social, Employment and Migration Papers, No. 106.

⁹ Council Conclusions 11838/11 of 20 June 2011 on Promoting youth employment.

¹⁰ OJ C 191(2011)

2. THE PRIMARY ROLE OF MEMBER STATES

The extent of challenges and root causes of youth unemployment vary from one Member State to another but the following factors can be identified in most:

- Early school leaving without qualifications.
- Lack of relevant skills and lack of work experience.
- Precarious employment followed by spells of unemployment.
- Limited training opportunities.
- Insufficient/inappropriate active labour market programmes.

While the situation is particularly difficult in several countries, there are also better performers to learn from. In the majority of Member States (18 out of 27), the youth unemployment rate is above 20% (Eurostat data of October 2011). Six Member States have rates between 10 and 20%, in thirteen the rates range from 20 to 30 % and in five the rate is over 30% (EL, ES, IRL, PT, SK). In only three Member States the youth unemployment rate is under 10% (AT, DE, NL).

The primary responsibility for tackling youth unemployment lies with Member States, including at regional and local levels. Their authorities finance education and social programmes and have the policy levers and the budget to support youth employment schemes. The national or sectoral social partners also play a key role, particularly in areas such as apprenticeships, training and working practices.

The EU level can play a supportive role in helping Member States to improve the employment and educational situation of young people in two ways:

- **By reviewing national policies and performances**, highlighting priorities from an EU perspective and suggesting lines for action based on good practices: this is done through the cross-examination and coordination of economic, employment, education and social policies in the context of the Europe 2020 Strategy, developed on an annual basis through the European Semester of economic governance.
- **By providing financial support to national and cross-border action** in line with agreed priorities: this is done by a variety of programmes, notably the European Social Fund and other EU programmes such as the Lifelong Learning Programme, Youth in Action and PROGRESS, the latter supporting in particular new policy approaches through social policy experimentation. Other EU funds such as the European Regional Development Fund, the European Agricultural Rural Development Fund, the European Fisheries Fund or the European Fund for the Integration of third-country nationals also support measures helping to tackle youth unemployment.

Following the first European semester of economic governance in 2011, the Commission, in the 2012 Annual Growth Survey, draws attention to first indications that Member States are not reacting effectively enough to the recommendations made. Given the gravity of the situation described above the Commission considers that, without waiting for the 2012

country-specific recommendations, Member States, in particular those with the highest youth unemployment rates, should take decisive measures in the following four main areas:

- Preventing early-school leaving

The first step in helping young people to have better future prospects is to provide them with adequate skills when they are in education and preventing an early drop-out from school or from apprenticeship schemes¹¹. The Council adopted a Recommendation on reducing early-school leaving (ESL) in June 2011. It is a key tool in addressing the Europe 2020 target to reduce ESL from 14% to less than 10%. Solutions lie in a policy mix of prevention, intervention and compensation measures. Immediate action through reintegration into training is essential to limit the inflow of early school leavers into unemployment.

- Developing skills that are relevant to the labour market

Skills development should be a continuing feature of young people's career development. Member States need to ensure that their education and training systems are fit to equip young people with relevant skills in an efficient way. In the present context of strong constraints on public budgets, the Commission has encouraged Member States to prioritise efficient expenditure for education and vocational training¹², while also moving towards its target of 40% of the 30-34 generation having completed tertiary or equivalent education¹³.

The Europe 2020 flagship initiative an "Agenda for New Skills and Jobs" puts forward a proposal to develop a shared interface - European Skills, Competences and Occupations classification – to bring together more closely the worlds of employment, education and training. This is particularly important in sectors facing labour shortages and with further job creation potential such as the health sector. The Commission also calls for reforms to ensure the recognition of professional qualifications¹⁴ and proposes to develop a European Skills Passport, to help citizens record their skills in a transparent and comparable way.

Lack of foreign language skills can hinder mobility of young people on the European labour market. Similarly, more efforts are needed to ensure that young people have sufficient levels of ICT skills, as supported for example through actions under the Europe 2020 flagship initiative "Digital Agenda". Also young people with more entrepreneurial mindsets and skills will be more employable, and more likely to start successful ventures. In this context, the Commission intends to invest a share of the 2013 budget for research activities in the ICT domain to support young innovators and entrepreneurs.

