



31 January 2013

MOVING YOUTH INTO EMPLOYMENT

- 1 Youth unemployment is an important concern. The EU and the Member States must do everything possible to help young people into work.
- 2 Education and labour market reforms are needed to overcome the structurally high levels of youth unemployment. Providing the right framework conditions for well-functioning labour markets, which help young people to make the transition from education to employment, is not a fresh response to the economic crisis. This is something that has been needed for a number of years.
- 3 A guarantee of work per se ignores economic realities and runs the risk of creating expectations that cannot be fulfilled if the economic situation does not allow for job creation. This is why initiatives in the framework of youth guarantees should be adapted to the situation in each Member State.
- 4 Labour market needs should be put at the centre of education through developing stronger partnerships between education providers and employers, particularly in the design and implementation of work-based learning schemes, such as dual-learning apprenticeship systems.
- 5 In line with its response to the first-stage social partner consultation, BUSINESSEUROPE reaffirms its openness to social dialogue on the issue of traineeships in the context of the Framework of Actions on Youth Employment.
- 6 BUSINESSEUROPE supports labour market related measures that aim to encourage employers to create new opportunities for young people. The objective is not to subsidise youth employment, but to make it a more attractive option for employers.

WHAT DOES BUSINESSEUROPE AIM FOR?

- Ensuring that young people's skills match employers' demand for workers through structuring education and training opportunities, in particular vocational education and training (VET), in line with the needs of the labour market.
- This particularly concerns the demand for medium and highly skilled people. By 2020 it is projected that 50% of jobs will require medium skill levels and 35% will need highly skilled people. Increasing the number of young people studying Science, Technology, Engineering and Mathematics (STEM) subjects is important in this respect.
- The commitment and active involvement of governments, employers, workers and pupils in the business case for the valuable contribution that work-based learning can make to a young person's future career prospects.

KEY FACTS AND FIGURES

Over 25 million people are unemployed in the EU, compared to 16 million in 2008. Of this total around 5.5 million are young people, compared to around 4 million people in 2008.	The ratio between the youth unemployment rate and the adult unemployment rate for the EU27 between 2001 and 2010 has remained between 2.00 and 2.50	The cost for establishing the proposed youth guarantee in the Eurozone alone is 21€ billion.
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I. Introduction

1. The rising levels of youth unemployment that have been witnessed since the effects of the economic and financial crisis began to take hold pose a major problem for Europe. But we should not ignore the fact that even before the crisis structurally high levels of youth unemployment existed – or were developing – in many Member States. Despite this, there are 2 million unfilled vacancies in the EU. Furthermore, young people have never been more highly educated than they are today with 59% of 18-24 year olds in education in 2009 being in tertiary level education. Therefore, young people should constitute a highly sought-after and skilled workforce that will meet the demand for medium and highly skilled workers.
2. However, the trend over the past three years has been for youth unemployment levels to rise. Unemployment rates vary across the Member States, but, nevertheless, stand in contrast to the number of vacant positions and the level of education that young people are obtaining. This points towards a mismatch in the skills that young people have when they enter the labour market and those sought by employers. This calls for a review of education practices and labour market measures so as to help young people into work and make youth employment more attractive for employers.
3. The Moving Youth into Employment Communication is the main document of the “Youth Employment Package” and aims to address issues that will help young people into work through strengthening the role of work-based learning and young people’s participation in it; increasing the mobility of young people; and a proposal for a guarantee of employment, education or further training after a period without one of these options. This is BUSINESSEUROPE’s position paper on the proposals outlined in the Communication.

II. General comments

4. As of September 2012 there are over 25 million unemployed people in the EU, compared to 16 million in the first quarter of 2008. Of this total around 5.5 million are young people under 25 years of age, compared to around 4 million people in 2008. At the same time, there are in the region of 7.5 million people who are neither in employment nor in education or training.
5. These structurally high levels of youth unemployment reveal that there are barriers to the smooth labour market integration of young people, and that they already existed in better economic times. The economic crisis has served to exacerbate the challenges faced in getting young people into work and highlights the longer-term need for reforms, as well as enhanced support and guidance structures for young people.



