



Youth Guarantee: European framework to American policy?

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PREMISE

The aim of this contribution is to provide an overview of the recently released paper, [ILO, *The European Youth Guarantee: A systematic review of its implementation across countries*, August 2017](#). The paper provides a synopsis of the activation measures, success factors, achievements, and challenges of this innovative EU-wide program.

The implementation of the Youth Guarantee (YG) at the national level of all Member States, along with several of its features, has made the program one of the most ground-breaking labour market policies in recent memory. The YG program ensures that all individuals under the age of 25 receive a decent quality work offer that matches their skills and experience or the opportunity to further their studies or to undertake an apprenticeship or professional traineeship within four months of becoming unemployed or leaving formal education.

It should be mentioned that youth guarantees are not merely changes to active labour market policies (ALMP), but that their proper implementation often requires the creation and/or reform of vocational training schemes, education systems, and public employment services (PES). Youth unemployment is a significant issue that must be approached from an inclusive and comprehensive point of view. Studies show that extended periods of youth unemployment can lead to long-lasting consequences including permanent future income losses, skills erosion, and an increased risk of discouragement and inactivity ([McQuaid R., *Youth unemployment produces multiple scarring effects*, The London School of Economics and Political Science, July 2014](#)).

The European youth guarantee was launched in a crucial moment that required a coordinated, legally enforceable response. At the end of 2012, for example, the youth unemployment rate in Europe was 23.5 % and reached 50% in some Member States. Due to the comprehensive nature of the program, the YG became one of the few endeavors with extensive support from all stakeholders which has been crucial to its mostly successful implementation.

REPORT OVERVIEW

Background

The current YG is based on portions of successful similar programs first introduced in Nordic countries in the 1980s and 1990s. Common features include an emphasis on customized plans based on the needs of youth out of employment and education, a significant role played by PES, and the principle of guaranteeing unemployed youth an employment, academic, or vocational training opportunity.

Calls for an EU-wide youth guarantee began in 2005 and increased until 2012 when the Commission proposed a Council Recommendation on youth guarantees. In February 2013, the Council launched the Youth Employment Initiative with an endowment of 6.4 billion euros to support the YG. This fund was limited to regions where unemployment levels were above 25% for 2012 and granted if countries agreed to match the funding with at least the same amount from their European Union Social Fund allotment. In April 2013, the Council adopted the Recommendation and by May 2014 all countries had submitted their implementation plans.

Theoretical considerations

As ALMPs are vital instruments for boosting workforce productivity and reducing inequities between labour demand and supply, the expected impact of the youth guarantee will be driven by the types of active labour market policies employed. The training portion of YG is projected to have a significant impact on the most vulnerable of unemployed youth, while having a limited impact on overall unemployment. Labour intermediation services are anticipated to raise effectiveness of the job search, subsequently increasing demand for labour as opening new positions becomes cheaper. However, this type of support could potentially alleviate the fear of unemployment. If the increase in labour demand is insufficient, competition for existing job openings will only increase.

Preliminary findings on impact

Although a systematic evaluation has yet to be conducted due to the recent implementation, some preliminary studies have been conducted that shed light on various successes and challenges. In a study by the DARES (*Direction de l'animation de la recherche, des études et des statistiques*) at the French Ministry of Labour, the highest positive effect on the employment rate was during participation, within the first three months, and right after completion of the program. However, a qualitative-sociological analysis listed the effects as 3-fold: the first group found a job, the second group continued preparing for employment, while the third group consisted of disadvantaged youth whose vulnerability did not allow them to make the most of the program.

Assessments into preliminary outcomes show encouraging progress has been made along with some complications. The report stands to update and complement previous analyses and to offer new viewpoints in terms of accomplishment of success factors.