- Supporting a first work experience and on-the-job training

The acquisition of skills should go hand-in-hand with a strong focus on employment to develop work experience. Apprenticeships, placements in enterprises and traineeships are particularly important because, provided that they fulfil the necessary quality standards, they offer the opportunity to young people to acquire both the relevant skills and work experience.

¹¹ In some countries the dropout rates are 20-30%.

¹² Commission Communication "Annual Growth Survey 2012", COM(2011)815 of 23 November 2011.

¹³ Commission draft for the Joint Education and Training 2020 Report, COM(2011)902 of 20 December 2011.

¹⁴ Pursuant to its commitment in the Single Market Act, the Commission has presented its proposal for a revision of the EU rules on the recognition of professional qualifications (COM (2011) 883 final of 20 December 2011).

The social partners can help to develop schemes that bring a bigger number of young people into the world of work, even for short term work experience. Active labour market policies and improved employment services should support young people in finding such places. Targeted support schemes could help sustain up-skilling and job search, including in other regions and possibly other Member States.

- Access to the labour market: getting a (first) job

Providing young people with the relevant skills and work experience is a necessary but not sufficient condition. The access of young people to the labour market should be improved. In particular, in line with existing recommendations, where relevant, Member States should reform employment protection legislation in consultation with social partners, reducing the excessive rigidities of permanent contracts and providing protection and easier access to the labour market to those left outside¹⁵. Member States should pay attention to the impact that excessive non-wage labour costs can have on demand for the labour input of those entering the labour market.

It is also essential to implement those labour market reforms that can contribute to opening up labour markets to young job seekers and entrepreneurs, by eliminating unjustified restrictions for business and professional services, legal professions, accounting or technical advice, health and social sectors, and through the promotion of self employment, including effective business development support for young people.

3. THE ROLE OF THE EU IN THE YOUTH OPPORTUNITIES INITIATIVE

As part of the Youth Opportunities Initiative, it is proposed that Member States and the EU should combine their efforts, building on the two strands of EU action described above. In addition to the strengthened review of national policies and performances as part of the Europe 2020 Strategy, efforts should be stepped up to fully mobilise EU financial support and instruments.

3.1. Greater use of the European Social Fund for youth employment measures

National efforts should be coupled with making the best possible use of the EU financial support that is available, either under the Structural Funds or a number of other actions that the Commission will undertake.

In the current period of the Structural Funds implementation (2007-2013), Member States have planned to allocate two thirds of the funding available in the European Social Fund to education and employment measures. A significant part of it will benefit young people. This represents a total of €79 bn if national contributions are included. In addition, under the ERDF €7.2 billion is allocated to education infrastructure and €555 million to child-care infrastructure, the latter helping in particular young mothers return to the labour market.

However, by the end of 2011 Member States have still €30 bn in ESF programmes which have not yet been committed to concrete activities. Furthermore, efforts to tackle youth unemployment, often do not match the severity of the problem. Apart from the need to accelerate implementation, as this will make a difference in improving youth employment,

¹⁵ Annual Growth Survey 2012, COM(2011)815 of 23 November 2011.

there is a need to develop new approaches for example to support participation of young people in apprenticeship/traineeship programmes or to promote entrepreneurship among young people, including in the social economy. More than half of all Member States have a youth unemployment worse than EU average¹⁶. While no relation of causality can be demonstrated, the available data show that several Member States with the highest level of youth unemployment do not sufficiently target young people with their ESF programmes. For example, in June 2010 the youth unemployment rates in Greece, in Italy and in Lithuania were 32%, 27% and 36%, while in these Member States young people represented only 11%, 15% and 14% of the ESF beneficiaries.

Speeding up implementation will make a difference in improving youth employment in those Member States with worst results in terms of execution and poor performance as regards youth unemployment (BG, EL and RO).

Member States with above average youth unemployment and average ESF execution rates¹⁷ (CY, IT, PL, SE and SK) need to focus on their specific difficulties either in implementation (IT) or in readapting ESF measures to respond to specific needs such as skills matching or employers incentives and better access to start-up loans for young people (PL).

Among those Member States with ESF execution rates above 40% and youth unemployment levels above the EU average there is room to increase the participation of young people in ESF programmes and to focus on specific youth related measures (EE, ES, LT and LV).

Refocusing on youth related measures and speeding up implementation could contribute to rapid improvement of the youth unemployment situation. A majority of the identified countries (BG, EE, EL, ES, IE, LV, RO, SE, SK and UK) have identified early leavers from education and training as one of the main groups of unemployed young people and see this group as an important target to improve youth employment conditions.