6. Research conducted by the OECD¹ and Eurofound² suggests that spending a period of time in unemployment or without further education or training at a young age can have a long-lasting impact on a person's future employment prospects and earnings as well as negative consequences for their social integration.
7. Youth unemployment is a central concern across Europe that needs to be addressed through taking into account the specific situation of each country. The twin objective is to create the right conditions to foster employment opportunities for young people and to ease their transition between education and work, which is the sign of a well-functioning labour market.
8. Therefore, concerted action is needed at Member State level to implement the structural labour market reforms that will raise productivity and competitiveness, thereby creating growth and jobs and enhancing young people's employment prospects.
9. To facilitate transitions there needs to be a good match between skills supply and demand and labour market conditions that encourage employers to hire people.
10. On the demand side there are two strands to the concept of putting labour market needs at the centre of education. The first is identifying the demands that employers have for labour, including the skills required and in which sectors. The other is how to enshrine those needs within the education process to help ensure they are met, which will be to the benefit of young jobseekers.
11. On the supply side, stronger partnerships are needed between education and training providers on the one hand and businesses and their representative organisations on the other in the design and implementation of school, VET and university curricula and in the provision of career guidance. This will help young people at school and university level to be more aware of, and prepared for, the opportunities that exist when they follow a particular educational path in terms of the subjects they study or the work experience they undertake. This includes greater awareness of the importance of technical studies and the added value of apprenticeships and work-based learning for their future employability.
12. BUSINESSEUROPE advocates the principles of work-based learning and the strengthening of dual-learning elements in Member States' existing systems. This is a prime example of partnership between employers and education and training providers. Young people's transition from education to employment can be facilitated by expanding access to dual-learning systems, such as in the form of apprenticeships.
13. BUSINESSEUROPE believes that labour market needs must be put at the centre of education with targeted, resource-efficient investment being allocated to education in order to raise Europe's competitiveness. The EU can provide seed funding, for example through the European Social Fund (ESF), to help Member States deliver self-sufficient education systems. Specifically, a share of the ESF and the Erasmus For All programme should be allocated to providing seed funding for Member States that wish to establish or reform their dual learning systems.

¹ <http://www.oecd.org/employment/employmentpoliciesanddata/46717876.pdf>

² <http://www.eurofound.europa.eu/pubdocs/2012/54/en/1/EF1254EN.pdf>



14. BUSINESSEUROPE has outlined a number of proposals in this regard in our publications, “Creating Opportunities for Youth: How to Improve the Quality and Image of Apprenticeships”, “Educate for Employment” and the position paper on “Rethinking Education”.

III. Specific comments

Labour market reforms to stimulate youth employment

15. Labour market rigidities must be recognised as a factor that is leading to structurally high levels of youth unemployment. In order to increase employment for young people a flexible labour market is needed where unduly high minimum wages and non-wage labour costs do not inhibit job creation.
16. BUSINESSEUROPE believes that flexible labour markets help to combat labour market segmentation. The Communication observes that temporary jobs can be a stepping stone to permanent employment. BUSINESSEUROPE supports this view believing that different forms of contractual arrangements are needed by employers and workers to adapt the workforce and allocation of resources to the production cycle as a means to stimulate job creation by companies and to allow workers to better reconcile work and family life.
17. Temporary contracts are essential in order to meet current and future business needs. OECD studies³ have shown that temporary employment can act as a stepping stone to permanent work for young people. Evidence from Germany also shows that more than 50% of fixed-term employees move directly into a permanent work relationship and between 2005 and 2011, the transfer rate increased markedly – from 39% to 56%.
18. Instead of stigmatising flexible forms of unemployment as “precarious”, European policy makers and social partners must join forces to address the real precariousness of our labour markets – unemployment.
19. At the same time, permanent contracts should be made more flexible to stimulate hiring with provisions that encourage recruitment through wage incentives and give legal certainty and predictability for the establishment and termination of contracts, at a reasonable cost for employers. Unduly high employment protection legislation of permanent contracts can stifle job creation by discouraging employers to recruit new workers, which can particularly affect young people, while risk adding to labour market segmentation.

Helping young people to kick-start their career

A) Youth guarantees

20. Economic growth is needed to create jobs. Therefore, policies targeted at increasing youth employment need to reflect economic realities. There are costs involved with the different courses of action that could be taken. On the one hand, Eurofound has estimated that the economic loss to society of not integrating

³ OECD (2009) “Tackling the jobs crisis” <http://www.oecd.org/dataoecd/54/50/43766254.pdf>



NEETs was 153€ billion in 2011. On the other hand, the notion of a “guarantee” implies a considerable financial commitment by Member States, whether this is for the provision of jobs, education or training. This is particularly true for countries with the highest levels of youth unemployment, which are also among those with the greatest public deficits. The International Labour Organisation has projected that the cost for establishing the proposed youth guarantee in the Eurozone alone is 21€ billion.