Factors for Success

First, the eligibility criteria must be clear. As stated, the YG commits to assisting citizens under the age of 25. 11 countries followed this recommendation, 15 extended the threshold to 30 years old, while France set the age at 26 and the Netherlands limit is 27. This difference in age limits can be attributed to varying youth population sizes and availability of resources (cash, PES). Most countries' plans target NEETs (youth not in employment, education, or training) and include pinpointing sub-groups and developing packages around the needs and skill levels of each group or risk disengaging youth by providing a skills-education mismatch. As this success factor is considered, all EU countries have succeeded.

Secondly, early intervention is crucial to overall effectiveness. All countries have also followed the Council recommendation for setting a limit of four months with regards to the maximum period within which youth must be offered an employment or training opportunity. Despite this commitment, 57% of EU youth were enrolled in their national YG programs for more than four months in 2015. This is troubling because studies mentioned by the report show that extended periods of unemployment lead to skill erosion and weakens the impact of activation measures.

Next, activation measures are most successful when implemented as a comprehensive package. Member States have been successful in employing a wide range of measures and initiatives that include: education and training for employment programmes; remedial education school dropout measures; labour market intermediation services; and ALMPs aimed to affect labour demand.

All Member States have included education and training programmes in their implementation plans positioning skill upgrading as a high priority for countries. Schemes addressing school dropout and completion rates are also prevalent. These are vital because a significant percentage of youth out of employment belong to vulnerable groups who lack technical as well as basic skills. However, only 9 of the 21 Member States analyzed have made efforts to implement these measures due to various social and economic factors involved in assisting hard to reach youth groups. All Member States have planned to implement labour market intermediation services which mainly focus on reinforcing PES rather than providing additional employment services. Croatia, France, and Luxembourg good examples of this reform. The importance given to ALMPs has been more mixed among countries. The most common type in YG plans is hiring incentives which generally take the form of employment subsidies or reductions in hiring costs through social security bonuses. These are relatively easier to implement than other ALMPs which

explains why 60% of Member States have taken steps towards these. Other ALMPs found in youth guarantee plans include start-up incentives and direct employment creation programs.

A creation of appropriate institutional framework is also compulsory for a successful YG. Most Member States have focused on creating programs with a wide range of actors responsible for operation including the Ministry of Labour (most common), Education, Social Affairs, and Science and Research. Evidence suggests that PES play a fundamental role in the effectiveness of youth guarantees and that they must be properly staffed (in competencies and numbers) in order to manage and customize the range of services offered. Majority of countries are modernizing their PES to ensure this. Social dialogue has also been an important aspect throughout the design, implementation, and evaluation of YG plans.

Fifthly, sufficient resources must be guaranteed, including administrative and operational costs. An analysis in the report sheds light on three important findings regarding the sufficient allocation of resources. First, there is a significant variation in spending planned per eligible participant across countries. Secondly, more than 60% of Member States have planned expenditures below the recommended level. Lastly, all countries have allocated more funds to YG than originally planned (apart from Poland), but countries with planned expenditures below the recommended level have yet to close that gap. Countries should note that budget flexibility is central in enabling programs to respond to economic cycles and the inevitability of inaccurate cost projections.

Lastly, moderators must be able to ensure that beneficiaries are complying with their obligations. Most Member States ensure beneficiaries comply with their commitments by applying a mutual obligation to the services they provide. In France, entitlements to YG services expire after 18 months and participants who did not take up an offer in this timeframe are out of system. Beneficiaries tend to accept these obligations due to the wide availability and benefits of the program.

Challenges

From 2013-2015 Member States adopted 132 labour market reforms targeting youth. As expected, experiences among countries vary widely as several created pillars and institutions from the ground up while others adapted their programs and measures to meet the specific requirements of the YG.