The Commission will support better implementation of the ESF in the area of apprenticeships/traineeships and entrepreneurship, including social entrepreneurship, with the use of ESF technical assistance to develop and share best practice.

3.2. Innovative approaches supporting the transition from school to work

Workplace learning is a cornerstone of facilitating the school-to-work transitions of young people and for building up a skilled workforce for the future. A broad consensus has emerged in recent years between public authorities, social partners and the business sector that vocational education and training should be provided through a combination of theory and practice (so-called "apprenticeship", "dual" or "twin-track" learning).

Despite the general consensus, **the provision of such training places is unevenly developed in the EU**. EU cooperation in the area of vocational education and training (VET), the so-called Copenhagen Process, has set up an ambitious work programme for Member States and Social Partners for addressing key issues such as quality and funding of VET. The EU Leonardo da Vinci Programme already funds practical VET projects. Initiatives range from

¹⁶ BG, CY, EE, EL, ES, FR, HU, IE, IT, LT, LV, PL, PT, RO, SE, SK and UK.

¹⁷ Based on data provided by the Member States about the national level ESF payments in relation to the total allocation at the end of Q3 2011.

those giving individuals work-related training abroad to large-scale transnational co-operation efforts.

However, **more needs to happen** in Member States at national and regional level to increase the provision of twin-track learning geared to labour market needs. **Stronger commitment of businesses** - as well as the **public sector** - is needed to provide work and training opportunities to young people, for instance as part of Corporate Social Responsibility strategies. Strategic partnerships between the different stakeholders involved can serve as examples.

Traineeships can help students and young graduates to acquire a first work experience. Increasing the offer of workplace learning opportunities needs to go hand in hand with a clear commitment to the conditions under which they take place. In 2012 the Commission will present a quality framework supporting the provision and take-up of high quality traineeships, including an EU panorama on traineeships increasing transparency on the conditions for trainees throughout the EU.

More could be done by Member States and labour market actors to implement the **Youth Guarantee** ensuring that young people are either in a job, education or (re-)training within four months of leaving school, especially for early leavers from education and training and other vulnerable youth. On the request of the European Parliament, the Commission will launch in 2012 a preparatory action for "Activation measures targeting young people - implementing Youth on the move initiative" focussing on the Youth Guarantee, with a budget of €4m. The experience gathered through this action can inspire schemes to be implemented with ESF Support.

3.3. Supporting mobility of young people in the labour market

Erasmus is the EU's flagship education and training programme enabling 250 000 students to study and work abroad each year. In addition, it funds co-operation between higher education institutions across Europe. The programme not only supports students, but also professors and business staff who want to teach abroad, as well as helping university staff to receive training. The Commission will **build on the success of these mobility schemes to further support mobility and efficiency in the labour market.**

In order to address the mismatches between vacancies and job seekers the Commission, with the support of the European Parliament, is setting up a **targeted job mobility scheme** to help young people find a job in another EU Member State and to help businesses fill their bottleneck vacancies. Through the preparatory action "Your first EURES job", the Commission will support young people and employers (SMEs in particular) in fostering transnational recruitments and job placements.

Non-formal learning can also help tackling the youth unemployment problem. Therefore, **the European Voluntary Service will be stepped up in the last two years of the current Youth in Action programme.** The aim will be to place at least 10 000 volunteers. Such work experience in another Member State can provide important skills and help young people enter the labour market. At the same time, the Commission is setting-up a new **European Voluntary Humanitarian Aid Corps** offering new opportunities for young Europeans.

The '**Erasmus for entrepreneurs**' action promotes mobility of entrepreneurs through cross-border exchanges of experience by giving nascent or new entrepreneurs the chance to learn from experienced host entrepreneurs from other Member States. In return, the host

entrepreneurs have the possibility to get a new fresh pair of eyes on their business and new business contacts abroad. More than 4200 entrepreneurs have registered for participation since the beginning of the programme, from which around 86% of the applications have been accepted. Until now, 850 exchanges have been arranged.

4. NEXT STEPS

In the coming weeks the Commission will discuss the economic and social situation with each Member State as part of the preparation of the 2012 European Semester of economic governance. It will work with relevant Council formations and the European Parliament to put rapidly in place the elements of the Youth Opportunities Initiative as described in the box below.