21. The extent of youth unemployment varies across the Member States, but it can be recognised that today's youth are in a critical situation. Consequently, each national government should be able to appraise the need, scope and objectives of a possible youth guarantee scheme and in doing so should ensure the principles of quality, relevance and efficiency in actions that are undertaken. In this respect, guarantee schemes need to engage employment services and training providers. It is important that such schemes find an appropriate balance in accordance with the economic and labour market situation in each Member State.
22. To help address some of the initial costs, it could be possible to use the ESF to provide seed funding, but this should not lead to an increase in the overall tax burden, which would ultimately hamper job creation for young people.

B) Making youth employment a more attractive option for employers

23. Young people are in a specific situation given their lack of, or limited, work experience at their point of entry into the labour market. Accordingly, and in addition to the structural issues that could be addressed to help foster youth employment, financial incentives and specific working conditions arrangements may be needed to encourage employers to recruit more young people.
24. This could include lowering the minimum wage for young workers, where it is in force, in order to make it easier for young people to get their first job or specific schemes, such as the “youth contract” in the UK, which provides 160,000 wage incentives worth up to £2,275 (2,650€) each.

C) Work-based learning a crucial element in the education to work transition

25. Work-based learning models, such as dual-learning, including apprenticeship systems, can play a key role in providing young people with the skills and competences that will help them into employment. Accordingly, work-based learning should be a part of education at secondary and tertiary levels.
26. Evidence suggests that there is a correlation between countries with well-established dual-learning systems and low levels of youth unemployment. For example, Austria, Denmark, Germany, the Netherlands, and Switzerland are the European countries with the most established dual-learning, apprenticeship systems and which also have the lowest levels of youth unemployment - not exceeding 15%.
27. Apprenticeships bring advantages for a range of stakeholders. For young people they provide professional experience and enhance future job prospects. Employers benefit from the output generated by apprentices, which helps to finance



companies' investments as well as providing a potential future employee. For employers there is also the issue of cross-fertilisation, i.e. that an apprenticeship results in someone learning a particular skills set that can be applied to other companies operating within the same sector. National governments benefit from greater employer engagement in dual-learning schemes in the form of reduced spending and sharing the task of educating and training young people.

28. The provision of work-based learning and setting a suitable framework that encourages companies to be involved in this is the responsibility of Member State actors – state, social partners, companies and education and training institutions, working alongside businesses – and requires continual political and economic commitment. These actors, especially employers' organisations and companies, should be involved in the design and implementation of education and training curricula. This inclusive approach is particularly important for fostering a mindset of active engagement of companies in work-based learning schemes, such as in providing more apprenticeship positions. To successfully implement the work-based training element of education, companies need to receive appropriate support and guidance, particularly from employer's organisations. The partnership concept should also include cost-sharing models, where appropriate.
29. Italy and Spain strengthened their apprenticeship systems in 2012 through structural labour market reforms. In Italy an agreement was signed between the employers federation and the three main trade union organisations on the reform of apprenticeships. In Spain a law was approved in November to develop a new contract for training and learning, which establishes the foundations for a dual-learning system. The contract covers 17- 24 year olds and aims to improve their employability by increasing the period of time spent in a working environment during their education, which should be up to 75% of the normal working time during the first year and up to 85% in the following two years.
30. Further examples are from Germany, where companies invest 27€ billion per year in continuous training and 24€ billion per year into the dual training system, and the UK pilot project for the "Employer Ownership of Skills". This is a competitive fund open to employers to invest in their current and future workforce in England, either individually or working with colleges or other businesses in innovative partnerships. The fund seeds the development of these clusters in the hope that they will then become self-financing over time. Employers are invited to develop proposals that raise skills, create jobs, and drive enterprise and economic growth. Government backs projects in which employers are prepared to commit their own funds in order to make better use of the combined resources.
31. To complement national level actions there need to be coordinated efforts at the EU level, such as in the form of information campaigns. These should raise awareness of the benefits that apprenticeships can bring for young people and employers and improve the perception of VET. The aim of EU-level actions must be to aid those Member States that want to improve their systems, while taking into account differing national structures and traditions.
32. BUSINESSEUROPE welcomes the proposal for establishing an EU Alliance for Apprenticeships and is ready to play an active part in this initiative. BUSINESSEUROPE also supports the use of EU structural funds to provide



investment into education and infrastructure in the current financial period and for 2014-2020. Specifically, we call for a share of the ESF and the Erasmus For All (YES Europe) programme to be allocated to providing seed funding for Member States that wish to establish or reform their dual learning systems.