An analysis of the EC categorizes Member States into three groups in terms of the number of reforms carried out for youth vis-à-vis institutional context and macroeconomic conditions they had when the recommendation was adopted. Group A consists of countries with well-established policies and programs similar to YG at the time of implementation. The countries in this group are Austria, Denmark, Estonia, Finland, Germany, Ireland, Malta, Netherlands, Sweden, and the UK. Group B includes Member States that had comprehensive policies in place, but whose youth were still facing major challenges. This group contains Belgium, Bulgaria, Croatia, France, Italy, Latvia, Lithuania, Poland, Portugal, and Slovenia. These are also the countries receiving substantial financial support for YG. The final group, Group C, comprises countries where reforms were limited despite significant challenges faced by youth. Group C includes Cyprus, Czech Republic, Greece, Romania, Slovakia, and Spain.

CONCLUSIONS

In the three years since implementation of YG, the majority of countries have made encouraging progress as challenges are to be expected in creating a program of this depth and breadth. It is important to remember that the overall impact and success of YG will depend solely on the specific features of each program's design and implementation. Evaluations of youth guarantees from the pioneering countries show that the best effects come from the most comprehensive programs intended for a broad group of participants.

Three years later, Member States have seen achievements along with several challenges. All countries have established clear eligibility criteria and developed specific measures to target most vulnerable youth. All countries have also undertaken important steps towards the execution of most planned measures with specific importance being placed on modernizing PES and improving its efficiency. Member States struggles with implementation can be tied to the lack of sufficient resources being allocated towards YG. This lack of resources can also be blamed for countries failure to provide systematic early intervention. Due to these facts, it is evident that Member States must make greater financial commitments to assist the full NEET population and reduce youth unemployment. Countries should not wait long to increase their allocation of

funds as extended periods out of employment or education have been proven to weaken the effectiveness of all activation policies.

I am hopeful for the success of the guarantee as an effective program in Europe could potentially transfer, at least a few policies and/or ideas, to the United States.

Referencing a White House report from 2016 sheds light on the state of ALMPs in the United States ([Crépon, B., van den Berg, J., *Active Labor Market Policies: theory and evidence for what works*, Council of Economic Advisers Issue Brief, 2016](#)). Current policies and programs are outdated and ineffective due to the US spending just 0.1 percent of GDP per year on active labor market policies. This contrasts with the OECD average of 0.5 percent of GDP. Limited and shrinking investments in these policies raise important questions about the future efficiency of the US labor market's ability to respond to economic cycles.

The US program most similar to the European YG is Job Corps, a nation-wide education and training program administered by the Department of Labor aimed at addressing the multiple barriers to employment faced by low-income, skills-deficient youth ([Job Corps Annual Report, 2002, US Department of Labor](#)). The majority of other Federal youth-focused initiatives are grants provided either to states, localities, nonprofits, or community organizations ([Crépon, B., van den Berg, J., *Active Labor Market Policies: theory and evidence for what works*, Council of Economic Advisers Issue Brief, 2016](#)).

While Job Corps is relatively effective for participants, with the most robust effects felt by the oldest participants, the costs per-participant are relatively high and enrollment is extremely low. Considering 2016 population estimates from The World Factbook, ILO youth unemployment estimates ([International Labour Organization, *Unemployment, youth total \(% of total labour force ages 15-24\) \(modelled ILO estimate\)*, ILOSTAT database, 2016](#)), and enrollment data from the JobCorps website ([Jobs Corps, *Enrolment by State/Zip Code \(1/1/2016 – 12/31/2016\)*, Jobs Corps Reports, January 1, 2017](#)), the program reached just 1% of unemployed youth in the US in 2016. It is evident that current institutions are unsuccessful in reaching those most vulnerable, which can be attributed to the severe underfunding of AMPLs mentioned above.

The Workforce Innovation and Opportunity Act of 2014 is a crucial step to ensuring that youth education and training programs continue to receive support in the US. However, it seems evident that a coordinated and legally enforceable program with specific requirements and metrics similar to the YG is also needed in the United States for youth training and education programs to have wide-spread positive effects. It would be possible for the US to develop a program constructed in a comparable way. For example, the European institutions set minimum standards, allowing Member States to raise the standards according to their financial and population constraints. This structure could easily transition to the US by the Federal Government setting minimum criteria and allowing individual states to tailor programs as appropriate.

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