The Commission will liaise with European social partners to seek their active and concrete involvement in this initiative, and will seek the support and contribution of all stakeholders.

A new Youth Opportunities Initiative

Mobilising the ESF to support skills development and school-to-work transitions

- *Several Member States could make greater use of available EU funding, including through re-programming and accelerating implementation, to create larger scale support schemes for young people focusing on fighting early school leaving and developing employability. This is particularly important for Member States where youth unemployment and disadvantage are very high. The Commission is ready to work with Member States using fast-track procedures for operational programmes modifications, provide technical assistance from the EU and fast-track recovery of unspent money.*
- *The Commission will use €1.3m of ESF Technical Assistance to support setting up apprenticeship-type schemes through the ESF, while another €3m of ESF Technical Assistance will focus, among others, on setting up support schemes for young business starters and social entrepreneurs.*
- *The Commission will support Member States on defining youth-related measures in the preparation of their programmes for the next ESF period.*

Supporting the transition from education to work

- *Member States, in cooperation with social partners, should strive to substantially increase the supply of apprenticeships in the EU and ensure that they represent real opportunities for young people to gain specific, on-the-job training and work experience leading to more stable forms of employment. An increase by at least 10% in the EU by the end of 2013 would add a total of 370 000 of new apprenticeships¹⁸.*
- *Social Partners should examine, where appropriate with the Member States' authorities, how best to implement the specific objective of 'promoting more and better apprenticeships and traineeship contracts' as part of their autonomous agreement on 'inclusive labour markets' (2010).*
- *The Commission will substantially reinforce support to learning mobility of higher education and vocational training students. By gearing funds as much as possible towards placements in enterprises, an additional 30% of placements would be within reach, targeting at least 130 000 placements in 2012 under Erasmus and Leonardo da Vinci.*
- *The Commission will launch a €1.5m campaign addressed to enterprises in early 2012 to raise business awareness of Erasmus and Leonardo da Vinci placements and encourage potential host companies to host European trainees.*

¹⁸ Early 2012 the Commission will present a comprehensive study on the supply of apprenticeships in the EU. Currently, around 40% of upper secondary students in the EU are in apprenticeship type vocational training. However less than half of them follow a twin-track training combining theory and workplace practice

- *The Commission will present in 2012 a quality framework supporting the provision and take-up of high quality traineeships, including an EU panorama on traineeships increasing the transparency on the conditions for trainees throughout the EU.*
- *Member States and labour market actors need to step up efforts to implement the Youth Guarantee ensuring that young people are either in a job, education or (re-)training within four months of leaving school, especially for early leavers from education and training and other vulnerable youth. The Commission will launch in 2012 a preparatory action for "Activation measures targeting young people - implementing the Youth on the Move initiative" focusing on Youth Guarantees with a budget of € 4m.*
- *The Commission will invest a significant share of the € 6m budget for social innovation in innovative projects, targeting youth in disadvantaged situations and areas.*
- *The budget allocation for the European Voluntary Service will be reinforced in order to provide at least 10 000 volunteering opportunities in 2012.*

Supporting labour market mobility

- *The EURES European Job Mobility Portal is currently posting over 1.2 million vacancies and 700.000 CVs. In the course of 2012, Member States should put in place specific EURES recruitment services and support measures to ensure that at least 100.000 of these EURES jobs are successfully filled by young people, hence making an intensified use of EURES.*
- *Starting in 2012, the "Your first EURES job" scheme launched by the Commission in 2011 will financially help directly around 5000 young people to fill vacancies in other Member States during 2012-2013. This will serve as a pilot for further developing the scheme and increasing the number of job placements.*
- *Erasmus for entrepreneurs is expected to finance around 600 further exchanges in 2012.*

Strengthened policy delivery as part of the European Semester

- *The Commission will carry out further assessment and analysis of the measures taken by the Member States to fight youth unemployment and will report on this to the informal Council of Employment and Social Affairs Ministers in April 2012.*
- *The Commission invites Member States to discuss the necessary adjustments to their education and training systems within the Strategic Framework of European Cooperation in Education and Training ("ET2020").*
- *The Commission will provide specific guidance to Member States on measures to fight youth unemployment during the bilateral contacts preparing the National Reform Programmes 2012.*
- *The Commission will address the youth dimension in its country specific recommendations to Member States in May 2012.*