33. Traineeships are another means through which young people can gain valuable workplace experience. They can help ease their transition into the labour market by broadening their skills set and reducing the risks of skills mismatch. Therefore, the focus of traineeships should be on learning outcomes.
34. BUSINESSEUROPE believes that minimum requirements for traineeships should not be set at the European level. Notably, the EU has no competence on the issue of “remuneration” which is a national competence according to article 153.5 of the Treaty on the functioning of the European Union. The status of trainees, like is the case for apprentices, should be organised by Member States in accordance with the diversity of national industrial relations and educational systems and taking into account the educational purpose.
35. As indicated in our response to the first-stage consultation, BUSINESSEUROPE reaffirms its openness to social dialogue on the issue of traineeships in the context of the Framework of Actions on Youth Employment and in the form of joint advice or recommendations to national level actors. This approach would focus on the learning experience and outcomes of a traineeship, which would be coherent with the structure of the Framework of Actions, which refers to traineeships in the context of learning. It would not make sense to disconnect the issue of traineeships from the Framework of Actions on youth employment. In addition, negotiating a standalone autonomous framework agreement on traineeships would be at odds with our view that the status of trainees should be set at national level.

D) Individual advice and guidance for young people

36. BUSINESSEUROPE supports concerted action to help young people into work. Building stronger partnerships between employers and education and training providers and their pupils/students for the provision of individually tailored advice and guidance services can significantly help to improve young people’s job prospects and fill unoccupied vacancies. The experience of searching for a job and the application process are skills that people need throughout their career and supporting young people in this way at the start of their professional life will stand them in good stead for the short and longer-term.

Youth mobility for a better match between skills and demand

37. In 2011 just 2.9% of Europeans of working age (15-64) lived in a Member State other than their own. BUSINESSEUROPE supports efforts to increase the mobility of young people as a means to provide them with valuable, experience, skills and work opportunities.
38. EURES – the EU’s job mobility tool – should be expanded to offer cross-border work-related apprenticeship and traineeship placements for young people. The proposal for a “EURES jobs for young people programme” would also be an



important means for encouraging the intra-EU mobility of young people. This would enhance young people's long-term employment prospects through the skills and work and life experiences that they would gain from being abroad.

39. An important element for greater youth mobility is learning a foreign language and this is also something that needs to be addressed and encouraged as part of national education processes.
40. Despite high unemployment and the ongoing crisis, employers throughout Europe report complexities in reaching and recruiting competent employees due to the negative image associated with certain jobs. Young people are often unaware about the scope of possible careers and activities offered by both private and public employers and enterprises.
41. This is particularly relevant, for example, in the lack of interest in STEM subjects and when the estimated shortage of qualified Information Communication and Technology staff in the EU in 2015 will be up to 700,000. In this regard greater effort needs to be made by education providers and employers, in partnership, to overcome the perception that STEM skills do not lead to concrete employment opportunities or are not relevant to today's economy.

Entrepreneurship

42. BUSINESSEUROPE supports a number of the issues raised in the European Entrepreneurship Action Plan 2020, namely in the areas of entrepreneurial education, the need to alleviate administrative and financial burdens during the start-up phase of a company and facilitating business transfer. Tapping into the entrepreneurial potential of its citizens is a crucial aspect for Europe to return to a path of sustainable economic growth.
43. Encouraging young people to develop an entrepreneurial mindset and skills can have a strong impact on their future employability or lead to them becoming independent entrepreneurs. To foster this, entrepreneurship should be better promoted through, and integrated in, secondary and higher education. A good example of promoting entrepreneurialism is the UK television show, "The Young Apprentice" in which young people aged 16 and 17 participate in a series of tasks in which they need to demonstrate their entrepreneurial and business skills and their future potential. The winner receives £25,000 (29,000€), which is to be used towards their future education.
44. BUSINESSEUROPE believes that entrepreneurialism should be a state of mind. The skills that young people can develop from this, such as problem solving, learning to take initiative and working collaboratively, are about shaping individuals for their future career. Therefore, it is important that all school pupils have the possibility to take part in work experience that will help to develop these skills.
45. A successful example of developing entrepreneurial skills is in Austria where the Entrepreneur's Skills Certificate enables young people to develop economic and labour market competences that will help them in the transition to employment or to become self-employed. This scheme was started in upper secondary schools and has now spread to vocational schools and colleges.